Predicting Development Prospects Based on the Current Situation of the Sino-US Trade War

Xiaomeng Wu[1, *]

[1]School of Shandong University of Finance and Economics, Jinan, China

*Corresponding author: 20182014133@mail.sdufe.edu.cn

Abstract. This paper mainly discusses the prospect of the trade war between China and the US, the future trend of china-US economic and trade relations, and extensively analyzes the causes and influences of the trade war from the perspective of case analysis method and comparative analysis method. The trade war triggered by the trade deficit stems from the desire of both countries to maintain their own strength and economic growth, which makes the compromise difficult. In addition to the continued worsening of bilateral ties, a future decoupling of China-US economic and commercial relations will have significant repercussions for China and the United States, as well as the world economy. In order to prevent the decoupling of our China-US trade ties, China and the United States must settle their differences in our US economic and trade relations via more communication and consultation.

Keywords: Trade war; China and the United States; economic relations.

1. Introduction

1.1 Research Background and Motivation

The world today is developing towards the "post-American era", that is, the global system and the global pattern, including politics, economy, culture and other gradually separated from the control of the American hegemony. Today's global system is economically one with American finance and American market as the center. From the political level, it is a politically correct system of American neoliberalism and the so-called western democratic representative system. From a military perspective, it is a security-based system in which the United States assumes a leadership role in international affairs. All three systems have experienced a sharp drop. Since Trump assumed office, protectionism and isolationism have had an impact on how the United States views the world. Under Trump, the US administration is more likely to "demand more protection costs and give fewer services" on the global stage. In the long term, it appears like the United States is burying its own global environment and allies. At the same time, the internal decline of the United States is also extremely obvious, reflected in the serious polarization between the rich and the poor, the serious tearing of the class, the political parties, and the serious tearing of the mainstream values. Plus the mainstream groups also changed in the United States, before the mainstream white Americans, but in many non-white groups increasing in the American society, when the number of white people no longer have absolute advantage, white bottom populism is being increasingly strong, the United States will be difficult to support the global hegemony system.

The two biggest economies in the world today are those of China and the United States. More than 1,000 adversaries have died as a result of the trade war that the United States and China started, but also damaged 800 enemies, but also seriously weakened the economic interests of other countries and regions around the world. Based on its own interests, the United States has started taking trade protection measures against its main trading partners, particularly against China. The US economy's long-term deficit and the country's high unemployment rate, the national system dominated by the US hegemonic global governance, and its high precautions against the rise of countries outside the United States are all the trigger of the trade war. The Trump administration adopted a number of trade protection measures to impose tariffs on China, upsetting the global trade order and the division of labor in the industrial sector. The administration also sought to shift attention away from many domestic tensions in the US. The United States wants to take this opportunity to try to contain China's

rapid economic development, science and technology and national defense development, and to weaken China's growing influence on the international political stage and the threat to American hegemonies. Under the frequent decoupling policy of the US, for a developing power like China, the numerous unknowns about the future of Sino-US economic and commercial ties represent both a crisis and a turning moment. China should not only be ready to play games with the United States in all aspects, but also actively engage in trade discussions and consultations with the US to foster the normalization of China-US economic and trade ties and to set the stage for win-win cooperative negotiations.

1.2 Literature Review

In terms of relevant research, there have been a lot of academic studies on the causes and effects of the trade war between China and the United States, but there are relatively few studies on the decoupling and normalization of the trade relations between China and the United States. The analysis and combing of these documents can be divided into the causes, effects and results of the trade war.

The first aspect is mainly to study the background and reasons for the formation of the “Sino-US trade war”. Zhong Feiteng (2019) from the trade war of political economy logic analysis: a major reason for a trade war is the trump ruling team "America first" strategy of the lower employment and income level in the most urgent agenda, not the interests of the American mainstream elite, the American national interests order occurred with the American government to the overall national interests, it will affect China on china-us trade relations strategy [1]. Qin Xi (2019) analyzed the substantive purpose of the Sino-US trade negotiations, arguing that the United States's request for China to open its financial markets is an attempt to facilitate the United States to seek assets in China. Asking the Chinese government to stop industry subsidies is to prevent China from developing "Made in China 2025". Asking China to stop "exchanging market for technology" is delaying China’s high-tech development. Asking China to reduce its trade surplus by 100 billion yuan is a disguised force for the yuan to appreciate [2]. Tai-leung Chong and Xiayang Li (2019) analyzed the trade war between China and the US from a historical perspective. By comparing a series of trade conflicts between the United States and Japan, there are three factors believed to be the cause of the current trade war: trade imbalance, the US midterm elections, and competition for global economic dominance. Thinking that trade frictions could not be fully resolved; they analyzed the worst-case simulations based on the current state of the trade war. The results showed that China would lose 1.1% of 1% of its jobs and 1% of its GDP in the worst-case situation. The study points out the similarities between the Sino-US trade war and the historical trade conflicts between Japan and the United States. Despite the two trade imbalances, they are not the root cause of the collapse of Japan’s asset price bubble, and therefore should not be confused with the situation in China [3]. Wang Xiangming (2019) By comparing the trade protection measures taken by the United States and Europe, Japan, Canada, Mexico and other countries, it seems that the differences with other countries outside China are mainly limited to the economic field. The analysis of the trade war between China and the United States from the economic, political and social causes of the US trade protection measures against China is a comprehensive strategy of the established hegemonic countries to contain the emerging countries [4].

The second aspect is mainly to study the impact of the China trade war with the United States. Liang Yongmei (2020) analyzed the impact of US companies in China affected by Sino-US tariff sanctions. Focus on analyzing the impact on the exports of American enterprises in China. American multinational companies in China are roughly distributed in three sectors: automobiles, chemical products and electronic products. As American enterprises in China account for a relatively small proportion of the US overall interests, and the proportion of exports is relatively low, the products produced are mainly sold in the Chinese market, and the share exported to the US is only about 3%. The high tariffs imposed by the trade war between China and the US have a limited impact on them. From the perspective of interest game, the interests of American enterprises in China are not greatly affected by the trade war, so the pressure on the US government is not effective [5]. Li Xuze (2019)

in the research report analyzes the china-us trade war imbalance is the main cause of the industry, the United States to China and southeast Asia trade balance data for the empirical test, the analysis of China trade flow and flow before and after the trade war concluded that the trade war to China's import and export growth fell significantly, and trade flow gradually from the United States to countries along the “Belt and Road” [6].

The third aspect is mainly to study the possible results of the trade war between China and the United States. The Challenges and Opportunities faced by China-US relations in the new era points out that due to the increasing uncertainty in the identity and interests of rising China, as well as the influence and restraint of third countries, some voices in both countries believe that China and the United States will inevitably move towards confrontation. The author believes that the interest foundation of China-US cooperation is still solid, and the willingness for cooperation still exists, and that building a new model of major-country relationship is still the most correct possible choice between China and the United States [7]. Wang Jisi (2012) The Construction of Strategic Mutual trust between China and the US points out that China-US relations are facing a serious test and a lack of strategic mutual trust. The instability of bilateral relations will cause huge unbearable losses of interests for both sides, and endanger the world economic development and global security [8]. Qiao Yide (2019) criticized Trump's "America First" policy as an anti-globalization strategy of "populism", "nationalism" and "protectionism" from the perspective of realism. He pointed out that the United States is vigorously pushing for its decoupling from China. In the military industry, China and the United States have never traveled and have been decoupling. In key technology areas, the US is gradually implementing its decoupling plan. In labor-intensive industries, because China and the United States are highly dependent on each other, they cannot be decoupled in the short term, but the United States cannot ignore the reconstruction of the industrial chain layout [9]. Su Qingyi (2019) analyzed the reasons for the US's "decoupling policy". We believe that China and the United States have fallen into the "Samuelson trap", and that the US's "decoupling policy" towards China is an attempt to get out of the "Samuelson trap", not the end. He believes that Trump's presidency has intensified the implementation of the US "decoupling policy" towards China. “Decoupling” means excluding China from the US-led global value chain system. It believes that the impact of "decoupling" on China in the short term is huge, but it will also stimulate the upgrading of domestic industries. The possibility of "decoupling" is not ruled out [10].

2. Analysis of Sino-US Trade War

2.1 The Deficit is the Main Reason for the China-US Trade War

Since taking office, former US President Donald Trump has emphasized strong and strong economic protection measures against the china-US trade deficit in order to resolve the long-standing unfair trade relationship in china-US trade relations. Due to the huge digital trade deficit, Trump and his ruling team took this opportunity to try to redefine the rules of the trade game to contain China's economic development and maximize the economic benefits for the United States. He accused China of earning $500 billion a year from the United States, and considered it a naked robbery. According to us trade deficit data released in the first half of 2019, the US trade deficit shrank by us $18.8 billion from the same period in 2018 under the framework of US 25 percent tariffs on 250 billion goods imposed on China. But at the same time, the U. S. trade deficit with Mexico and Vietnam instead rose by $20 billion in the first half of 2019 alone. This data can show that even with the reduction of imports of Chinese goods, the demand for imported goods in the US domestic market still exists, and the overall trade deficit of the United States has not been substantially reduced.

2.2 The Impact of the Trade War on Both China and US

2.1.1 United States

Trump has long argued that if the Chinese people seize American jobs and hit the US trade deficit, they can revive American manufacturing and return to jobs. This is not really true. Because the biggest support for the US economy is from local American consumers, in fact, US residents are keener to buy cheaper imports. The cost of products made in the US is much higher than that of developing countries such as China or Vietnam, and the chances of American companies to buy low-priced imported products are far greater than those to buy high-cost American-made products. Thus, the high tariffs imposed on China are not substantially contributed to the revival of the US manufacturing and job market. Through the analysis of the global 29 countries inside the trade imbalance test results, that the United States to trade partners to trade protection measures, its manufacturing will further reduce, if trading partners implement revenge, then the American manufacturing employment will further deteriorate, further improve the production costs and squeezed the living space of American manufacturing industry.

2.1.2 China

Compared with the data before the trade war, the trade war has labor-intensive sectors lost more than 50% of exports, while the processing industry lost 27%. The trade war most severely affected China's ability to move industries up the production chain, which caused a steep decrease in the country's economic indicators, with a GDP growth rate of only 6.2% in the second quarter of 2019—the lowest since 1992.Chinese customs statistics show that the total trade between China and the United States in 2019 fell by 8% from the same period of the previous year. The global industrial chain is absolutely dependent on China's processing commerce. Costs of manufacturing products increased as a result of the trade war's high punitive tariffs, compressed the interests of commodity space, lead to factories to reduce production costs need to move to cheaper neighboring countries, such as Cambodia, Malaysia, Vietnam and other developing countries, seriously disrupted the existing world production chain division of labor layout, also accelerated the loss of China's labor and employment market and shrinking. In August 2019, different research institutions initially estimated that the trade war has conservatively estimated between 1.2 million and 1.9 million unemployed people, plus China's labor rising power costs have led to the global manufacturing industry chain to accelerate the pace of withdrawal from China.

2.3 Trade Negotiations between China and the United States

From February 2018 to the first round of the China-us Senior Economic and Trade Consultation in February 2018 to the 13th round in October 2019, the china-us trade war finally signed the first phase of the economic and trade agreement in January 2020. The most prominent outcome of the negotiations was that the US promised to cancel the proposed additional and existing tariffs on China in stages, and to adjust the tariff rate from rising to falling. The United States gave a positive action on this point. The United States agreed on a trade policy of state intervention in the market, while violating American liberal ideology. It could lead the United States to reduce its free trade advantage by reaching "conditional" trade agreements. At the same time, the US has become more economically dependent on China. On the whole, the first phase of the agreement will help reduce the market uncertainty about the future economic trends, and play a positive role in enhancing market confidence and promoting global economic and trade development.

However, there are still some problems with such negotiations. In terms of enforcement strength, in the first phase of the trade negotiations between China and the US, even though the Chinese government has always insisted that the first condition of the bilateral agreement is to remove all additional tariffs. But in the final agreement, US President Donald Trump has always maintained the added tariffs to ensure that China can fulfill the first phase of the economic and trade agreement commitments.

2.4 Prospects for the Future Development of Sino-US Economic Relations

As we all know, China's consumer market has a demographic dividend of 1.4 billion yuan. China's consumer market currently ranks second in the world, and it has the momentum to surpass the US consumer market in the near future. On August 6, 2019, economic daily published an article titled "consumption scale is close to the United States, China will become the world's largest consumer market" article, the content is mainly for the American consumer market consumption growth and future consumption potential comparison and forecast, concluded that in the near future the Chinese consumer market will replace the American market to become the world's largest consumer market. According to the industry distribution of the United States in Chinese multinational enterprises, it mainly occupies the middle and high end of the production value chain, focusing in the three fields: automotive, chemical products and electronic products. The products made in China by American companies are mainly sold in the Chinese domestic market. Based on the Chinese demographic dividend of 1.4 billion yuan and the huge economic interests of China's domestic sales market, any global enterprise is not willing to lose such a huge market and opportunity. Therefore, if the china-us trade relationship decouples, then it is conceivable that the economic losses caused to the United States will be huge. The root cause of the trade war between China and the United States is US concerns that China's long and huge trade surplus suppresses US jobs, concerns about China exchanging technology for market and cheap US technology, and concerns that China's high-tech development tries to undermine US national security and its international status. At the core of the political logic of American governance is "power politics". In the practice of international relations, the United States likes to revolve around its own interests, achieving its ultimate goal through political suppression, military threats, economic sanctions and public opinion infiltration.

To sum up, the importance of win-win cooperation between China and the United States is far greater than the great damage caused by the economic decoupling, so the china-us trade negotiations are particularly important. It will play an important role in resolving the economic crisis, breaking through many difficulties and resuming the normalization of bilateral trade and economy.

3. Conclusion

The political logic of American governance is hegemonies, and its core is “power politics”. In the practice of international relations, the United States likes double standards. Everything revolves around its own interests, achieving its ultimate goal through political suppression, military threats, economic sanctions and public opinion infiltration. The US trade war against China can be interpreted as a “defensive realism view”. Concerns about China’s long-term huge trade surplus restraining US job opportunities, concerns about China’s technology for market and cheap access to US technology; concerns that China's high-tech development tries to weaken US national security and its international hegemony are the root cause of the trade war. In this paper, the cause and influence of the US trade war are analyzed from the perspective of China and the United States. The conclusion of this paper is that China and the United States "benefit, and fight hurts". The trade war is the best way to minimize the two evils and solve the trade friction between China and the United States. At the same time, China needs to adhere to deepen reform and opening up, the internationalization rules and create international environment, remove the obstacles to cooperation, how to make china-us relations from "zero-sum thinking" to "and thinking" track of cooperation, avoid the further deterioration of china-us relations and the negative impact of the international situation, the importance of china-us win-win cooperation is far greater than the huge damage of economic decoupling. Then the link of china-us trade negotiations is particularly important, which will play an important role in resolving the economic crisis, breaking through many difficulties, and resuming the normalization of China-us trade and economic cooperation

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