

# Calmly Deal with the Sino US Trade War and Bravely Stand at the Forefront of the Times

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## Abstract

**In March 2018, the Sino US trade war officially began, which had a profound impact on the world economy. The trade war between China and the United States is only an appearance, and its core lies in the United States' efforts to curb China's sustained rise. This paper analyzes the related events of Sino US trade war, expounds the causes of Sino US trade war, and discusses the impact of Sino US trade war on China's economy. Finally, this paper puts forward the corresponding countermeasures from the perspective of China.**

## Keywords

**Sino US Trade War; Sino US Trade Friction; Independent Innovation.**

## 1. Introduction

Since the establishment of independent innovation trump government, Sino US trade friction has gradually escalated into a trade war. This is not only the direct result of the United States positioning China as a strategic competitor under the ruling concept of "American interests first", but also an important result of its strategic anxiety about reversing the relative decline of its international economic status and the continuous rise of China's international strength, What's more, it is a realistic expression that the United States does not adapt to the transformation of Sino US economic and trade relations and Sino US participation in global governance from complementary to competitive. The huge bilateral trade balance between China and the United States is the basis and excuse for the long-term existence of Sino US trade frictions.

## 2. The Causes of Sino US Trade War

### 2.1. China US Trade is Seriously Unbalanced

In international trade, due to the different comparative advantages and industrial patterns of different countries, trade imbalance has become the norm in foreign trade. The trade imbalance between China and the United States belongs to the huge one-way imbalance of import and export between the two big countries with high economic dependence in the long run. Under the conditions of open trade, this imbalance has a negative impact on the macro-economy of surplus and deficit countries. Industrial structure, terms of trade and policies have great influence.

After the establishment of diplomatic relations between China and the United States, especially after the reform and opening, the trade volume between the two countries has increased year by year. From 2.45 billion yuan in 1979 to 298.26 billion US dollars in 2009, with an average annual growth rate of 18%. From 1997 to 2004, the trade surplus between China and the United States continued, and its scale rose steadily with the growth of trade volume. In 2005, China's trade surplus with the United States exceeded 100 billion US dollars, and then soared to 170.86

billion US dollars in 2008. Although affected by the global financial trade, the total trade volume between China and the United States decreased by 10.6% year on year in 2009, the total volume is still considerable.

Under the background of the rapid development of Sino US trade volume, the problem of Sino US trade imbalance also surfaced. Sino US trade surplus continued to expand, showing a "scissors mouth" growth. Since 2000, it has surpassed Japan and become the largest trade surplus country of the United States. The current trade pattern between China and the United States is China's trade surplus in goods and trade deficit in services, which reflects the comparative advantages of China and the United States. According to Chinese statistics, in 2017, China's trade surplus in goods with the United States was US \$275.8 billion, accounting for 65.3% of China's trade surplus in goods; According to us statistics, in 2017, the US goods trade deficit with China was US \$375.2 billion, accounting for 46.3% of the US goods trade deficit, higher than the sum of the eight countries ranking second to ninth (44%). There is a significant difference in trade statistics between China and the United States, with a difference of nearly \$100 billion in 2017. According to the calculation of China and the United States statistical working group, the official US trade deficit with China is overestimated by about 20% every year. According to the Wall Street Journal, during his talks with us trade policy officials in Washington from February 27 to March 3, Comrade Liu he explicitly asked China to further open its market and take concrete measures to reduce the US trade deficit with China by US \$100 billion. Even in 2019, after the trade friction, China's exports to the United States will drop to 2886.5 billion yuan [1] Therefore, the serious trade imbalance between China and the United States is the direct cause of Trump's trade war.

## **2.2. American Anxiety and its Attempt to Contain China's Revival**

In terms of policy, the United States is a pragmatic country, and its trade policy has always been based on national interests. After World War II, the United States can be said to be an important promoter of globalization. It promoted the signing of the general agreement on Tariffs and trade, agreed to the establishment of the WTO, signed the North American Free Trade Agreement, and launched the first APEC conference in 1993. Free trade was once the policy believed by the United States during its prosperity, it continued to the Clinton period in the 1990s. However, with the relative decline of the international competitiveness of the United States, especially after the impact of the financial crisis in 2008, the United States began to advocate fair trade from the Obama era. After Trump came to power, he further changed from fair trade to equal trade. The shift of US trade policy from freedom to fairness and then to reciprocity reflects not only the increasingly tough stance, but also the gradual narrowing of the pattern, reflecting the anxiety and self-confidence of the United States. The corresponding background is that after the victory of the cold war, the United States has changed from a comprehensive self-confidence in economy, military and system to self-doubt. In history, the United States successfully suppressed Japan through the 1980 trade war. The United States tried to repeat the trade war between the United States and Japan in the 1980s to contain China's revival.

Since the United States imposed tariffs on China's exports to the United States, the first target is China's strategic emerging industries. The list of tariff products covers all industries in "made in China 2025", reflecting the strong containment mentality of the United States towards the development of China's manufacturing industry [2] In recent years, China's communication industry has made rapid technological progress, and ZTE and Huawei are the two major manufacturers of China's communication industry. Huawei's 5g technology has led the United States. The US targeted sanctions will undoubtedly show its strategic purpose of suppressing Chinese technology enterprises and advanced manufacturing industries, to maintain its leading position in the industry.

### 3. The Impact of Sino US Trade War on China's Economy

#### 3.1. Impact on the Overall National Economy

Sino US trade war weakens China's export. Export is one of the three carriages of economic growth and undoubtedly the driving force of China's development. China's export target countries are represented by the United States, and China's exports to the United States account for almost one third of the total exports of the industry. Therefore, if the Sino US trade war measures are really implemented, it will have a negative effect on China's export volume and amount.

At the same time, the Sino US trade war restricted China's imports. China has correspondingly raised the tariffs on imports from the United States, and is not afraid to raise taxes on agricultural products such as sorghum and soybeans, which have a great impact on China's imports. Therefore, if the trade war intensifies, the impact on imports cannot be ignored.

Moreover, the Sino US trade war has brought about an impact on the transformation of China's industrial structure. The Sino US trade war dealt a heavy blow to China and realized that China should transform labor-intensive industries into technology intensive industries [3] With the development of China's economy, a series of problems have emerged, such as the deteriorating environment, the gradual lack of biological species, the barren land, the depletion of resources and so on. Later, China put forward the concept of scientific development, and deeply realized the importance of building a powerful country in science and technology. In the Sino US trade war, the United States' malice towards made in China is obvious. For example, the Huawei incident has greatly affected the development of China's chip, integrated circuit, artificial intelligence, chemical products, electronic communication and other industries.

The Sino US trade war also affected the stability of financial and monetary markets. Today's world is still dominated by the US dollar. The US dollar reserve is very important for a country's stable monetary and financial development, and it also represents the country's economic strength. If China's US dollar reserves decrease, China's credit base will have problems, which will affect the stability of China's monetary and financial system.

#### 3.2. Impact on Domestic Industry Economy

Firstly, agriculture. The trade war was quickly reflected in the economic situation. Even if the trade war continued to lead to a sharp decline in the market, the agricultural sector still rose against the market. If China counterattacks, it is bound to seriously affect the soybean, corn and chicken industry chain, such as adjusting domestic supply and demand and increasing the price of agricultural products. However, in the long run, it can help enterprises find the competitive advantage of agricultural products and alleviate the problem of domestic food security. It can be said that the trade war is an opportunity of the times.

Secondly, in the high-end manufacturing industry, the tariff imposed by the United States on China has a greater impact on the two high-end technology industries of modern railway and industrial robot. The progress of the trade war will increase China's machinery import tax on the United States, force the development of China's domestic high-end equipment to replace imported equipment, but become an opportunity for China's high-end equipment innovation [4] However, the technology exchange and cooperation between China and the United States, and China's acquisition of us enterprises will be affected by the trade war, which is unfavorable to China's high-end manufacturing.

In terms of medium and low-end traditional manufacturing industries, China occupies a dominant position in traditional medium and low-end manufacturing industries such as textiles, clothing and leather. The trade war is not aimed at these traditional manufacturing industries, mainly China's high-end equipment. Even so, trade wars will affect traditional manufacturing. The profit margin of low-end manufacturing enterprises is low, and the Sino US trade war

makes some small and micro enterprises that cannot resist the rising cost crisis have the risk of bankruptcy. This is different from medium and high-end manufacturing enterprises, because medium and high-end manufacturing products have relatively low market substitution, so consumers must be willing to share the tax transfer.

In the oil industry, once China imposes a 25% tariff on US crude oil imports, the cost per barrel will increase by about US \$17.50. Recently, domestic refined oil, especially diesel, has gained power. The problem of crude oil is extremely unique and of strategic importance. China's crude oil supply is affected by domestic and foreign economic, political and other factors. The trade war has resulted in the imposition of tariffs on crude oil, resulting in the shortage of crude oil supply in China. "Oil shortage" further increases the cost of international crude oil procurement.

## **4. Measures China should Take in the Face of Sino US Trade War**

### **4.1. Pay Attention to the Optimization of Measures to Enhance the Ability of Independent Innovation**

The trade deficit of American goods is the fuse of trade war. The way to alleviate this contradiction is not for the Chinese government to promise to increase imports, but to reduce the proportion of exports in the total social output value and increase the proportion of imports in the total economic output through market regulation [5] The relevant regulatory measures are mainly to promote the appreciation of RMB and substantially reduce export tax rebates, which may also be accompanied by a small reduction of tariffs.

China should adhere to public ownership economy as the main body. Public ownership economy is a highly efficient economy with strong pressure resistance and great potential for scientific and technological innovation. Of course, in order to give full play to this advantage, we must build a fair innovation incentive mechanism and an efficient allocation mechanism of science and technology resources. Clearly understand the harm of selling funds, formalism, relationship decision, bureaucracy and official standard in the field of science and technology, and create a fair and just competitive environment to curb improper incentives and resource mismatch.

The trade friction between China and the United States shows that the weakness of basic research in China leads to the lack of stamina of scientific and technological innovation, which leads to the "neck sticking" problem, and is also a short board in China's innovation driven development strategy. China should pay attention to the research and development of core technology in key industries. In this process, we should not only strengthen the investment in scientific and technological innovation, but also strengthen the protection of intellectual property rights, establish a market environment conducive to innovation, protect and encourage enterprises to make breakthroughs in key fields, core technologies and key components, and ensure industrial safety.

### **4.2. Have the Courage to do a Good Job in Relevant Peripheral Warfare, and do not Make Unprincipled Concessions**

The United States unreasonably asked China not to give government subsidies and other types of government support to emerging industries such as "made in China 2025". If we do so, it will have a great impact on China's scientific and technological progress and industrial transformation, which China can never agree to. At the same time, the United States unreasonably requests China to eliminate the specific policies and practices of so-called technology transfer, and China cannot agree. If we do so, it will not only seriously violate the basic principles of enterprise autonomy and free trade in market economy, but also bring serious side effects to China's technological progress. Therefore, China should never agree to the US request. At the same time, China should give necessary counterattack to the military

pressure of the United States, the practice of playing the "Taiwan card" and political war, and the unreasonable containment of Huawei and other enterprises by the United States, such as tightening market access for American high-tech enterprises competing with Chinese enterprises.

To fight the Sino US trade war well, China needs to fight for certain treatment of developing countries, not to reduce the tariff of non-key sector products to the level of the United States, and not to promise to completely eliminate the specific non-tariff barriers that widely exist in the world. At the same time, we should not unconditionally implement the market access policy for American services and service providers. China should insist on making use of the WTO rules and procedures on dispute settlement, and clearly refuse to accept the practice of the United States judging China's unfair competition according to its domestic law. Of course, some commitments cannot be avoided, such as strengthening the protection of intellectual property rights and law enforcement.

### **4.3. Building the Development Pattern of Domestic and International Double Circular Economy**

Although the trade war launched by the United States goes against the trend of globalization, we can see that the United States, as the world's largest economy, has an important voice in the world economic field. In addition, the global epidemic in 2020 also plays an objective role in blocking trade. Therefore, China must attach great importance to the possible negative effects of the trade war, especially the uncertainty of the external economy. Relying on the advantages of China's sufficient economic potential, strong resilience and large swing space, and taking the domestic big cycle as the main body, China must make full use of the complete industrial system, exert its huge market advantages and innovation potential, and stabilize the industrial chain and economic operation, effectively hedge the growing international risks [1].

The realization of the synergy of two markets and two resources will provide more space for China's economic development and industrial upgrading, create a relatively good external environment, and gradually form a new development pattern with domestic circulation as the main body and domestic and international double circulation promoting each other.

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