

Research on the Influence of International Trade Friction on China's Small and Medium-sized Enterprises in the New Period and its Countermeasures

Jiahui Yu, Dilnuray·Amir and Jie Li

Anhui University of Finance and Economics, Bengbu, 233030, China

Abstract

Since entering the new era, China's foreign trade is facing great risks and uncertainties, and small and medium-sized enterprises have been greatly impacted because of their weak ability to cope with risks. Through the analysis of international trade friction, this paper finds out the countermeasures for SMEs to deal with international trade friction. Firstly, the concept of international trade friction is expounded. Secondly, it analyzes the causes of international trade friction from the perspectives of cost advantage, balance of payments, industrial policy, income distribution, national competition and political crisis. Thirdly, it discusses the future trend of international trade friction from four angles: trade friction trend, trade friction form, friction settlement mechanism and international security. At the same time, the influence of international trade friction on small and medium-sized enterprises is analyzed from the aspects of cost, innovation and profitability. Finally, in order to cope with the above adverse effects, the article puts forward countermeasures and suggestions from three angles: implementing export to domestic sales, independent innovation and establishing industry alliances for reference.

Keywords

New Period; Trade Friction; Small and Medium-sized Enterprises; Influence; Counter-Measure.

1. Introduction

Judging from the international situation, today's world is experiencing a "great change that has never happened in a hundred years". Although peace and development are still the themes of the times, the international environment is becoming increasingly complex, and instability and uncertainty are obviously increasing[1].

"Great changes in a hundred years" is an important part of Xi Jinping's thoughts on governing the country, and it is a historic judgment made by the CPC Central Committee with Comrade Xi Jinping at its core in the face of great development, great changes and great adjustments in the world. This judgment accurately reveals the new trend of world development in the future. The performance of this new trend in the field of international trade is the great turmoil in the international trade pattern, the great changes in international trade relations and the frequent occurrence of international trade frictions. After entering the new era, with the continuous strengthening of China's economic strength, international trade disputes will be more frequent and have a wider impact[2].

According to the statistics of WTO, in the past 15 years, China, as the respondent country, has filed more than 2,000 cases in the original trial, accounting for one third of the total number of cases filed in the world, ranking first, and this share of cases filed is 20 percentage points higher than that of South Korea, which ranks second[3]. The country that initiated the most trade remedies against China is the United States, followed by India, the European Union, Turkey and

other countries, and it has been on the rise in recent years, indicating that the international trade risks faced by China are constantly increasing. Small and medium-sized enterprises are the power source and stabilizer of China's economic development, attracting a lot of employment, but their ability to resist international trade friction is the weakest. Once an industry suffers from international trade crisis, it will be fatal to small and medium-sized enterprises. In the face of growing trade frictions, on the one hand, the state should increase its assistance to small and medium-sized enterprises. On the other hand, small and medium-sized enterprises must enhance their ability to cope[4]. This paper analyzes the causes of China's international trade friction in the new period, studies the current development trend of international trade friction, analyzes the impact of international trade friction on China's small and medium-sized enterprises, and puts forward countermeasures and suggestions for small and medium-sized enterprises to deal with international trade friction.

2. Analysis of the Connotation and Causes of International Trade Friction

2.1. The Connotation of International Trade Friction

In international trade, due to the different trade conditions such as technology, resources, population, economic structure and history, the trade between countries often presents an unbalanced situation. When this situation has a great impact on a country's domestic industry, employment and economic development, international trade friction will occur. International trade frictions are generally manifested in anti-dumping measures, countervailing measures and safeguard measures implemented by one country against another. Although international trade friction is often mentioned, there is no accepted definition in academic circles, and words like trade disputes and trade wars are often used to refer to international trade friction. Jia Yucheng and Zhang Zhichao (2022)[5] believe that international trade friction is a "policy arrangement" made by the national government in combination with the specific market environment. Wang Jingjing (2021)[6] believes that international trade friction is the reflection of governments' pursuit of economic interests in international relations. Therefore, this paper holds that trade friction is the disagreement among different countries when distributing the benefits of international trade.

2.2. Analysis of the Causes of International Trade Friction

The causes of international trade friction are very complicated. From different perspectives, the causes of international trade friction are different. From a practical point of view, there are mainly the following perspectives[7].

2.2.1. Trade Frictions Caused by the Cost Advantage of Developing Countries

Today, the world economy is extremely unbalanced, which is manifested in the fact that the per capita income of developed countries is dozens of times that of developing countries, resulting in extremely low labor costs for the production of some industrial products in developing countries, which can be sold at lower prices in developed countries. According to the traditional international trade theory, this is a win-win situation, which should not have caused international trade friction. However, in reality, developed countries often want to gain greater benefits from international trade, so they impose higher tariffs on these goods to weaken the advantages of developing countries in commodity prices[8].

2.2.2. Trade Friction Caused by Imbalance of International Payments

Balance of payments is one of the four macro goals of a country's economic development. Imbalance of payments will bring huge negative effects, mainly in two aspects: on the one hand, the surplus of balance of payments leads to the accumulation of a large number of foreign currencies, and the central bank puts in a large amount of base currency to recover these foreign currencies, which leads to inflation and is not conducive to the stable development of

the economy. On the other hand, the balance of payments deficit indicates the purchase of too many foreign goods, which will impact the domestic industrial development and employment. Therefore, once the balance of payments is unbalanced, the deficit country will take the lead in launching trade sanctions against the surplus country, and if the surplus country takes reciprocal measures, it will form an international trade dispute.

2.2.3. International Trade Frictions Caused by Domestic Industrial Policies of Developing Countries

After the Second World War, the national liberation movements all over the world flourished, and the developing countries became more and more independent and devoted themselves to the establishment of national industries. However, when the national industry is relatively young, it is difficult to gain an advantage in international competition. Therefore, in order to develop a domestic industry, developing countries must take some trade subsidy measures such as export tax rebate, which has become an important factor in triggering international trade disputes. The United States has repeatedly used trade subsidies as an excuse to launch trade frictions against China. This kind of trade friction occurs not only between developed and developing countries, but also within developed countries. For example, the European Union and the United States have had a 16-year trade dispute over subsidies involving Airbus and Boeing.

2.2.4. International Income Distribution Imbalance Caused by Trade Frictions.

Marx's principle of political economy tells us that domestic trade is a process of income redistribution among domestic producers of surplus value. By the same token, international trade is a process of value redistribution among countries, and surplus value always flows from countries with low production efficiency to countries with high production efficiency. Therefore, sometimes developing countries have to take appropriate trade protection measures to protect their industries from the impact of developed countries, and reduce the unemployment and income decline of workers caused by industrial bankruptcy.

2.2.5. International Trade Friction Caused by National Competition at the Global Level

As mentioned in the theory of evolution, only competition can promote the evolution of organisms. Since entering the new era, the international gap between North and South formed after the Second World War has been impacted by more and more third world countries. Whenever developing countries, especially some newly industrialized countries, are about to surpass established developed countries, they will be subject to corresponding trade sanctions, which will lead to trade disputes between the two countries. This kind of competition includes both resource competition and technology competition.

2.2.6. International Trade Disputes Caused by the International Political Crisis

In recent years, the instability of the world situation has spread to the trade field. In particular, some developed countries have resorted to trade sanctions against other countries at will by taking advantage of their technological, financial and trade advantages, which will inevitably lead to countermeasures by the sanctioned countries, thus breaking out international trade frictions. For example, the conflict between Russia and Ukraine triggered economic friction, financial friction, technical friction and cultural friction from developed countries. Russia was kicked out of the US-led SWIFT global payment system, and a large number of technology companies withdrew from Russia and prohibited from selling high-tech products to Russia. As the Hungarian Prime Minister said, Western sanctions against Russia have turned the Ukrainian crisis into a "global economic friction".

3. The New Trend of International Trade Friction in the New Era

In the new era, international political, economic and trade conflicts continue, and regional crises occur frequently. In the process of transition from a unipolar world to a multipolar world, the old forces refused to lose the development advantages accumulated for hundreds of years in vain, which led to a new trend of international trade friction.

3.1. The Trend of Trade Friction has Intensified

In recent years, international trade frictions have been expanding both in frequency and scale, especially since the COVID-19 outbreak in 2020, trade disputes have broken out among major countries in the world. According to the annual Report on the Global Trade Friction Index released by the China Council for the Promotion of International Trade, the global trade friction index has been above 100 since 2020 (the index exceeding 100 indicates the high risk of trade friction). Moreover, countries at high risk of international trade frictions include the United States, India, South Korea and the European Union, which basically cover the most developed and fastest-growing countries and regions in the world today. The amount of trade conflicts is also increasing, and the trade disputes between China, the United States, Europe and China are billions of dollars, which have a huge impact. The areas involved are becoming wider and wider. The previous international trade frictions were mainly concentrated in Europe, America and East Asia. In recent years, countries in South America, Africa and other regions are increasingly involved in international trade disputes.

3.2. Diversified Forms of International Trade Friction

In the new era, the most important thing of international trade friction is the trend of diversified forms. In addition to traditional tariff measures, technical trade barriers, environmental trade barriers and intellectual property trade barriers have also become the main forms of trade friction in recent years. Technical barriers to trade are the reality of trade protection in the name of technology, so they are often not understood by the public and are relatively secret trade protection measures.

3.3. The International Trade Friction Settlement Mechanism is not Working Well.

The current trade dispute settlement mechanisms include global trade dispute settlement mechanism and regional trade dispute settlement mechanism. However, the current trade dispute settlement mechanism is not running smoothly, mainly as follows: First, these trade dispute settlement mechanisms all require the qualifications of member States and cannot achieve universal coordination. Second, individual countries pursue unilateralism in international trade, which leads to the failure of international coordination mechanism. For example, since the Trump era, the United States has been pursuing unilateralism in the process of resolving international trade frictions and imposing unilateral sanctions on other countries.

3.4. National Security has Gradually become a New Excuse for Countries to Implement Trade Protection.

With the globalization of economy, multinational companies have laid out supply chains around the world, which makes all countries in the world become a whole, but it also makes the supply chain more fragile. Once individual regions are unstable, it will spread to the global economy. Therefore, every country emphasizes the importance of national security, which has expanded from traditional security to economic security and other fields, leading to the rapid development of trade protectionism under the pretext of national security in recent years.

4. Analysis of the Impact of International Trade Friction on China's Small and Medium-Sized Enterprises in the New Period

The impact of international trade friction on China's small and medium-sized enterprises in the new period is mainly manifested in the following aspects.

4.1. Trade Frictions Lead to an Increase in the Production Costs of SMEs.

International trade friction often leads to the price increase of international commodities, such as oil and iron ore, which in turn leads to the price increase of raw materials, and finally leads to the production cost increase in the production process of small and medium-sized enterprises, which weakens the competitiveness of their products in the international market [3].

4.2. Trade Friction Leads to the Weakening of Innovation Ability of Small and Medium-Sized Enterprises and the Obstruction of Product Upgrading.

The current international trade friction involves not only traditional trade restrictions such as tariffs, but also many fields such as technology transfer and technology investment. China's small and medium-sized enterprises are generally weak in innovation ability. By undertaking technology transfer from developed countries, they can upgrade their products quickly and open the international market. However, after the trade dispute, technology transfer and technical cooperation are restricted, which leads to slower product upgrading.

4.3. Reduced Orders Lead to a Decline in Corporate Profitability, and May Eventually Face the Risk of Bankruptcy

Some small and medium-sized enterprises in China, especially those with high dependence on foreign countries, tend to reduce the number of orders after trade disputes, which affects the profitability of enterprises. Enterprises have to lay off employees in order to survive. If the market does not improve, it is likely to close down [4].

5. Countermeasures for SMEs to Cope with International Trade Frictions in Order to Reduce the Impact of International Trade Frictions on SMEs, SMEs Should be Encouraged to Take Measures from the Following Aspects.

5.1. Implement the Strategy of Exporting to Domestic Market to Reduce Dependence on the International Market.

In 2020, the double blow of COVID-19 epidemic and international trade friction made many small and medium-sized enterprises almost lose their international market share. In order to minimize the impact of trade friction, small and medium-sized enterprises should actively respond to the strategic layout of the country's implementation of dual-cycle development, increase the intensity of exporting to domestic sales, and put a large number of high-quality products into the domestic market to avoid further deepening of the crisis.

5.2. Encourage Small and Medium-Sized Enterprises to Innovate Independently and Give Financial Support to Innovation

The small and medium-sized enterprises that are most seriously affected by international trade frictions are those without core technologies. Therefore, the state should encourage small and medium-sized enterprises to carry out independent innovation and give preferential treatment to independent innovation in taxation and other aspects. For their own survival, small and medium-sized enterprises should also increase their efforts to introduce and train talents,

improve their innovative ability, produce more advanced products and open up the international market.

5.3. Spontaneously Set up Trade Associations and Alliances to Jointly Meet International Challenges.

In the international trade friction, the strength of a single small and medium-sized enterprise is limited. Therefore, in order to meet the challenge, the state should encourage small and medium-sized enterprises to set up their own trade associations and export alliances, improve their right to speak in the international market, speak on behalf of the majority of small and medium-sized enterprises and strive for relevant interests [5].

6. Conclusion

Since the beginning of the new era, the probability of China facing international trade friction has been rising, and it has shown a more complicated situation, including the intensification of trade friction trend, diversification of international trade friction forms, poor operation of international trade friction settlement mechanism, and national security gradually becoming a new excuse for countries to implement trade protection, which makes small and medium-sized enterprises in China have to face the situation of increasing production costs, unsalable products and even bankruptcy when facing international trade friction. This paper points out that small and medium-sized enterprises should take countermeasures from the perspectives of implementing export-to-domestic sales strategy, independent innovation strategy and establishing industry alliances.

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