ATLANTIS PRESS

Advances in Social Science, Education and Humanities Research, Volume 496

Proceedings of the 2020 3rd International Conference on Humanities Education and Social Sciences (ICHESS 2020)

A Study of the Causes of the U.S.-China Trade War

Yuchen Jiang[1,*]

[1]*Williston Northampton School, Eastampton, Massachusetts 01027, United States of America*
[*]*Corresponding author. Email: andyjiang928@163.com*

ABSTRACT
To understand the trade war between the US and China, it is essential to first discuss the underlying causes of the trade conflicts. This paper primarily studies major causes of the U.S.-China trade war. By reviewing and analysing the literature on China's economic development and the evolution of U.S.-China relationship, by comparing the impacts of globalization on U.S. and China, and by exploring what we can learn from the U.S.-Japan trade conflict to understand today's U.S.-China trade relations, we argue that there are three major forces that precipitate the U.S.-China trade war. With varying degrees of importance, the three forces are globalization, the differences on development strategies, and President Trump's political declaration. Through our study it is shown that the U.S.-China trade war is inevitable under the recent geopolitical landscape.
Keywords: *U.S.-China Trade War, China's Political Economy, Globalization, Anti-globalism, Development Strategy, Automobile Industry*

1. INTRODUCTION

As China's industrial production capabilities has drastically increased, China has gained much influence and status on the international stage. However, the remarkable rate of development has challenged many superpowers on various aspects.
When the development of China's economy begins to threaten the U.S. position ass the world's dominant leader, by March 2018, the Trump administration initiated a trade war with China by imposing a significantly rising imports tariff of 25% on $50 billion worth products.[30] This surprising decision caused an unforeseen trade tension between the U.S. and China. In response, China imposed an even higher tariff on US imports, escalating the U.S.-China conflict.[30] Even though there have been many meetings and trade talks between the officials from both countries, and some substantial progresses such as the phase one deal on the event, the conflict may not end in ease. This is because the fundamental forces of this U.S.-China trade conflict are deeply rooted in the bilateral relationships and geopolitical landscape among developing and developed nations.
To understand the trade war, several aspects that contributed to this conflict should be discussed and analyzed. The rise of anti-globalism, the difference in U.S. and China's developing strategies, and the political determination President Trump processed, all contributed to escalating of trade tension between the two nations. This paper discusses the three major forces and is organized as follows. The first section broadly discusses the background of the Chinese economic development since 1980s, as well as the evolving relationship with the US. The next section argues how globalization impacts both countries and why US has been demanding a slowdown of globalization. The following section compares the developing strategies of both China and Japan, and discusses how such developing strategies lead to the conflicts in trade with the U.S. The next section discusses President Trumps' political intention for starting trade war with China. The last section concludes.

2. BACKGROUND

2.1. The Evolution of China's Political Economy

By entering into era of reform and diversification/openness, China's political economy has evolved dramatically, going from a centralized planned economy to a relatively more capitalist nation. China's disastrous economic outcomes resulting from the leadership of Mao forced the Chinese Communist Party's leaders to try out a capitalist economy, which was what Mao strictly prohibited under his rule. Under the leadership of Deng Xiaoping, all aspects of domestic and foreign policies were revised. The most remarkable change was the gradual adaptation of the capitalist market, which laid out the foundation of China's economic success.
During the 1980's, China's leaders took some measures to ensure opening the Chinese economy to the outside world. The Chinese government, setting up several key economic zones and opening major coastal cities for foreign trade, successfully introduced China's enormous market to foreign investment. The main economic policies, involving de-collectivization, promoted the idea of private ownership of firms and enterprises, which contribute significantly to the overall economic growth in major economic zones. [32] The leaders and economic planners of the communist party, understood that China relied heavily on agriculture
- agriculture accounted for 30.1 percent of the GDP and 68.7 percent of the workforce [6] in 1980. The beginning

Copyright © 2020 The Authors. Published by Atlantis Press SARL.
This is an open access article distributed under the CC BY-NC 4.0 license -http://creativecommons.org/licenses/by-nc/4.0/.

of reform started with the reforms in rural area, with a rapid growth of private rural enterprises and industries that pumped up 21% annual growth between 1978 and 1985.[16] This rapid growth could not be achieved without strong leadership and subsidy provided by the central government, as well as supportive taxation policies and adequate capital.[16] Moving toward modernization, the party shifted their focus on promoting industrialization. Aware of China's competitive advantage China in cheap labor force Chinese authorities were motivated and shifted their focus from heavy industries to light industries, such as textile or electronics.[32] Although heavy industries still occupied 60 percent of industrial employment, 40 percent of works in the industrial field are in light industries, which reflected the transition from "lathers to looms".[23] This transformation, with the adaptation of the economic structure of export-led growth, brought many new jobs to the market. Smaller industries could also push out many light industrial goods, generating the modernization of the Chinese market.[32]

Although such accelerated privatization provided a significant boost to China's economy, the communist party was worried about the extensive and rapid move from a state-controlled economy into a market driven one. Nevertheless, China still believed in socialism, and, as a result, the key economic planning and practice can be characterized as "state capitalism".[32] In China's constitution, private sector is an important component of the national economy, but the overall market is still regulated by the government; for example, In the Article 15 of the PRC constitution, "the State strengthens formulating economic laws, improves macro adjustment and controls and forbids according to law any units or individuals from interfering with the social economic order". The strategy of China's economic development involves the government's interference. As a key theme of the five-year economic plan under Mao, the communist party still carries out this ideology into economic activities.

The progress towards a truly opened China was accelerated around 2000. After reforming and opening-up got implemented, the market shifted towards the direction of capitalism. During the mid-90s, it is clear that China was undergoing a dramatic decline of public sectors, as well as an increase of private sectors.[32] The problem rooted in public sectors still remains significant even when the output of the public sector has already declined to 31 percent; the burden from overemployment and welfare responsibilities dragged the profit down to zero.[32] Therefore, the leaders of the communist party decided to promote small to medium private sectors. Entering the new century, the leaders of China recognized the great benefits of internationalizing the Chinese economy. Joining the world with other nations to trade with, Chinese government agreed to engage in international trading organizations and to negotiate with foreign countries about interstate trading policies.[32] Joining the World Trade Organizations in 2001 was the turning point of China's globalization, it led to the full participation of China in international commerce and resulting a dramatic increase of China's national power.[32] China has become a quintessential "trading state",[20] with an average annual growth about 13 percent in trade. Trade is now one of the most significant engines that powers the economic growth of China. The share of foreign trade to GDP jumped from 14 percent in 1978 to a peak of 70 percent in 2006, although the 2008 economic crisis dragged down the shares to 50 percent, the overall power of China's foreign trade and its volume remained substantial.

Some key strategies that China adopted benefited the economy tremendously. China developed several developmental zones that gave foreign investors opportunity to invest in China without heavy taxes and regulations.[32] For the first twenty years of China's economic development, the foreign investors are forced to form joint ventures with local companies that are usually regulated by local government, which was a brilliant move by the Chinese authorities because this tactic introduced foreign technologies and infrastructures to Chinese firms, and enable the transfer of key technologies and knowledge.[32]

Performing as a global trading state, China's trade has grown at an annual rate of 13 percent, and foreign trade has surged from $20 billion in 1978 to nearly $4 trillion in 2012. Although joining WTO in 2001 was challenging because China's authorities had to withdraw many restrictions and control. Overall, joining the WTO boosted China's internationalized economy to a new level.[8] After China joined WTO, internal and external barriers to foreign investment continued to decline, as China met many obligations in agreement with WTO.[32] Moreover, the terms negotiated in joining WTO reshaped China's economic structure, as some restrictions of economic activities were removed, and Chinese government has since been more open towards internationalizing China's market.[32] However, foreign companies were not as benefited from the business environment in China as to local companies. This was mainly due to some still-existent inconsistent and non-transparent regulations, the overly involvement of government into economic activities, and selective enforcement of WTO requirements.[14]

China had unique plans to expand its influence. The "going out" strategy, initially designed with an attempt to secure energy resources to support the rapid industrial growth, pushed China to become more active in the world.[32] One significant increase was the boost of China's investment in foreign nations. The data showed, from 2000 to 2012, Chinese oversea investment skyrocketed from 2.2 billion to 77.2 billion dollars, growing at a compound annual growth rate of 27% which was impressive given the short period of time. The massive Belt and Road Initiative project under the lead of president Xi greatly improved China's involvement in the world's market, with a great emphasis on Asian countries. Although many observers believed China's increasing demand for global influence to be a positive result of globalization, the fear and uncertainty about state-owned firms investing in foreign nations was spurred in western countries.[32]

2.2. The Evolution of US-China Relationship

Being a socialist country for almost 40 years, the relationship between the US and China had not been that harmonious. Since the end of Korean War, the tension between the communist world and democratic capitalist countries was enormous. For nearly 40 years, China remained closed to the rest of the world, dedicating their energy and resources into building a socialist state. However, the sign of improvement started around the 1970s, when the US Ping-Pong team was invited into China's mainland, along with US journalists. They were the first group ever to be officially invited into China. Nixon's visit in February 1972 initiated official conversations among the top leaders between the two countries. The most significant progress happened in 1979, when President Carter granted China official full diplomatic recognition, marking the start of a formal relation between China and US.

Economic relations between China and the U.S. could be dated back to the end of the 20th century. During this time period, China gradually raised its industrial power, with the building of economic zones, light industries, and inviting foreign investment.[32] In 2000, President Clinton signed the U.S. China Relation Act of 2020, marking the permanent normal trade relations between the US and China. This act paved the way for China to enter the global trading market, and for China to enter the WTO. By entering the global market, China's advantage in its industry and low labor cost quickly raised its global influences and became a large exporting country. From 1997 to 2004, U.S.-China trade, especially U.S. import from China, raised from 62 billion to 197 billion dollars, which was substantial considering this achievement was completed in less than a decade. Till 2006, China surpassed Mexico and became the second-biggest trade partner with the U.S., with a staggering trade number from only 5 billion in 1980 to 231 billion dollars in 2004.

The interdependence between China and the U.S. in terms of their political and economic connections advanced to a new level when China became world's second-largest economy, and China contributed around 45 percent of global marginal growth and 16 percent of global activity.[29] Although this outstanding achievement by the Chinese people was beneficial to the world market overall, US's concern over China's progress evolved into a hostile competitive relation, especially among the Trump administration.[15] The U.S. National Security Strategy claims that China has challenged U.S.'s interests and power in the global market since the Chinese made their economics less free and fair, and deems China not a trustworthy partner.[10]

Entering 2014, the tension between the two superpowers greatly worsened, as the U.S.-China trade deficit reached its peak, and nearly 2 million unemployment as a directly result from businesses shifting to China.[7] Along with some disputes about China Southern Sea and the One China policy, the level of mistrust increased significantly. One of the most significant forces behind this escalating suspicion is that China overly depends on state-owned enterprises. These firms control over key inputs, and are not regulated by the free market, thus failing to appeal to WTO commercial standards.[15]

In 2018, President Trump and his administration by announcing a surprise increase in tariff on Chinese imports, it unveils an era of U.S.-China trade relation, in response to the claim that Chinese have been stealing US technology and intellectual property. These high tariffs aimed at electronics, clothing, shoes, and restricting Chinese investments in the U.S. As a response, China retaliated by increasing tariffs on U.S. goods, thus creating a hostile and competitive environment between the U.S. and China. During this time of bilateral trade conflict, there will be further collision and trade policies that could eventually lead to worsening the relationship between these two nations.

3. GLOBALIZATION

For the past several decades, the world has been benefited significantly from globalization. Developing nations received a heavy economic boost utilizing their strength in the work field. The low cost of labor and capital attracted many foreign investment and companies to seek opportunities in these developing nations. For developed countries, they can enjoy cheaper products and better living conditions. However, there are many downsides of globalization and one of the major forces is inequality. The rise of Anti-globalist in recent years, especially in the U.S., claims that the pace of global economic liberalization is causing more problems for their economy, and as a result, this group of people demand a halt of globalization while emphasize enhancing domestic economy. China, being the most significant beneficiary of globalization, become the center of the vortex. The following sections examine how globalization led the U.S. into the phase of trade conflict with China by comparing the extensive benefits China gained and the harm globalization brought to the American society.

3.1. China's path towards the second largest economy

Entering into the 21st century, China has gradually grew its economy, and in 2010, China became the 2nd largest economy in the world, replacing Japan. This outstanding achievement cannot be completed without the benefits taken from a free world market, as well as some superb national economic policies. China, entering its reforming era, quickly adapted to a new East-Asian style of industrialization. Similar to Taiwan and South Korea, China adopted a labor-intensive manufacturing-oriented industrialization, which turned out to be a successful start for privatizing small and medium firms.[11]

Joining the WTO was the turning point of the Chinese economy. The introduction towards the open market introduced China to the rest of the world. While Chinese government dedicated its resources into pushing the establishment of industrialization, foreign companies, and investment, noticed the unique advantages that China has. To attract foreign investments, the Chinese government offer foreign companies and capital the chance to register in specific industrial zones. The Chinese government often provided foreign companies with pre-built factories with relatively lower cost. In addition to that, these zones often had low utility costs such as gas and electricity, and many foreign firms enjoyed completely exempt from income tax. These tax policies helped companies to maintain a low production cost, therefore attracted foreign investors and companies that wanted to produce low-cost goods for exports to locate in these industry zones.[1]

With these attractive policies tailored to foreign investors, many foreign companies poured into China around 2000. These foreign capitals invested in factories and companies located in special zones contributed to China's production significantly. Based on the data from the Ministry of Commerce (MOFCOM), foreign invested enterprises contributed for over half of China's exports and imports activities. With high productivity and low labor cost, these firms provided for 30% of Chinese industrial output and generated 22% of China's industrial profit. Not only had foreign invested companies contribute significantly to China's industrial capacity, it also helped establish China's special supply chain, which later became the most comprehensive and productive supply chain.

When many foreign companies moved into China, they stimulated the growth of the supply chain. Driven by the variety of products being produced, and a fierce competition, it was necessary to have a comprehensive supply chain in China.[13] The frequent upgrades and higher quality demand of foreign companies sitting in the upstream of value chain motivated downstream Chinese companies to set better quality standard for the product and innovate in production technology, through this interaction local Chinese firms received more orders thus would enhance their set of processing.[13] With the management and coordination between foreign investment and local firms, many standards and technologies were introduced to the local companies, thus enhancing their comprehensive strength.[13] For example, based on my trip to a company providing inspection equipment for Apple located in Suzhou, the company upgraded its facility based on the requirement from Apple, and increased output recently. Apple provided significant assistance in expanding its production scale and capabilities (SZ07012020).

Despite the friendly policies China introduced and having the largest share market on earth, foreign investment is often forced to work with Chinese companies through a collaborative partnership.[5] In many circumstances, many joint ventures enabled sharing of technologies, experiences and innovative capabilities under such partnerships.[31] Therefore, Chinese companies have opportunity to study from their foreign teacher and improve their techniques, models and development strategies from foreign firms.

A classic foreign investment that brought significant benefits to China was the introduction of well-known automobile companies. Beginning in the 1980s, China has experienced a significant boost of the automobile industry, and this growth also benefited other industries due to the complication of automobile industry.[28] The annual growth rate has been 15 percent, and in 2001, the Chinese automobile industry got ranked 8th in the global industry in terms of production numbers.[28] There were many deficiencies, however, in China, local industries lacked funds, technologies and management, which urged the Chinese government to attract foreign investment.[28] Beginning with the route of joint venture, China attracted many foreign automobile partners, such as the Beijing Jeep Company.[4] Right before China entered the WTO, the government allowed more foreign investors in by loosing some restrictions but as a return they must bring the latest technologies and share with the Chinese partner.[4] The emergence of companies like Shanghai-GM and Guangzhou-Honda intensified the competition, but fastened the upgrade of production, supply chain and technologies of Chinese automobile industry, and in 2000, the entry restriction was further lifted and many indigenous automakers emerged.[4] By collaborating with foreign automakers, these local Chinese companies not only enhanced their technology, but also enjoy a comprehensive supply chain upgrade and a growing market demand of vehicles, therefore collaboration laid a foundation for the growth of the automobile industry in China. Also, the expansion of China's automobile industry allowed the growth of auto parts industries. From a trip to a manufacturing company that produces aluminium die-casting components in Ningbo, their production scale and efficiency improved spontaneously with local automakers, and this improvement ascribed mostly to the introduction of western auto industries. (NB09042020).

3.2. The rising of anti-globalist: the underdog from globalization

From the past decades, there have been many developed and developing nations that have benefited from globalization. For developed countries, globalization means more variety of choices with relatively lower cost. For developing countries, globalization means more work and economy boost. However, within recent years, a completely different voice emerged – anti-globalization. The rise of anti-globalist marked the end of a free global market, and a shift towards a stagnation of globalization and state capitalism.

Like the two sides of the same coin, with globalization benefiting the most, it also brought harms to individuals in the developed nations, especially those who were unemployed due to shift of production. In the 1960s, many U.S. citizens were employed in manufacturing, and according to the Bureau of Labor Statistics, 24% were employed. However, after several decades, with trade agreements signed, including the North American Free

Trade Agreement, more than 5 million manufacturing jobs were taken away from the states. As China laid down attractive proposals to foreign investors, many U.S. firms realized the advantages of China and relocated their factories to China.

A key industry, as mentioned before, the automobile industry, relocated many factories to China as well as chose Chinese companies to supply components. Considering the lower wages, cheaper supplies, and weak worker unions, many U.S. automakers decided to build factories in China. For example, Ford's decision to move factories and development centers to China might result in a significant job loss in Ohio, Indiana and Southern Michigan. Also, the decision of Tesla to locate a facility in Shanghai, which marked the first solely foreign owned automaker in China, revealed the trend of more automakers having fewer barriers to operate in China. With the increasing demand for electric cars, many automakers, such as Tesla, GM, and Ford, chose China as their next lineup for the globalization of electric vehicles, by doing so more jobs will again be transferred from US to China.

In order to maintain or even bring labor intensive jobs back to the U.S., it is necessary for the US to slow down the progress of globalization. For the past four decades, almost 800 U.S. companies have either relocated or have shifted significant proportions of their operations abroad.[18] Many of these losses of jobs significantly affected the Mideast region, thus created nationalist feelings and an overall antipathy against globalization.[18] Because the manufacturing jobs in the U.S. were much higher compared to those from the developing countries, the U.S. government used tariff and companies recalling to preserve those jobs in the U.S. territories.

The rise of inequality was also resulted from globalization. First of all, globalization caused specialisation, following this principal many existing industries in America would gradually lose their competitiveness to industries in other countries that have a relatively higher competitive advantage (cheap labor cost, better infrastructure, abundant natural resources etc.). The globalized trade between the U.S. and other developing countries like China has reduced the wages for low-skilled and non-college educated American workers but also increased the wages for those who have a high degree, thus widening the income gap among all Americans. The steel industry, for example, was greatly shattered by globalization. Unable to compete with surging cheap manufacturing in China, steel industries in the US had to lower their cost. Around 2011, there was nearly zero of wire rod imported from China, but the number surged to an extreme, the import plummeted by more than half between 2011 and 2013, thus China gained 14.4 point in the global share of wire rod while the U.S. domestic producers lost 9.8 points of.[24] As a result of this significant loss of market share, the operation income for the wire rod industry in 2013 was 30.5 percent lower comparing to number from 2012, and less than half of the income of 2011.[24] To stay competitive, American companies had to lower the cost, which includes pushing down the average wages for all workers, and the wages fell to their lowest levels in 2013.[24]

Income inequality in the U.S. has always been a stressed issue, and inequality in the U.S. is much higher than that in almost any other developed nation. A major cause of inequality is the global market. For the past decades, many high-educated and skilled Americans, such as entrepreneurs, have greatly benefited from a globalized world since those entrepreneurs could use the Chinese cheap manufacturing to quickly bring new products to the global market. As the number of jobs in manufacturing sector decrease, the alternative for most blue-collar workers were service industries. The staggering increase in service jobs began in the mid-1980s, where the number of workers in the service industry pulled even with the manufacturing jobs, and by 1999, the service industries employed nearly two times more workers than the manufacturing industry. Facing this transition, the destination for workers was to fill the jobs in the retail industry, delivery industry and market industry, but compared to the previous manufacturing jobs, such low-skilled service jobs cannot provide decent wages and social welfare.

Obviously, politicians and public opinions all aware of the struggling lower and middle classes. The government/Trump administration believes globalization is the main forces behind this raising in inequality, as the result of good manufacturing jobs pouring out of the country. As a strategy to preserve American jobs and gain majority support, the current

U.S. federal government raised their voice to stagger the process of globalization.

4. DIFFERENT ECONOMIC DEVELOPING STRATEGIES

The recent U.S.-China trade conflict is a war between the strongest developed country and developing country. Interestingly, decades ago, during the 1980s, the U.S. had another major trade conflict with another great power in Asia. Japan, with its clear determination to regenerate a strong economy after the World War, had experienced an extraordinary economic growth since the end of Korean War. Similar to the recent U.S.-China trade war, the U.S.-Japan trade war involved the discussion over developing strategies. For these Asian countries, in their developing process, their strategy contributed significantly to the domestic growth and thus allowed these nations to take part in global market share. However, many of these developing strategies caused global tensions with the western world because these tactics touched and challenged the leading positions of western superpowers. The three major tactics that will be compared between Japan and China that caused such tension were the export-led growth, heavy governmental subsidies and technology transfer.

4.1. A brief summary of the Japanese economic miracle

A typical impression of Japan after World War Two was the country was struggling to recover from the trauma of war however, in reality, after the war, for 25 years, Japan became the world's third largest industrial country. From 1965 to 1970, Japan doubled its productive industrial capital stock, and Japan shifted from a provider of labor-intensive products like toys and ornaments, to a large exporter of electronics, machinery, and steel.[21] The most important factor that enabled Japan's amazing economic growth was the adaptation to foreign technologies and manufacturing, and by adding Japanese's own twists on those knowledge and skills gained from foreign countries, they created the famous Japanese manufacturing,[26] which eventually turned Japan into this super manufacturing nation that dominated major manufacturing industries.

4.2. Similarities between the Chinese and Japanese developing strategies

The first problem for both Japan and China that the U.S. was worried about was their export-oriented strategy. For both countries, unlike those developed countries, their development strategies were dependent on extensive manufacturing, to utilize their strength to produce cheaper products in large quantities. With their production power, both China and
Japan played a significant role in the global market and casting their influence. The Japanese, by increasing their production rapidly, exported most of their products to the
U.S., and from 1980 to 1985, the share of export to the U.S. to Japan's total export increased from
33% to almost 50%.[27] In 1985, the U.S.'s trade deficit widened to a record of $148.5 billion, and Japan contributed for roughly one-third of the overall deficit, which the imports from Japan exceeded exports by $49.7 billion in 1985. Following Japan's pattern China has emerged as an exporting powerhouse in the 21st century. From 2002, China expanded its export by more than 20% annually, and in 2009, China became the world's largest exporter.[2] The trade deficit in 2019 between the U.S. and China reached an enoumerous$345.6 billion. The trade imbalance, in any means, was considered a symptom of non-market considerations by the U.S. government.[3] Therefore the U.S. government tried to address this issue through making new trade policies with Japan and China.
Besides the enormous trade deficits, both the Japanese government and the Chinese government aimed to subsidize heavily on domestic industries and companies, as a method of protecting domestic growth. The establishment of the Ministry of International Trade and Industry (MITI), which was considered the most powerful governmental organization during the time of economic expansion, contributed significantly to the industrial growth.[26] The Ministry's approach was to provide governmental encouragement and guidance to private institutions (morris1994). Similarly, the Chinese government started adopting the economic philosophy of state capitalism in the 1990s to enhance domestic economy. The government and the communist party favored and controlled many capital intensive industries such as oil, power and steel, and these industries, by receiving state level subsidies such as low regulations and discounted land loans, these companies enjoyed many advantages and became more competitive in the global market, which allowed them to gradually increasing their market share and forced many western competitors out of the business.[9] In the automobile industry, taking Dongfeng Motor Group for example, it had received an estimate of 210-million-dollar worth of subsidies, such as tax benefits offers, governmental grants for development and loans below standard lending rate. With these crucial subsidies, Dongfeng motor played a significant role in domestic car production, and the company has experienced an increasing sales in foreign markets.[25] The Chinese government also subsidized significantly on research and development programs.[25] Many science and technology oriented small and medium sized businesses often would receive grants and loan interest discounts from local governments to focus on their projects.[25]
Moreover, it is always a controversy between the Western countries and their Asian partners when it comes to transfer of technology. Starting with Japan after the Second World War, the strategy for restoring the economy largely relied on foreign technologies. A unique characteristic of the Japanese approach to expand their economy is by adapting foreign technologies with the most practical use.[26] By learning from western companies, the Japanese combined the state of the art technologies with domestic innovations and therefore further strengthened domestic industries.[22] As a result of the technology improvements, Japan experienced tremendous economic growth of many industries, for example, the Japanese steel industry successfully enhanced the quality of the special steel used in the automobile industry which enables them to compete in the global automobile industry.[26] China, having a similar strategy of development, also focused on enhancing domestic technologies by learning from foreign counterparties. One key tactic to ensure foreign companies would openly share their technologies is by forcing foreign firms to form partnerships with Chinese companies. Since the Chinese government strictly controls the inflow of foreign direct investments, U.S. and other foreign businesses have no other easier options to enter Chinese market but forming joint ventures with Chinese partners. It is common that these foreign investments have to agree to Chinese firms' JV requirements and sign over their IP and technologies.[17] According to a March 2018 study from the National Bureau of Economic Research, Chinese companies in joint ventures often made the most technological advancement and innovations, through learning and acquiring from foreign partners.[12] To accelerate the Chinese economic boost, the Chinese government encouraged both state-owned and private firms to acquire technology from the United States, and

this trend is likely to continue as China seeks to further develop its domestic high-tech industries.[17]

5. THE US GOVERNMENT'S POLITICAL MOTIVES

For the past century, the U.S. has always been an advocate for globalization. Initially, globalization brought millions of manufacturing jobs from Europe to the states, which
U.S. civilians gladly embraced this opportunity and reaped its fruit with great improvement in wealth by advancing their technology. As globalization continues, the U.S. starting to take the leading roles in many world organizations such as the world trade organization. To ensure US would remain as a vanguard in promoting globalization, one president after another they have signed many free-trade agreements with various global partners.
However, the Trump administration taking the office marks as a turning point of globalization with the U.S. gradually correcting its perspective in global development. From the start of his campaign President Trump firmly advocates his "America First" ideology and suggests slowing down the process of globalization for United States. When President Trump announced raising tariffs on imports from countries like China and pressuring Chinese companies to abide by the U.S. laws; it marks the 1st stage of the U.S.-China trade war.
Arguably, when the U.S. dominated most of the world's industry, Americans dominated the world in all aspects. However, with the adoption of a more liberal and free trade environment, the U.S. gradually lost some of its dominance. Thus, reviving American manufacturing and bringing back factory jobs for blue collar workers became President Trump's political identity and his promise to all Americans. The White House trade advisor Peter Navarro admitted that the administration already established a minimum $2 trillion package aiming at restoring manufacturing jobs. It is clear that the Trump Administration is determined
For some major industries, the percentage of jobs shifted from US to China is high. For example, President Trump was urging automobile companies to bring back American jobs. When major U.S. car companies planned to locate more factories in China, President Trump has been critical of China gaining such an advantage. President Trump also met with the chief executives of Ford, GM and Fiat Chrysler in order to encourage them to build more auto plants in the United States. Even though there has already been harshness on maintaining jobs in the U.S. car industries, it still remained firm atop President Donald Trump's agenda: more manufacturing jobs for Rust Belt states which casted major votes to help elect him, he demanded millions of more jobs to be created for Americans, especially from car industries.
Another important factor which President Trump and his administration continuously criticized over China was that China has been "stealing" US intellectual properties. President Trump argues that as a strategy to develop domestic industries and supply chains, China has always been seeking opportunities to steal the U.S. intellectual property through means of "cooperation", which successfully raised China's overall global power. Long since the Obama administration, the U.S. has been concerned over cybersecurity, and in the Trump era, when the trade war got worsened, many U.S. officials blatantly criticized China for being a "wholesale theft of American technology". To protect American's property rights, especially on high-end technology, this problem with China has been raised to severe national issues under the Trump administration, and through sanctions and restrictions, the U.S. government could eliminate unfair foreign trade practices, including "an act, policy, or practice of a foreign country that is unreasonable or discriminatory and burdens or restricts United States commerce".[19]
A manifestation of US's determination on technology protection was the U.S.'s sanctions on Huawei, followed by a series of restrictions. As stated by the U.S. justice department, Chinese companies, including Huawei, have long been taking U.S. intellectual properties, such as internet source code of "U.S. Company 1", photographs of the circuitry inside a networking device from rival companies, and diagrams and data from AT&T. In order to keep U.S. intellectual property safe and secured, the Trump administration passed several restrictions. For example, the major foundry for producing Huawei's main chip, TSMC, alongside with others, almost stopped supplying all advanced chips to Huawei, which severely limited Huawei's ability to upgrade its technologies and products. Not to mention that the U.S. government also banned the use of Huawei tech and lobbying allies to exclude Huawei from planned next-generation networks. Huawei incident along is merely a reflection on the magnitude of US government has on punishing Chinese companies for the accusation of stealing American properties, as well as forcing them to make internal changes.
Besides, the overall victory of President Trump attributed to his successful appeals to working white people. In fact, many of the white working people lost their jobs to developing countries or they have been threatened of losing jobs to those countries. For the past decades of elite politics, these working white people have been ignored and left behind the wave of globalization and immigration. The tactics President Trump used to secure the Republican nomination and the votes of working white people was by finding a scapegoat like China and Mexico, for the harsh life of those working white people, and gave them promise to bring back better life. By starting a trade war with China, these efforts could fix some problems relating to job loss, and grand workers, those working in the steel industry for example, a fair shot in the global economy. By showing a strong signal and determination in the trade war, as well as some significant trade improvements, such as lowering the trade deficit to $346 billion in 2019, from a record $420 billion a year earlier, President Trump was aiming at the 2020 re-election.

6. CONCLUSION

This paper focuses on analysing causes of the U.S.-China trade conflict sparked in 2018. The study in the paper focused on three major causes: the progress of globalization, difference in developing strategies, President Trump's political movement. The study finds that globalization causes job losses and inequality in the U.S. while significantly boosts the Chinese development. Besides, similar to Japan in the 1980s, China uses developing tactics including export-led growth, national capitalism, and technology transfer from western world to greatly develop the nation. This trade conflict between the U.S. and China seems inevitable as these three forces are rooted deeply when China entered the increasingly globalized world.

Looking ahead to how the trade war evolves, it is very clear that this tension could last for a long period. President Trump's determination to suppress China is strongest comparing to all former presidents. When the two most influential countries in the world start to pressure each other through economic and political means, the world's order could be challenged. It will be very interesting to continue researching the effects of the U.S.-China trade war on the global market.

REFERENCES

[1] Bajpai P. Why China is 'The World's Factory'[J]. 2014.

[2] Barai M K. Toward the Economic Predominance of Japan and China: Their Competitive Trade Strategies Compared[J].

[3] Bown C P, McCulloch R. US-Japan and US-China trade conflict: Export growth, reciprocity, and the international trading system[M]. The World Bank, 2009.

[4] Chu W W. How the Chinese government promoted a global automobile industry[J]. Industrial and Corporate Change, 2011, 20(5): 1235-1276.

[5] Collinson S, Liu Y. Recombination for innovation: performance outcomes from international partnerships in China[J]. R&D Management, 2019, 49(1): 46-63.

[6] Fan S, Qian K, Zhang X. China: An unfinished reform agenda[J]. Agricultural R&D in the developing world: Too little, too late?, 2006: 29.

[7] Feenstra R C, Sasahara A. The 'China shock,'exports and US employment: A global input–output analysis[J]. Review of International Economics, 2018, 26(5): 1053-1083.

[8] Ford P. How WTO membership made China the workshop of the world[J]. Christian Science Monitor, 2011, 14.

[9] Hirson M. State capitalism and the evolution of "China, Inc": key policy issues for the United States testimony before the US-China economic and security review commission on "China's internal and external challenges". USCC[J]. 2019.

[10] Trump D J. National security strategy of the United States of America[R]. Executive Office of The President Washington DC Washington United States, 2017.

[11] Huang Y, Meng X. China's Industrial Growth and Efficiency: A comparison between the state and the TVE sectors[J]. Journal of the Asia Pacific Economy, 1997, 2(1): 101-121.

[12] Jiang K, Keller W, Qiu L D, et al. International joint ventures and internal vs. external technology transfer: Evidence from China[R]. National Bureau of Economic Research, 2018.

[13] Lanling J. Effects of FDI on the Product Upgrading of Chinese Affiliating Industry Chain[C]//Forum on Science and Technology in China. 2011 (2): 8.

[14] McGregor J. The China Fix[J]. Time International (Atlantic edition), 2010, 175(4): 52.

[15] Meltzer J P, Shenai N. The US-China economic relationship: A comprehensive approach[J]. Available at SSRN 3357900, 2019.

[16] Naughton B. Growing out of the plan: Chinese economic reform, 1978-1993[M]. Cambridge university press, 1996.

[17] O'Connor S. How Chinese companies facilitate technology transfer from the United States[J]. US-China Economic and Security Review Commission Staff Research Report, 2019.

[18] Oramah, Benedict, and Richman Dzene. 2019. "Globalisation and the Recent Trade Wars: Linkages and Lessons." Global Policy 10 (3): 401–404.

[19] Oramah B, Dzene R. Globalisation and the Recent Trade Wars: Linkages and Lessons[J]. Global Policy, 2019, 10(3): 401-404.

[20] Rosecrance R N. The rise of the trading state: Commerce and conquest in the modern world[M]. New York: Basic Books, 1986.

[21] Patrick H T, Rosovsky H. Asia's new giant[M]. Brookings Institution, 1976.

[22] Smith T C. Native sources of Japanese industrialization, 1750-1920[M]. Univ of California Press, 1988.

[23] Solinger D. From lathes to looms: China’s industrial policy in comparative perspective, 1979-1982[M]. Stanford University Press, 1991.

[24] Stewart T P, Drake E J, Bell S M, et al. Surging steel imports put up to half a million US jobs at risk[M]//Economic Policy Institute. 2014.

[25] Szamosszegi A, Anderson C, Kyle C. An Assessment of China’s Subsidies to Strategic and Heavyweight Industries[J]. Washington, DC: United States-China Economic and Security Review Commission, 2009.

[26] Takada M. Japan’s economic miracle: underlying factors and strategies for the growth[J]. Professor Wylie, 1999: 18.

[27] Urata S. US–Japan trade frictions: The past, the present, and implications for the US–China trade war[J]. Asian Economic Policy Review, 2020, 15(1): 141-159.

[28] Wang H. Policy reforms and foreign direct investment: the case of the Chinese automobile industry[J]. Journal of Economics and Business, 2003, 6(1): 287-314.

[29] Wright L, Rosen D. Credit and Credibility: Risks to China's Economic Resilience[M]. Center for Strategic & International Studies, 2018.

[30] Yu M, Zhang R. Understanding the recent Sino-US trade conflict[J]. China Economic Journal, 2019, 12(2): 160-174.

[31] Zhao Z J, Anand J. Beyond boundary spanners: The ‘collective bridge’as an efficient interunit structure for transferring collective knowledge[J]. Strategic Management Journal, 2013, 34(13): 1513-1530.

[32] Zweig D S. China's Political Economy[M]//Politics in China: An Introduction. 2010.