

Explaining US-China Trade War: Clash Between Core Country and Semi-Periphery Country

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ABSTRACT

The article aims to take the Sino-US trade war as an example. By discussing the performance and reasons of the Sino-US trade war, analyzing the advantages and costs of the semi-periphery countries and core countries during the globalization in the 30 years, to explore the nature of globalization and the reasons of de-globalization. This round of globalization began in 1979, with the decoupling of the dollar from gold under the collapse of the Bretton Woods system and the prevalence of neoliberalism, peaking on the eve of the 2008 financial crisis. After that, with the bursting of the world's economic bubble, the global trend was reversed by the rise of protectionism and the rise of populist politics. This paper takes the case study method, taking the performance and reason of the Sino-US trade war as the case, analyzing the evolution status of China and the United States in the field of international relations in 30 years with this round of globalization. The cost of American as the central country under the anchorless monetary system is the ultimate reason for de-globalization. Although the dollar, as the world's mainstream currency, has brought many benefits to the United States, it has, in turn, led to the loss of U.S. manufacturing, leading to serious disparities between rich and poor and global trade imbalances. Studying this topic will help better understand the nature of globalization under the prevalence of neoliberalism, understand the evolution of international relations and the power game of great powers, the game between central and peripheral countries, and understand the Sino-US relations the new era.

Keywords: Trade War, deglobalization, Sino-China relation, core country vs. semi-periphery country, Capitalist world system

1. INTRODUCTION

Under the period of highly industrialized society and the second wave competitions between superpowers in modern world history, nations became more independent. Independent in the sense that two different spheres of influence have been established in the world nowadays. Since the use of force will be highly criticized, superpowers start to compete economically to gain the benefit they needed for more industries and more money.

But unlike other superpower clashes, humans witnessed in the last centuries, the society is experiencing a clash between a core country and a semi-periphery country. That is the example of the United States and China. The start of the trade war between the two powers was the product of China wanting their influence on other

countries, whereas the US refused to share their privilege as the leading power on the global stage.

China succeeded and is currently challenging the US due to their impressive economic growth without aid from the US. China's development is unlike other countries in western Europe after World War Two. China is a communist country which in theory is against capitalism. China is not afraid to face the US economically because they support the people, a thriving economy, and enormous amounts of resource and manpower.

Not surprisingly, things deteriorated after a relict list president was elected in the US. Both Xi and Trump have the nation's first policy, which caused the first step of decoupling and deglobalization between the US and China. So, there was a high point of battling between the two conservative leaders on economic issues such as

manufacture, agriculture, and technology. However, there is no certainty on what the Biden administration would do with the new moderate president in charge. Biden mainly focused on domestic issues because we do not know what his policy on China and the economic clash is. The constant changing of leadership and political ideologies makes it difficult to predict or make a firm analysis of what will happen. Besides, the question is complex and unique because there are no other countries in human history like China: a developing country with the second largest economy. The essay question is located in the research topic of the clash between core countries and semi-periphery countries.

This essay will focus on the example of China and the US. Due to the increasing realist attitude on the international stage. Both countries entered the state of deglobalization and practiced protectionism. Ever since the British Empire abolished the corn law and forced other countries to open up, despite it being an act of colonialism, it was still considered liberalism. Britain at that time was the only superpower that existed. People see two superpowers competing again, and China is a unique example since they are not considered a core country.

China could provide another way of development for periphery countries, which is why this essay wants to explore the possibilities. That is also why this topic matters. In the future, people can learn from history and see how the old-fashioned capitalist world competes with a new wave of country building with the prime examples of the US and China. Just like how they study the policies of the British empire. And the Soviets, people will want to learn from them as well.

The article is divided into several different sections. After the introduction, section one will mainly focus on the overview of the historical backgrounds on the formation of the Capitalist world system. Section two demonstrates the rise of the semi-periphery state with the core example of China after the late 1970s. Building on that, section three talks about the trade war between the US and China and the timeline. Last but not least, section four illustrates China's response to the trade war and the direct rebuttal to the capitalist world system led by the USA. The conclusion shed light on the limitation of the essay's weakness and the authors' vision for the future.

2. HISTORICAL BACKGROUND

European empire building in this period was an aspect of the alliance between states and capitalists on which capitalism as a system is based. European states fostered the private wealth of merchants because it increased their power in competition with rival European states. They helped merchants build empires, extending the rule of European states overseas that merchants or entrepreneurs wanted to exploit or use state power to open closed

markets overseas (as in the case of 19th-century China). They built formal empires. They established European laws to assure the property of merchants and planters, defended these zones from foreign powers and from the indigenous peoples whom Europeans displaced, and from the enslaved men and women European capitalists drafted as forced laborers. They sometimes taxed indigenous people to force them to sell their labor to European settlers. In many cases, they chartered company-states, which created the political framework necessary to foster merchant profits overseas without direct empire-building by European states.

Empire building created intercontinental trading networks dominated by Europeans. As an indirect consequence of Spanish imperialism in America, an intercontinental trade emerged, carrying Spanish American silver to Asia, Asian goods to Europe, and European manufactures back to Spanish America. The Portuguese trading empire in Asia was one early career of this trade. Even though much of the commercial dynamism and industrial strength lay in China and India in this period, Europeans dominated these trading networks and siphoned off much of the profits. This was because the Portuguese, followed by the Dutch, the British, and the French, built commercial empires in the Indian Ocean and South East Asia, which helped European merchants divert Asia-Europe trade into their hands while also working successfully to expand it. Company-states, especially the British East India Company and the Dutch VOC, played a key role in this process.

To understand the context of the growth of the US, one must know the CWS. The definition of CWS, according to Immanuel Wallerstein, is that power hierarchy is composed of a core, peripheral and semi-peripheral societies. The core societies exploit the peripheral societies. The latter are structurally constrained to such an extent that their subordinate status has been reproduced over centuries despite the upward and downward mobility of a few exceptional cases. [1] In the earlier instances, the industrial revolution and technological innovations like the steamboats helped Britain and the US develop rapidly. America was a new kind of power at that time because of its massive territories, rich natural resources, an open free market, and a combination of railroads, steamboats, and telegrams. All of those factors helped America to get ahead in the competitions with other countries. When the US developed into the world's largest manufacturers, it turned its policies from protectionism to free trade.

This policy helped the US to further strengthen its power. The US specialized in the productions of raw materials and finished products. Free trade will benefit the US the most since they can import goods they cannot produce cheaply. Also, the US was the hegemonic power at that time. They have the power to ask/force other

nations to open up their market to free trade. But a developing country cannot protect its infant industries with free trade policies. They would end up relying on the US more instead of developing their home country. This will benefit the US and hurt the developing countries, and further divide the gap between the rich and poor countries. Japan and Europe, however, gained massive support from the US when they were developing. Their locations were crucial for the US to fight the Soviets at that time. The US needs allies in Europe and Asia to protect the US's interests. That was why Europe and Japan had uneven economic development.

The hegemonic country America did its best to make them develop faster than any other country. But in Zhang's essay, Kondratieff had a theory on 50 years of the long wave, which is the A phases of expansion and phase B of decline in the cycle of 50 years. [2] However, this essay disagrees with Kondratieff's idea since the US rose to the peak for longer than 50 years. When we talk about the more recent case of China, the rising cycle is still going after 50 years of development. It is due to the worsening relationships between them and the Soviets. With the increasing fear of Soviets threats, China chose to have a closer relationship with the US. Thus, China began the shift to a capitalist direction as a result. China had the biggest population on earth, and it used its cheap labor force for foreign firms located in Shenzhen, the Special Economic Zones. With low taxes and cheap labor, China made and exported manufactured goods at a low price while training Chinese workers in industrial technologies. China became a report-focused country quickly while growing its wealth rapidly.

3. THE RISE OF A SEMI-PERIPHERAL STATE - THE CASE OF CHINA

The essence of China's rise is to count from the periphery of the world market system to the center and become a developed industrialized country. To enter the system as quickly as possible, it is argued by Di that China has adopted the foreign economic strategy of "encouraging foreign trade, attracting foreign capital, and controlling foreign exchange" in the past 40 years. [3]

China's integration into the global capitalist system dominated by the West took place after the 1970s. At first, China was at the outermost periphery of the system, and it was able to provide mainly resource-based commodities, such as coal, oil, and other raw materials. But from the perspective of per capita analysis, China's comparative advantage is not raw materials but labor. Therefore, under the joint promotion of market forces and policy forces, since 1985, more than 50% of China's exports are manufactured products. With the passage of time, this proportion has become larger and larger, and the capital and technological content of industrially manufactured products has gradually increased. In other words, China is undergoing a process of evolving from a

peripheral raw material exporting country to a peripheral industrial country, and it is constantly approaching the center through technological innovation.

The specific political and economic policies are as follows: First, in the first 15 years of reform and opening up, the renminbi has been continuously depreciated significantly, and the US dollar has been anchored to ensure that various economic factors in its own economy are relatively cheap, which is not only conducive to enhancing the export competitiveness of domestic products but also conducive to attracting foreign investment. Second, open the door to the country, encourage the introduction of foreign investment, and provide a foreign investment with preferential policies, including taxation, environment, and land use. Foreign capital has mainly brought about export processing industries, using China's cheap labor, land, and environmental factors to transfer labor-intensive, resource-intensive, and environmentally costly industrial links to China. Third, to encourage exports through taxation, administration, and other means, especially the export of manufactured products. For this reason, we will make great efforts to enter the WTO without hesitating to pay a high price.

Under the influence of the above-mentioned policy combination, China's economy has risen rapidly. The essence of this is that during this period, the relationship between China and the central state of the system is a symbiotic relationship of interests rather than a relationship of competition and confrontation.

However, as small and medium-sized economies, countries such as Japan, South Korea, and Singapore can more easily depend on the world market system centered on the United States. However, for a large-scale economy such as China, when its scale expands rapidly, the existing system It's getting harder and harder to carry its weight. At the same time, the manufacturing industry in developed countries dominated by the United States has flowed out, and the financial industry has flourished, which has aggravated the polarization between the rich and the poor in society. The current account deficit of the United States has been rising continuously, huge fiscal deficits have appeared in successive years, and emerging countries have accumulated a large number of reserves. The global economy is facing serious imbalances. According to Di, the phenomena mentioned above eventually led to the emergence of populism and trade protectionism. The trade war between the emerging powers and the preserving powers was on the verge of breaking out. [4]

4. US-CHINA TRADE WAR

The starting of a trade war between the US and China is inevitable. Historically and today, when a rising power competes with an established hegemon, such challenges

have mostly ended in war. The war can be either a shooting war or a cold war. Unsurprisingly, The conflict between China and the US ended up with a complicated trade war. Many see the conflict as trade frictions and disputes on the surface, but at heart, it is a matter of US concern over China's rapid rise and strategic countermeasures. To understand the root of the trade war, it is of paramount importance to analyze and discuss the nature of the trade war in the first place.

First of all, as two world superpowers, China and the United States have not only different political systems and formalism. However, more importantly, their leaders' style of doing things in each term, has a deep impact on the status and development of the two countries in the world. By briefly looking at the US, the United States is the world's only hegemony. A country influenced by the ubiquity of Christianity. In the competition among wealth and power, Americans believe in the survival of the strong. A state in which commercial activities are highly valued and institutions are established to protect commercial interests, and presidents are always elected by people - capitalism- and can be changed from time to time. Donald Trump was elected to be the 45th president of America in 2016. According to Boylan, Trump, with his "Trump ways" of handling affairs, played a significant role in the outbreak of the US-China trade war. [5] While China tells a whole different story, China has regime power controlled by the Communist Party of China and prevails in communism. A selected leader is leading the country with a one-party dictatorship. The latest leader is Cij Jinping, who promoted the One Belt And One Road policy, leading China becomes the latest rising superpower. By looking at the relationship and regime of the two countries, we can reasonably infer that the two countries were correlated together by a relationship between the largest developed country and developing country, between socialism and capitalism, and between a core country and a semi-periphery country. Conflicts were inevitable.

The core relationship of China-US economic and trade relations can be learned from two aspects. From the perspective of trade relations, China's exports to the United States are highly substituting, while the large consumer market of the United States has a low substituting rate. From the perspective of financial relationship, China's capital has high substituting ability, while the US dollar and financial market have the low substituting ability. In conclusion, China has a greater reliance on the US on the economy. However, it is this potential asymmetry and unbalanced competitive dependence that ultimately leads to the occurrence of a trade war between China and the United States.

The only measure of whether a trade war will break out between China and the United States is neither the size of the trade deficit nor whether Mr. Trump has the political pressure of the midterm elections. It is whether

the United States feels spooked by China's rise. However, because the US's global political and economic interests are largely based on its absolute hegemony, the interests will be damaged once the No.1 status is lost. The global system built on this basis will collapse. Therefore, the only strategic judgment of the United States in dealing with the rise of China is to choose resistance and confrontation.

The US unilaterally accuses China of four types of economic aggression. To begin with, Protecting local markets from overseas competition, including high tariffs, non-tariff barriers, and other regulations. Moreover, expand China's share of the local market and defeat international rivals through government regulation and subsidies. In addition, control the core natural resources of the world and use the predatory debt trap to provide large amounts of finance to developing countries. Lastly, it dominates traditional manufacturing based on offering below-market loans in exchange for natural resources and breaking into its markets. The United States believes that China is trying to infringe on American interests on various issues, including the exploitation of businesses, interference in American elections, espionage, publishing propaganda in American newspapers, coercion of American journalists, attempts to exploit students and infringement of intellectual property rights.

According to Bown from Peterson institute for international economics. The trade war begins at The Trump era when Donald Trump found in 2018 that the annual import and export ratio between the United States and China is not equal. [6] The United States imports a huge amount of Chinese goods from different industries every year with massive currency outflow. In contrast, China imports only a small amount of commodities with low currency outflow. This unfair trade led President Trump to impose sanctions on China.

On August 18, 2017, according to the US Congressional research service, the US government announced the launch of a Section 301 investigation against China. [7]

China's commerce ministry immediately responded forcefully. At the beginning of 2018, the Trump administration announced tariffs ranging from 10% to 106% on Chinese steel, aluminum, and processed products exported to the U.S. Soon after. The Trump administration announced a 25 percent tariff on about \$50 billion worth of Chinese exports to the United States because of intellectual property rights violations. China has taken timely countermeasures against this violation of WTO regulations by the United States. On April 4, 2018, China's Ministry of Commerce announced that it would impose a 25 percent tariff on about \$50 billion worth of imports from the United States, including soybeans, airplanes, automobiles, and chemicals. In the second half of 2018, the Trump administration

announced plans to impose a 10 percent tariff on about \$200 billion worth of Chinese imports to the United States, further escalating the trade war between the two countries. At the end of 2018, the top leaders of China and the United States met in Argentina and conducted consultations on the bilateral trade frictions that year.

At the beginning of 2019, representatives of the two sides conducted several rounds of negotiations. They achieved initial results before the US raised tariffs on the US \$200 billion worth of Chinese exports on March 1, 2019. Trump also promised to postpone the move to raise tariffs on the US \$200 billion worth of Chinese exports on March 1. The third round of additional tariffs is On May 5, 2019, US President Donald Trump announced a 25 percent tariff on an additional \$200 billion worth of Chinese imports to the US. The measure officially went into effect on Chinese goods arriving at US ports on May 10 and finally went into effect on June 15. On June 29, 2019, the two countries' top leaders held talks at the G20 Osaka Summit and agreed to restart economic and trade negotiations. The US will not impose new tariffs on Chinese products. The fourth round of additional tariffs Starts from September 1, 2019. The US will impose a 10 percent tariff on all remaining US \$300 billion worth of Chinese imports to the US. After China retaliated with tariffs, the United States increased the export tax on \$300 billion of goods to 15 percent.

Then, on January 15, 2020, in Washington time, China and the United States signed the first phase of the trade agreement at the White House. At the same time, the United States reduced the tariff rate of the fourth round of additional tariffs on the US \$300 billion of goods to 7.5%. But the first three rounds left the 25% rate unchanged. On September 15, 2020, the World Trade Organization ruled that the Trump administration's tariffs on China were illegal.

According to Lau, China and the US will still be competing even when the trade war ended. After the tariffs have been lifted, the two states will still fight to be the hegemonic power. [8] This essay mostly agrees with Lau's argument, but his idea is flawed due to his lack of awareness of changing leadership. If the next leading party or individual holds different political ideas, then the future is unpredictable in this case.

5. CHINA'S RESPONSE TO TRADE WAR

As for China's strategy to deal with trade frictions and anti-globalization, this article believes that it should seek changes internally and stability externally. In response to trade protectionism and anti-globalization under populism, Liu said China should maintain its strategic strength and continue to deepen its reform and open-up with external strategies to strive for stability. It aims to actively defend the principles of multilateralism, maintain the existing international order, and promote the

building of a community with a shared future for mankind through cutting taxes and building infrastructures. [9] Earnestly fulfill the commitments of the World Trade Organization and insist on all-round opening-up while ensuring national security. Protect property rights and intellectual property rights and firmly protect foreign businessmen's legitimate rights and interests in China. Re-examine the strategy of going global and protect the legitimate rights and interests of Chinese companies overseas through policies and regulations. Adhere to courtesy and courtesy in diplomacy and firmly promote the healthy development of Sino-US economic and trade relations.

Within the country, efforts should be made to cultivate domestic demand and implement a dual-cycle strategy at home and abroad. Standardize industrial policies and correctly balance the balance between deep integration into the global division of labor system and relying on the internal strength of one's own country to master core technologies. Prevent potential financial risks and maintain a strategic and prudent attitude while opening wider to the outside world.

In response to the international community, the 2020 Global Competitiveness Report released by the research Klaus from the Swiss think tank World Economic Forum in 2021 pointed out that the world economy can be boosted by means of an innovative ecosystem. [10] Specific policies include expanding public investment in R&D, encouraging private sector venture capital R&D, and promoting and supporting innovative companies and employment models in new markets. Public R&D funding is one of the types of investment that produces the most high-quality jobs. It is estimated that in the OECD economy, five new jobs will be created without investing \$1 million in public R&D. When the investment is in higher education institutions, the number of jobs created is this number double. This is more than creating employment opportunities triggered by advanced economies' investment in any type of infrastructures, such as electricity, roads, and health education. In addition, stimulating the diversified, fair, and inclusive development of enterprises helps to enhance the overall creativity of society. Research institutions, creative incubators, venture capital, innovation ecosystems, etc., not only help generate new economic benefits and help ensure the fair participation of all classes in society more fairly and inclusively. Similarly, provide equal opportunities for female researchers and entrepreneurs, and does not discriminate against gender orientation, disability, race, and religion, and contributes to narrowing the gap of opportunity in different socio-economic contexts and narrowing the gap between urban and rural areas.

In essence, globalization is an institutional system in which core countries pass on costs to semi-core, semi-peripheral countries and peripheral countries through the

dialectical relationship of innovation and proliferation. It is a competition between countries in which countries are the unit. The disparity in the level of development and economic scale among the major countries will be conducive to the openness of the trading system. In other words, large differences in development levels among major countries or similar scales among countries are not conducive to globalization. This theory further explains why the current globalization under the game between the emerging powers and the preserving powers shows a contrarian trend.

The contradictory movement between innovation and proliferation drives the hegemony of the global market system to pass between different countries. When marginal countries cannot bear the costs that are constantly passed on, the costs are passed on to nature and the environment. This theory further explains the world's doubts about the unsustainability of China's development process and the phenomenon that, except for China with a strong government, it is difficult for other developing countries to escape the middle-income trap and cannot rise further.

6. CONCLUSION

The essay begins with the historical background before and after the colonial age. Then, section II explains this phenomenon from the aspect of American as the central country under the anchor-less monetary system is the ultimate reason for DE-globalization. After that, the essay focused on the rise of China as a semi-periphery state, emphasizing the point that national interests' aspiration should be the priority. With heavy manufacturing industries outflow, countries are less willing to involve in the process of globalization. Following that, the passage talked about the global significance of China's reaction. By doing all four sections, the essay managed to answer the research question from the perspectives of the case of the decoupling between China and the US. By analyzing this typical case, we calculate the true essence of globalization and the real reasons why the current round of globalization shows the reverse trend and the advantages and costs of core countries and peripheral countries in globalization.

The essay not only deepens our understanding of globalization but also helps to understand its future tendency. Studying this topic will help better understand the nature of globalization under the prevalence of Neo liberalism, understand the evolution of international relations and the power game of great powers, the game between central and peripheral countries, and understand the Sino-US relations in the new era. Studying the successes and losses of the new great powers and the defending powers in globalization will also help and build a healthier international political and economic system for the whole world, crucial for people to take the

case as a paradigm to use as a reference to build a better world.

As all of us aware that research and discussions in social science always require a macro view, many historical changes span a generation. Therefore, there are inevitable historical limitations in the study of social science problems. In addition, as researchers in China, we have the privilege of experiencing the historical moment of China's gradual rise first-hand and have subjective limitations. Only a few countries in the world can explore and study the relations between major powers under the international political system with the parties' mentality, which is both the responsibility and the pressure.

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