

# How US-China Trade War Affect International Study Market

Rose Liu<sup>1, \*, †</sup>, William Wu<sup>2, †</sup>

<sup>1</sup> All Saints Anglican School, Gold Coast, Tallai 4213, Australia

<sup>2</sup> Shenzhen College of International Education, Shenzhen, 518000, China

\*Corresponding author. Email: 020354@asas.qld.edu.au

† These authors contributed equally

## ABSTRACT

The China-US trade war began in 2018. It is the main background for this research report. This study illustrates the negativity of trade war in various aspects by utilizing the Chinese international education market in the US as an example, finally proposing solutions to lessen the conflicts and save the loss for both sides. From the international education market, four aspects of influence have been discussed: inappropriate policy, deteriorated economy, culture discrimination, and technology restriction. The main findings include the benefits and loss of education agencies on both sides. It also resulted in the higher financial burden of the US government due to the leak of Chinese students. Intensive cultural discrimination in the US causes unsafety; the study preference change due to the restriction in policy that restrains Chinese students from enrolling in universities learning advanced subjects. This paper also concludes that the impacts of the trade war were purely detrimental. As the Chinese education market in America always provided the chance of reaching mutually beneficial trades, the US should stop the unreasonable restriction on students from China to give a space to allow the education market to recover and come back to its track.

**Keywords:** Studying abroad, International education market, US-China trade war

## 1. INTRODUCTION

### 1.1. Background

After 2018, when President Trump first raised import taxation on Aluminium from China to fitful his strategy of "America first," the growing tension between China and the US continued to make people worried. Some even questioned whether a new Cold War was in their way going.

Moreover, the research was conducted and is aimed at specifying how the trade war and the tension that comes with it affected the international education market, where the wise thoughts from opposite ideologies collide. Since it is hazardous for two superpowers to start misunderstanding each other, it is essential to find out if the international education system which linked China and US worked properly in recent periods. Despite the official conferences between the senior governors, the daily communications between young people are also significant for the countries' relationships. By understanding how the international education market

works now, we can deepen our understanding of the future of the US-China relationship.

### 1.2. Related Research

Many researchers view the China-US relationship as a whole in their paper. Mirzayev reviewed the US and China's trade relationship in the recent decade and summarized how America started to trigger the trade war between China and how China responded to the US. The researchers believed that the Covid-19 is a significant problem, which has caused the controversial disputes to keep happening in trade relations between US and China. Through various data, the research made the quantitative analysis on the economic impacts of the pandemic on both sides. It showed how the severe vibration in some of their import or export projects and other main changes cause more complicated profits conflicts between the US and China [1]. Sider made a comprehensive analysis of the trade war between China and the Us and focused on figuring out the actual reality and implications of the trade war. The research focuses on a few significant factors such as Increased competitiveness of Chinese

firms, import penetration, China's WTO entry, and its compliance, and then give a proper explanation about why the trade war would happen and why it is inevitable. Both quantitative and qualitative research methods were utilized in the research, including the interview with staff in the US's financial department and the comparative data table of the GDP growth [2]. Chen investigated the significant difference between the political ideology of China and the US and summarised the background the direct factors that led the ideology to evolve to the current appearance. The research quantitatively analyzed each country's market structure and economic system. It then showed the different ideologies' respective impacts on each country. It concludes that the financial structure will differ due to the political ideology. The distribution of market resources will be profoundly influenced, which will end in extra friction to being added in their trade relation and show the inevitable conflicts [3].

However, models are also frequently used during several types of research. Li reviewed the current US-China trade war from a historical standpoint. By comparing the ongoing trade war with similar trade conflicts in history, the study examined three significant causes. It can be attributed to the US midterm elections, trade imbalances (export deficit to the US), and rivalry over global economic dominance. The researchers believed that the fundamental conflicts between the US and China are almost impossible to solve, so it pessimistically predicts that the complete trade war settlement will not happen. China will result in a 1.1% increase in the unemployment rate and a 1% loss in GDP [4]. Hamilton designs two game theory models, including prisoner's dilemma, to evaluate the outcome of the US-China trade war. The research analyzed the loss and gained on both sides. The study indicates the US enjoys the first-mover advantage in the competition, but the order cannot determine the victor in the trade war. By evaluating the actions of both sides, the losses of both sides are pretty similar, and each country can still make a more severe response to one another and will result in making the total loss for both sides increased. It concludes in the trade war, there is no real victor, both of them will finally reach a threshold of failure and an equilibrium will be formed, and the trade war will not end in a disaster, but the cost of each side will deepen the conflicts in the future [5].

Many essays make their points based on the stepped policy of both sides. Even suggests that the tariffs imposed on China, as a result of "American first," aimed to reduce its trade deficit and restrict American technology is moving to China. It presents various figures for tariffs on several imports to show the changes in the global trade regimes, which is a symbol of the retreat of globalization. On the other hand, it believes that the imposition of tariffs should be concluded into a "trade war" and do not yet amount to "economic warfare." Besides three kinds of scenarios, it believes that the end

of the trade war requires mutual recognition that no one can benefit from it [6]. Sun presents that the trade tension that started in mid-2018 remained unsolved. It has been concluded that a minority of the dispute will never reach a compromise. It claims that the reason behind the remaining outstanding questions is that further compromise would undermine the political power of the governments. However, it warns that the continuous trade war will eventually force businesses to decouple US-China economic ties. It suggests that structural reform, as well as a realistic assessment, is urgent.

On the other hand, policymakers should manage a clear end goal with a balanced approach [7]. Lantinga presents that the severe effect caused by trade disputes has been exacerbated by Covid-19. It believes that the question is far beyond trade deficit and fair competition and is actually about the possibility of a power shift from the US to China. Economic realms from finance to technology experienced the effects of divergence and are required to balance two emerging poles in a fragile economy. It lists several high-tech companies from China that could set up new standards to push power transfer. It believes that China showed a recovery from Covid-19 earlier than the US and placed itself closer to the center of the global economy, which made it the US harder to affect its trading policy [8].

Noticeably, several researchers view the whole issue with domestic factors in the US. Form by notices that the new-isolationist foreign policy of Donald Trump could further split the US-China relationship. However, it may force other Asian countries to depend on China. The admiration of Mr Trump for solid leaders and his fight against terrorism as top national security shows that he is less likely to stay away from the "ideological red line." which excludes China before. It cites the idea of Mr Trump that the global institution supporting the global order dominated by the US is "a rape of our country."

To conclude, the future of the US-China relationship will not be usual [9]. Kagura presented a list of graphs to show the difference between democrats and republicans. It finds out that many Americans worry about their local business being affected by the trade war with China, regardless of their political opinions. At the same time, republicans show no concern about it. However, both of them agree that a trade war with China will not threaten the position of the US. It also shows that most US people believe that global trading does much good to the US, creating high profit and creating more job opportunities [10].

### **1.3. Objective**

Therefore, this study wants to evaluate the impact of the US-China trade war how the international relationship between two countries affects every aspect of international education.

## 2. INFLUENCES OF CHINA-US TRADE WAR ON INTERNATIONAL EDUCATION

### 2.1. Influence from The Change in Policy

Influences caused directly or indirectly due to the China-US trade war subsequently led to the change in American policy in various aspects. It was undeniable that some changes in American policy aimed to blow the market of international students of China. Since 2017, the American government has started to release specific policies that limit Chinese students' approval of passport validity. Merely in one year, the approval rates in Chinese international student passports have decreased by 17%. Furthermore, in August 2020, while the pandemic was still seriously spread and impacted people's lives, the US government forced universities in certain regions to reopen their offline courses.

Moreover, they regulated that the Chinese international students in those schools must join the offline course, or their passport would be invalidated, which means they could be repatriated to China. Such unreasonable limitations could severely restrain the international student market. As a result, in 2020, the Chinese international students in the US appeared decreasing trend for the first time, which decreased by 1.8%.

### 2.2. Influence in the economy of studying abroad

International students from China have always occupied the most considerable proportion in the US overseas study market. In 2018, according to statistically measured data from the Institute of International Education (IIE), the total amount in the US had reached a record amount of approximately 1.1million. Among them, one in third is Chinese students. (figure 1) On top of that, the revenue brought by Chinese international students to America in 2018 has reached 14.9 billion dollars a year. So, as mentioned before, as, in 2020, the number of Chinese students in America started to decrease, it caused a 5% loss in the education section of the US, detrimentally impacted those senior colleges and universities, which resulted in the heavier financial burden on the local education department. The government has to distribute more funds in the education section and indirectly damage the US's social benefits. The institutions and agencies in China and US that provide services to Chinese international students to study abroad in America also get a severe blow. The revenue of the most prominent institution in China, EIC, has decreased 28% from 2018 to 2019. The dominant abroad study agency, Dream Go in New York, also lost about 1.5 million dollars in 2019.

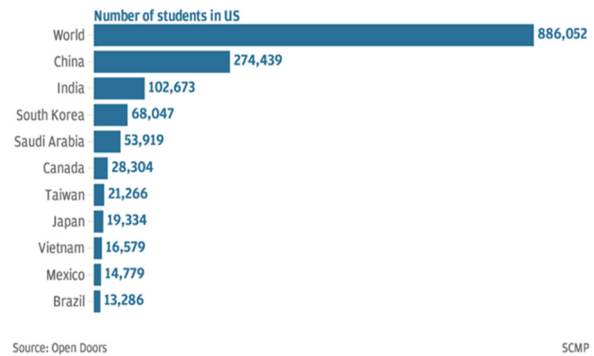


Figure 1 Number of students from different countries in the US

### 2.3 Racial discrimination during COVID and its impact

International students' discrimination came from Asia, especially Chinese students that came into our sight at the beginning of the Trade War, which has notably increased after COVID-19. According to the report from STOP AAPI HATE, an incident-reporting center founded by the Asian Pacific Policy and Planning Council, 1135 reports about Asians suffering from racial violence or pandemic-fueled harassment within merely two weeks, which is three times higher than before. Discrimination spread rapidly over the United States. Asians living in 46 states, including Washington, DC, showed their concerns about the increasing tension. In Honolulu's Chinatown, business dropped from 30% to 50% due to the unfounded fear of COVID-19. In New York, Chinatown, businessmen, and women reported losing 50% to 70% of their income. A Vegetarian Dim Sum House usually packed with around 70 diners got about four tables booked. Meanwhile, a student from New York University noticed that the number of Asian students getting scholarships has vastly reduced. In contrast, many students complained about being treated unequally because of wearing face masks or being in China before COVID-19.

### 2.4. Restriction on Chinese students on tech-relative subjects

The controversial policy conducted by the Trump government in 2008 aimed at restricting Chinese students panned. As approved, "sensitive fields" like science, technology, engineering, and mathematics were forbidden for Chinese students who wanted to apply to US universities. By canceling visas of thousands of Chinese students and researchers, their school life has been suppressed. Moreover, many of them suffered from visa delays and denials, and even prolonged visa checks, which caused massive obstacles on their way to further their education. US officials announced that this continued policy was conducted because their "presence presents threats of technology theft." To be more precise, a report from the White House said that the Chinese

government turned students into "non-traditional information collectors that serve Beijing's military and strategic ambitions." However, no direct evidence can support this accuse. Thus, this policy dangerously evoked deep-rooted Cold War mentality and wrongly recognized bilateral international relationships as a kind of zero-sum game.

### 3. SERIOUS SIDE EFFECTS FROM THE TRADE WAR

#### 3.1 Strong blow to the housing market

The impacts caused by the trade war towards the overseas student market also negatively affected the housing market, as there is a close connection between the overseas student market and the housing market. From 2014 to 2015 (Figure 2), the Chinese house buyers includes speculative investors, have contributed 3.17 billion dollars to the housing market in America. Those purchases have occupied nearly 16% of the total sales in the US housing market, and China has exceeded Canada, becoming the biggest trading partner of the US in the housing market. Moreover, based on the data collected from "Junaid" magazine, about 8% of houses were purchased for the aboard students.

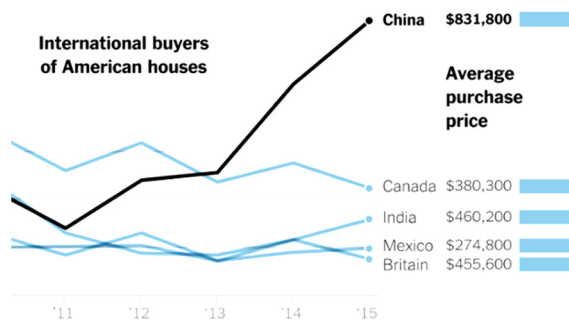


Figure 2 The contribution of Chinese house buyers to the American housing market

Although the money spent on the houses of overseas students seems not too much compared to other trades, it should be noted that the inflow from Chinese home buyers is enormous. Thus, the "8%" is still worth a lot, about 253 million dollars. Furthermore, the expenditure is not only produced to buy the house. There are still other payments made during the housing trade, and they cannot be ignored. Those payments included Home Content Insurance, maintenance expenses, also property tax. Those extra payments in buying houses produced extra income of the American Housing market of approximately 72 million dollars. Therefore, the housing trade related to the overseas student market has played an essential role in the whole housing market in the US.

Since 2020, the trade war has become more intensive, and the US-China international students market has been seriously impacted. Chinese international students in the US have decreased. As a result, the housing market related to overseas students started to recede. According to Real Estate News, from March 2020 to August 2021, the housing market in the US has earned less than 350 million dollars compared to the closest period. More importantly, a nearly 10% decrease in housing trade related to overseas students occupied 25% of the loss in the US-China housing market. That caused many small and middle-level companies in the housing market to suspend their operation or stop providing certain services. Although that did not severely blow the US housing market, the negative impacts caused by the loss in the housing market include the increase in the unemployment rate, decrease in GDP has started to emerge.

#### 3.2 Detrimental increase in governmental financial burden

It has been concluded that numerous Chinese students suffered from the discouragement of the US government when applying for their dream universities. The restrictions on their application directly resulted in hardship when preparing for their examinations and their statements. Compared with applicants from other countries, the requirements for Chinese students to enter college are higher. Research shows that Asian candidates only get offers when their exam results in 100 points higher than those from other nations. Meanwhile, the "Students for Fair Admission" appeal claimed that Asian students are more likely to be described as "average" in interviews.

As a result, Chinese students are more likely to attend various extracurricular programs to make them more competitive in applications. Research shows that Chinese students spend around one and a half hours more than students in other countries per day to get their dream offers. During application, the high financial requirement remained a significant burden for the student's families and eventually became the most important obstacle for middle-class students in their way of studying.

However, international students are not the only ones damaged by the trade war between China and the US. In the US, about one over three international students came from China. Over the past ten years, the number of offers given by US colleges sharply increased. By the end of 2018, 3.6 million Chinese students studied in the US and contributed to 28% of the 2015 total revenues of US public colleges. Chinese international students played a significant role in US international education. It would be a tremendous challenge for US universities to sustain their financial budgets without support. Merely two days after President Trump conducted his policy restricting Chinese students, over 200 US universities gathered together to boycott the decision.

## 4. SOLUTION

### 4.1. Losing the restriction from the policy on the international student market

To lessen the limitation from the policy on Chinese students will make a big difference. In the current stage, there are too many limitations on the international students from China since President Trump released the proclamation 10043 and other subsequent new policy restrictions. The rule has been primarily enforced on the

approval of passport validity; it causes constant controversial debates on the internet. According to the Association of International Educators (NAFSA), the problem of visa delays or denials was the main reason for international students giving up studying in the US in the last three years (Figure 3). Statistic from Beijing News shows that only 400 student passports were successfully approved. Offers to Chinese international students in April 2020, compared to the same period four years ago, which is 30 thousand, there is a vast unignorable gap, which clearly illustrates the harsh condition that the current Chinese international students have encountered.

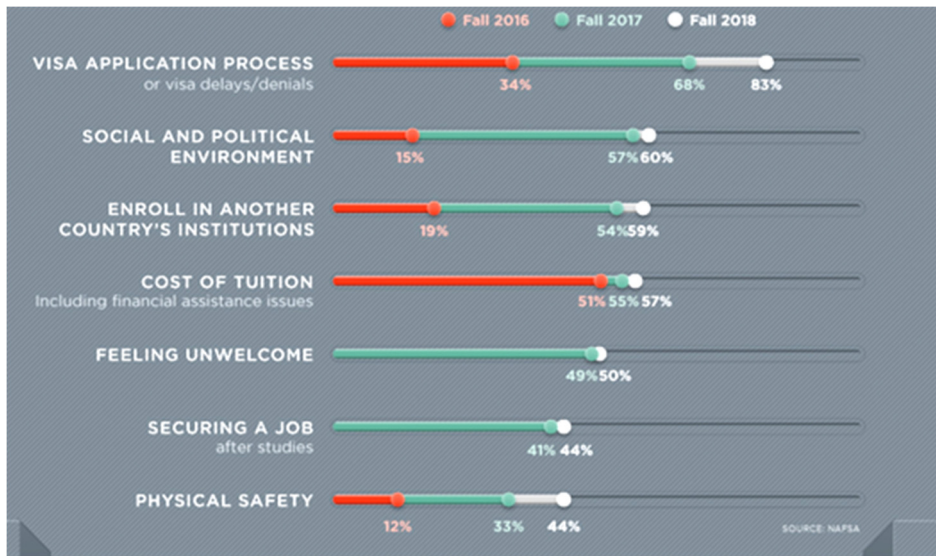


Figure 3 Main reasons for international student falls during 2016-2018

Moreover, the US has expressly refused to provide the passport to those Chinese students with the background of being a tech researcher or army force to get into American universities. Undoubtedly, this is a selfish and outdated thought and action, revealing that the US still deemed China a potential enemy, which can be called a delusion. Firstly, China has always taken peace as the most crucial thing and tried its best to maintain peace. On top of that, students with unique backgrounds commonly have higher attainment and virtues. Let them study in the US senior institution. They can promote the knowledge share between the US and China, which is the best way to innovate. More importantly, it can stabilize the cooperation between China and America, whatever on economy or technology, which could be an essential factor in stopping the trade war.

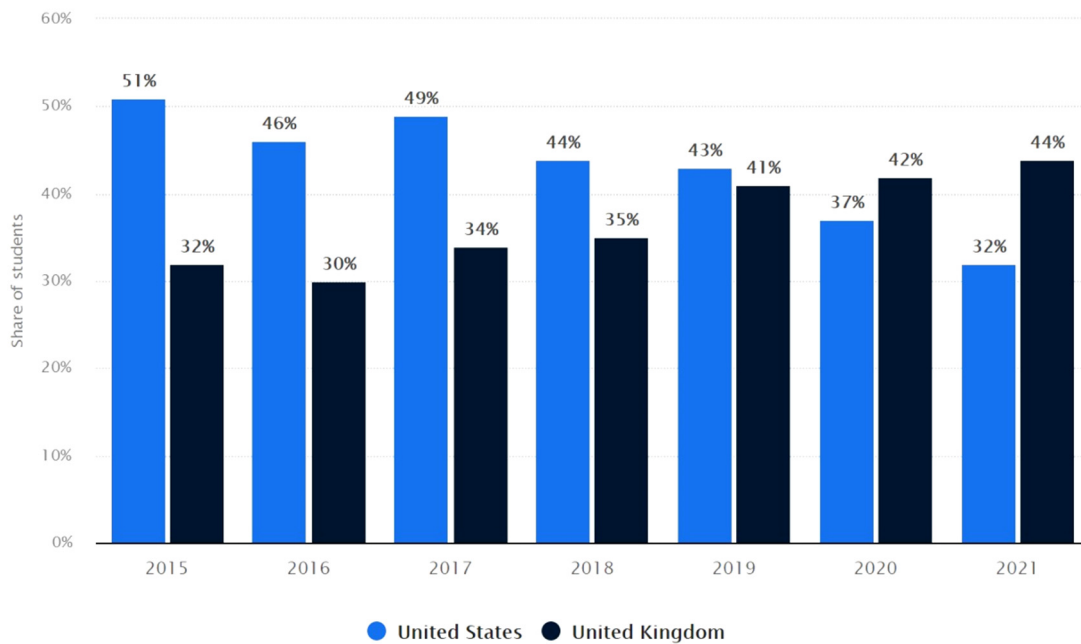
### 4.2 Improving the treatment of Chinese international students

According to the report from Sina News, since 2018, the best place to study abroad has changed from the US to England for most Chinese students. (figure 4) The Chinese international student market in the US is always traded as a mutually beneficial cause. As Chinese

students keep bringing huge profits, over 3 million dollars to the US annually, America also provides a good education and advanced knowledge to Chinese students. It is satisfactory for both sides. However, since the trade war, international students from China have been mistreated. As mentioned before, the government required some Chinese students to take a high risk of going to offline courses by threatening to invalidate their passports.

Moreover, the American government has viciously encouraged the housing price of properties around school areas to grow inappropriately, making the harsh living conditions for Chinese students who are not rich enough. So, if Americans want the profits from Chinese students to be back to the average level, improving the welfare towards Chinese students is a good option, such as lowering the price of housing near the school areas and sending out higher study subvention to the financially uptight students. Besides, they can also open those restricted subjects related to high-tech to Chinese students. Those will be the shining points on school, which can be suitable methods to solve the current problem.





**Figure 4** Share of Chinese overseas students preferring to study in the United States and the United Kingdom from 2015 to 2021

### 4.3. The increasing academic ability of Chinese students

The facts showed that it could be challenging for Chinese students to enter good US universities by comparison. However, statistics show that during Covid-19, China was still where most US international students came from, with 3.7 million students mainly consisting of 1.4 million undergraduates and 1.3 million graduates. The situation of Chinese students was challenging, but people can still get their dream offers with their entire hard work. Thus, it is required for Chinese students to work hard.

## 5. CONCLUSION

Our research used various figures and resources to present how the trade war between China and the US affects international students and their colleges. During our study, it has been concluded that the trade dispute, the education market, and the housing market restricted significantly with both sides suffering. Through our research, we found out that a change in US diplomatic policy damaged the country's reputation and reduced the income of US universities. We suggested that both China and US should rebuild their relationship to cooperate with each other. By having more friendly international circumstances, both sides benefit from the increasing job opportunities and higher education. It is believed that the US should pay more effort into blowing their hosting

market, and Chinese students should be treated better. Mutual understanding does not harm but good.

## REFERENCES

- [1] Mirzayev, M. (2021). 3. international postgraduate scientific conference on economics and management-2021 (Assoc. Prof. F. AHMADOV & PhD. C. I. MAMMADOV, Eds.). Nizami Ganjavi and Sustainable Development.
- [2] Sider, K. J. (2020). Sino-American clash of hegemony: An analysis of us-china trade war. *Open Journal of Political Science*, 10(01), 15–26. <https://doi.org/10.4236/ojps.2020.101002>
- [3] Chong, T. T. L., & Li, X. (2019). Understanding the China-US trade war: causes, economic impact, and the worst-case scenario. *Economic and Political Studies*, 7(2), 185–202. <https://doi.org/10.1080/20954816.2019.1595328>
- [4] Chen, Y., & Ma, X. (2021). Ideological management in china and the united states and its comparison. *Subject Research of Marxist Theory*, 2019(5).
- [5] Hamilton, M. H., & Yin, J. Z. (2019, March). The Conundrum of US-China Trade Relations through Game Theory Modelling. *Researchgate.net*. 10.33423/jabe.v20i8.217

- [6] Even, S., & Feldman, N. (2018). The Global Trade War: Scenarios and Significance for Israel. Institute for National Security Studies. <http://www.jstor.org/stable/resrep19434>
- [7] Sun, Y. (2019). Managing the Fallout of the US-China Trade War. Stimson Center. <http://www.jstor.org/stable/resrep20056>
- [8] H. Lanteigne, M. (2020). The spiraling effects of the Sino-American trade war. Norwegian Institute of International Affairs (NUPI). <http://www.jstor.org/stable/resrep25746>
- [9] Forsby, A. B. (2016). PUTTING AMERICA FIRST COULD GIVE CHINA THE EDGE. Danish Institute for International Studies. <http://www.jstor.org/stable/resrep13102>
- [10] Kafura, C. (2019). Public and Opinion Leaders' Views on US-China Trade War: Democrats, Independents more concerned than Republicans. Chicago Council on Global Affairs. <http://www.jstor.org/stable/resrep21271>