

Research on the Impact of COVID-19 Epidemic and Sino-US Trade War on Global Industrial Chain

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ABSTRACT

China, as the largest export trade country in the world, is in the middle and low end of the global industrial chain, and is vulnerable to the impact of the global industrial chain. This paper analyzes the causes of Sino-US trade war from four aspects, and studies China's export dependence, status and external demand in the global industrial chain. At the same time, combined with the special background of COVID-19 epidemic, this paper analyzes its impact on the global industrial chain. This paper holds that China, facing the dual background of Sino-US trade war and COVID-19 epidemic, should seek innovative development, actively promote multilateral cooperation, insist on seeking common ground while reserving differences in development, and at the same time strengthen supply-side reform.

Keywords: COVID-19 epidemic, Sino-US trade war, Global industrial chain.

1. INTRODUCTION

Since Trump took office, American trade policy has shown obvious unilateralism and protectionism. At the same time, Trump, as a typical representative of anti-globalization, national populism, and unilateralism, attaches great importance to the "invisible man" and constantly advocates the return of manufacturing industry and "American priority". On the economic level, he repeatedly advocates "decoupling between China and the United States", which has caused a great impact on China's export trade and seriously impacted China's position in the global industrial chain.

At the end of 2019, the global COVID-19 epidemic, known as the "Black Swan" incident, had a great negative impact on the economies of all countries in the world, and the demand side was greatly impacted, and the global economy was generally sluggish. Therefore, President Xi Jinping emphasized "jointly maintaining the stability of the global industrial chain and supply chain" when attending the "G20 Leaders' Special Summit on Responding to COVID-19 Epidemic" in 2020.

2. THE CAUSE OF SINO-US TRADE WAR

2.1. The Trade Deficit Is Huge

The products imported from China to the United

States are mainly agricultural products, chemical raw materials, etc., or machinery and equipment that they think China has mastered technology, while the products exported from China to the United States include electronic products, clothes, electronic cigarettes, and fast-moving consumer goods. Because most of the exports are low-end products in the industrial chain and the quantity is huge, the trade deficit between China and the United States is huge.^[1]

2.2. US Control Over China's High-Tech Products

According to the entity list of Chinese high-tech products published by the United States, it can be found that the restrictions of the United States on China mainly include three types of institutions or enterprises. First, scientific research institutes. As early as the Sino-US trade friction did not intensify, the United States had made certain restrictions on research institutes in China.^[3] Second, the equipment purchaser. It can be said that equipment purchasers are like a channel, which can ensure that equipment reaches the hands of Chinese research institutes safely and unharmed. However, today, the United States has begun to gradually restrict such enterprises^[4]. The purpose is simple, that is, to completely cut off the connection between China and high-end technology.^[5] Third, high-tech enterprises. This time, the technology companies are also in the key

prevention areas of the United States.

Generally speaking, the United States has started to spare no effort to crack down on China's high-tech industry.

2.3. The Leader Ideology

Starting from Trump's release of the National Security Report in 2017, the Sino-US trade war officially started. This is due to Trump's characteristics, Trump is a typical national populist and an advocate of anti-globalization, He advocates "America first" and "making America strong again", He thinks that these countries, represented by China, export a lot to the United States and deprive Americans of employment, so he advocates that the manufacturing industry should return, Trump also entered the White House because of his emphasis on unemployed workers in rust areas.

Trump, as a Republican, has typical conservatism and pursues unilateralism. He strongly advocates taking all measures to safeguard the interests of the United States and realize the greatness of the United States again. He also hates socialist countries and thinks that it threatens his rule. Trump's ideology has greatly affected the normal operation of the global industrial chain.

3. CHINA'S INDUSTRIAL CHAIN SITUATION

3.1. China's Export Dependence Is Relatively Large

Export dependence indicates the openness of a country's economy, Generally speaking, the greater the export dependence, the greater the external dependence of the country's economy.

At present, China has been deeply integrated into the layout of the global industrial chain, accounting for an increasing proportion of the world's total import and export volume, and has become the world's largest trading country.

3.2. China's position in the global industrial chain is more substitutive

Although China is the largest trading country, it is still at the middle and low end in the global industrial chain layout. The overall added value of export products is low, and the product performance or technology can be easily imitated, which is irreplaceable in the global industrial chain.

3.3. China's external demand will not deteriorate significantly

Under the impact of the epidemic, global supply and

demand will be greatly reduced, but China should be able to obtain three kinds of important external demand, so the total scale of external demand may not decrease significantly throughout the year. The first category is the demand for epidemic prevention and control products. The second category is the demand for normal production and daily necessities. The third category is the new demand brought by the policy intervention of the country and the group of countries.

4. THE IMPACT OF THE COVID-19 EPIDEMIC ON THE GLOBAL INDUSTRIAL CHAIN

The COVID-19 outbreak has led to a global economic recession, with a serious shortage of demand, many factories closed and unemployment increased. Many enterprises are still laying off employees because of the continuous deterioration of the COVID-19 epidemic and the blockade measures. The demand side fell precipitously, resulting in a sharp drop in Chinese orders. On the other hand, the COVID-19 epidemic has also caused many enterprises to be unable to continue production, and the supply side faces the risk of breakage. The double blow of the supply and demand side has seriously affected China's global industrial chain.

4.1. The Impact On Consumer Spending

The first impact of the COVID-19 epidemic is consumer spending, which bears the brunt of tourism, catering, entertainment, etc. These industries need a long time to recover, and the key lies in rebuilding consumer confidence.

The COVID-19 epidemic has adversely affected residents' income, and the increase of income vulnerability of some key populations will inhibit consumption. The prevention and control of epidemic situations make it difficult for most industries to resume production in an all-around way, and enterprises are facing difficulties in production and operation, which will inevitably affect residents' income, especially wage income.

4.2. The Impact On Offline Stores

Due to the need to pay rent and related labor costs, the retail industry has been greatly impacted by the impact of consumer spending. According to relevant data, in the past year, McDonald's closed 300 branches in China, and Nike closed nearly half of its stores, which greatly reduced its turnover even if it did not close.

4.3. The Impact On SMEs

For small and medium-sized enterprises, different industries and enterprises have different contents and degrees of losses. Some are the loss of raw materials or

semi-finished products, and some are the loss of finished products, which cannot be sold; Some accounts receivable are difficult to recover; There are also confirmed orders that cannot be delivered and may be compensated; The existing goods are rejected, or the order is refunded, and the operation is in trouble; Some industries and enterprises even went into shock and interruption. On the whole, the losses are great.

4.4.The Impact On The Manufacturing Industry

China is a major global supplier of electronic products and automobiles. As the center of the COVID-19 epidemic, Wuhan, with 11 million people, is a major hub of the global industrial chain, while Hubei has always been an important production center for automobile manufacturers. The epidemic caused Wuhan and even Hubei to stop production and business, and the supply chain of related industries broke.

5.CHINA'S RESPONSE UNDER THE DUAL BACKGROUND

The COVID-19 epidemic has caused the global economy to decline, and the global industrial chain has been seriously rushed out. Facing the unprecedented changes in the past century, the change of China's position in the global division of labor will have a great impact on the global industrial chain, China should seize the opportunity and make a comprehensive layout.

5.1.Seeking Innovative Development

Although China is the largest trading country in the world, it is still in the middle and low end of the global industrial chain. The industrial chain still revolves around primary products, finished products, and semi-finished products, and lacks the research and development and application of core technologies. On the one hand, China should strengthen innovative investment and increase scientific research and development; on the other hand, it should make every effort to transition to the upstream of the global industrial chain, increase the added value of products, and make progress from an industrial power to an industrial power.

5.2.Actively Promote Multilateral Cooperation

China should actively promote multilateral cooperation and participate in the layout of regional cooperation. First of all, actively participate in the regional comprehensive economic partnership agreement (RCEP) negotiations, strengthen cooperation and development with neighboring countries, build a high-level free trade zone, and participate in the global industrial chain division by relying on geopolitics. Secondly, promote the "the belt and road initiative"

initiative, strengthen cooperation and development with countries along the route, continue to strengthen the "five links", realize the optimal allocation of resources, and share development achievements. Finally, participate in multilateral regional cooperation, strengthen cooperation with developed countries such as Europe and the United States, and realize mutual advantages.

5.3.Seeking Common Ground While Reserving Differences For Development

The differences in strategies and results between China and the United States have further increased the conflicts between ideology and the national system between China and the United States. As two countries with different political systems, China and the United States have great differences in ideology, cultural customs, and values. No matter Trump or Biden are in power, they can't eradicate the differences between the two countries, and the competition in strategy is inevitable.

5.4.In-Depth Implementation Of "Demand Side Reform"

Under the double impact of the COVID-19 epidemic and the Sino-US trade war, investment, consumption, and export, as the traditional troika driving the economy, are affected by the outside to varying degrees, and the export side is suppressed, China urgently needs to reduce its dependence on exports, consume excess capacity through domestic demand, and further optimize the industrial chain.

6.CONCLUSION

The Sino-US trade war, which began in 2018, has had a negative impact on both sides. The United States started the trade war not only because of the trade deficit, but also because of the complicated political, scientific and military contests behind it. In the future, China and the United States will continue to maintain the trend of strategic competition. Although the competition will weaken in some aspects, the general trend of strategic competition will continue. China, as an emerging developing country, has sustained and rapid economic and trade development in recent years, but it faces many shortcomings in the development process, and there is still a certain gap between China and the United States in terms of science and technology. In addition, the spread of the COVID-19 epidemic has impacted the global industrial chain and China's development. In order to promote sustained and healthy economic development, China needs to resist the pressure of Sino-US trade war and COVID-19 epidemic, change the original development model, optimize the trade structure, activate domestic consumption demand, and continuously realize the leap from low-end to high-end.

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