



International Trade Conflict between China and the United States

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Abstract. This extract aims to provide a discourse into the academic discussion in the ongoing trade conflict between China and US and an economic analysis in its impact on the economic growth in China. It underpins the causes of this trade conflict and utilise the cotton factory as an exemplary to underpin these issues. subsequently, provide possible solution suggestions in attempt to decrease the level of tension in-between.

Keywords: China, United States, International trade, WTO

1 Introduction

As China's economy and imports and exports continue to grow, trade frictions between China and the United States have escalated and taken on new characteristics after the transition period of WTO accession, with anti-dumping and special safeguard cases still being the main means of protection; escalating intellectual property rights frictions; and increasing calls for faster appreciation of the RMB due to the financial crisis and the needs of US politics; all of these have become important issues affecting US-China relations at present. The escalation of trade frictions between China and the US is not only due to the necessary problems that have emerged in the development of the two countries in an increasingly close trade relationship, but also shows the obvious disadvantages of our enterprises in dealing with international litigation.

2 The Current State of Trade Conflict between the US and China

Since the establishment of formal diplomatic relations between China and the United States in 1979, bilateral economic and trade relations have been developing at a relatively fast pace for a long time, although they have experienced many twists and turns due to the political relations between the two countries. According to the Chinese Ministry of Commerce, the trade volume between China and the US reached US\$97.18 billion in 2002, accounting for 15.7% of China's total import and export trade, making the US China's second largest trading partner after Japan. A report by Henry Levin,

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Deputy Assistant for Asia-Pacific Policy at the US Department of Commerce, shows that China is not only the fourth largest trading partner of the US, but also "the fastest growing export market among the top ten trading partners" of the US. In 2004, total trade between China and the US was US\$169.63 billion, up 34.3% year-on-year, of which China's exports to the US were US\$124.95 billion, up 35.1% year-on-year, and imports from the US were US\$44.68 billion, up 32.0% year-on-year, leaving China with a surplus of US\$80.27 billion; in 2005, total trade between China and the US reached US\$211.63 billion, of which China's exports amounted to US\$162.9 billion and imports from the US amounted to US\$48.73 billion, resulting in a trade surplus of US\$114.17 billion, a record high for the US-China trade surplus. In terms of economic structure, the Chinese economy is dominated by traditional labour-intensive industries, while the US economy is dominated by technology-intensive industries and the closely related service sector. In terms of trade structure, China's exports to the US are mainly traditional products such as footwear, clothing and toys, while the US exports to China are high-tech products such as aircraft, power station equipment, electronics and machinery and equipment. These complementary features determine that the development of economic and trade relations between China and the United States is beneficial to the economic interests of both sides.

2.1 Major Factors Causing Trade Conflict between the US and China

The US is one of the top three global markets for Chinese exports, and China's trade dependence on the US rose from 5.4 per cent in 1997 to 8.95 per cent in 2003. China's exports to the US account for over 20% of China's total exports, while in contrast, the US exports to China account for around 2% of total US exports. The risks associated with the over-concentration of exports are also huge. In the US sub-prime crisis of 2008, Chinese exporters were immediately hit by a chain reaction, with many US importers unable to pay for their goods in time.

Enterprises lack industry self-regulation, export order chaos for a long time the means of competition formed by Chinese enterprises is to play price war, domestic enterprises to compete for the market, each other low prices, only see the immediate benefits and ignore the long-term strategic considerations [3]. As long as they see a profitable business opportunity, everyone flocks to the market, resulting in too many of the same type of product in the export market, and we all cut each other's prices and compete viciously. The result is that enterprises lose considerable profits and are prone to anti-dumping investigations in exporting countries from, leading to trade frictions.

Although trade disputes can be resolved by resorting to the multilateral trading system of the WTO, China has become an easy target for the US to initiate trade disputes due to its commitment to "non-market economy status" and "special safeguard clause" and other unfavourable provisions upon accession to the WTO. However, due to the unfavourable provisions such as "non-market economy status" and "special safeguard clauses" promised upon accession to the WTO, China has become an easy target for the US to start trade disputes. In addition, poor self-protection awareness and imperfect early warning mechanisms have increased China's vulnerability to trade frictions between the US and China. Some enterprises lack a keen and unobstructed system for

capturing, analysing and transmitting information [9]. More importantly, due to the lack of timely understanding of the dynamics of foreign markets, even when foreign enterprises or industry intermediary organisations have decided or shown concern about a certain export product and may put it under investigation or decide to file a case, some enterprises still do not change their original export strategy and continue to flood the export market, thus falling into a passive position. Some reports even show that in anti-dumping cases against China, Chinese enterprises did not respond to the lawsuit in half of the cases, but went to change the product type, scale or shift to other countries' export methods, resulting in importing countries (including the United States) easy to make a positive ruling. The relevant industry associations are slow to develop and lack knowledge of information on relevant foreign trade barriers, much less reasonable advice to relevant exporters; when enterprises encounter barriers, they lack the ability to lobby, public relations and respond to them externally.

The high-tech sector has become a key link in the U.S.-China economic competition

From the U.S. tariff list imposed on approximately \$50 billion worth of imported products from China, based on the "Section 301 investigation," it can be seen that it mainly covers industries such as biopharmaceuticals, information technology, industrial robotics, medical devices, high-speed rail equipment, new energy vehicles, and aerospace equipment, which are essentially within the scope of "Made in China 2025" industries. If the goal is merely to reduce the trade deficit, the United States should impose tariffs on industries with a trade surplus between China and the U.S., such as machinery, audio-visual equipment, and their components, rather than targeting high-tech sectors where China does not enjoy a trade surplus advantage [6].

From the perspective of the United States, for a long time, the technological gap between China and the U.S. has remained within a relatively safe and controllable range in high-tech fields. Therefore, the United States only needed to strictly enforce export controls to maintain its leading position. However, with China's increasing strength, especially with the introduction of "Made in China 2025," the United States had to use trade frictions to contain China's development and maintain its existing advantages. It is evident that the primary intention of the U.S. trade war is not to reduce the trade deficit but to hinder China's industrial upgrading and restrain China's rise, especially in the high-tech field [8]. In the future, as China's economy enters the stage of innovation-driven and high-quality development, becoming an established fact, the competition between China and the United States in high-tech fields will inevitably lead to collisions and confrontations.

2.2 Impacts on China's Cotton Production Industry

The escalating trade friction between the US and China, which are major trading countries in cotton and textiles and clothing, has had a significant impact on the cotton industry on both sides. As both sides are involved in the cotton industry, the impact of

tariff increases on the Chinese cotton industry is analysed separately for clarity from the Chinese and US sides [4].

China's tariffs on imports from the US will have little impact on the domestic cotton industry. The 25% tariff on cotton imports from the US will reduce the share of US cotton imports in China, but will have little impact on the domestic cotton supply. Tariffs on textile and clothing imports from the US will have little impact on China's textile industry. 2.1.1 The proportion of imports of US cotton fell significantly. The US was once China's number one source of cotton imports, but as a result of trade friction between the US and China, the price advantage of US cotton fell and the proportion of imports decreased significantly. In 2018, China imported 529,000t of cotton from the US, accounting for 33.6% of total imports, a decrease of 10.2 percentage points compared to 2017. From January to September 2019, China's imports of US cotton further decreased, accounting for 30.8% of the total imports, a further decrease compared to the proportion in 2017 and 2018. Currently, the import volume of US cotton has dropped from the first to the third place in China's total cotton imports, and its market share is gradually being replaced by Brazilian, Indian and Australian cotton.

The impact on domestic cotton supply is limited. On the one hand, according to the National Bureau of Statistics, domestic cotton production in 2018/2019 reached 6.096 million t, an increase of 7.8% year-on-year, and the market is well supplied; on the other hand, cotton exports from Australia, Brazil and other major cotton-producing countries have increased and can fully replace US cotton in terms of quality. In addition, enterprises can also replace US cotton by directly importing cotton yarn [5]. Overall, China's tariff on imported US cotton has little impact on the market but has an impact on some exporters. Some of the textile enterprises in the survey reflected that some customers are required to use US cotton and that they are bound to lose these customers after the tariff increase due to the higher price of US cotton, which will have a negative impact on their exports.

Cotton prices have fallen sharply. With the gradual opening of the cotton market, cotton price fluctuations in China are not only influenced by internal factors such as production costs, but also by economic growth expectations and exchange rate fluctuations [1-2]. Although the US tax increase on the new \$300 billion list of goods was not implemented immediately [5], the market was generally pessimistic about the outcome of the negotiations between the two sides at the time, and cotton prices subsequently fell sharply. Between January 2019 and October 2019, the domestic price of 3128B grade cotton fell from RMB16,211 per tonne to RMB12,723 per tonne, or 17.5%; the price of 32-count cotton carded yarn fell from RMB22,983 per tonne to RMB2,783 per tonne [7]. The main contract of Zheng cotton futures and international cotton prices also fell in tandem, with the Intercontinental Exchange (ICE) cotton futures price and Cotlook A index once falling to a new low in the last three years.

3 Solution suggestions

3.1 Implementing an effective government public relations strategy.

History has shown that the establishment and maintenance of close high-level political meetings between the US and Chinese governments is an important foundation for the stability and healthy development of US-China relations. In the current state of US-China relations, maintaining and strengthening meetings between senior officials of the two countries is important for enhancing mutual understanding of each other's policies and reducing US antagonism towards China.

The US and China will continue to work together through bilateral dialogue and consultation. China should respond promptly to allegations made by the US against Chinese products, and actively seek to resolve them through dialogue and consultation to avoid further expansion of the situation. Therefore, China and the US should establish a regular coordination and cooperation mechanism, study and discuss the problems in the economic and trade relations between China and the US, and handle the economic and trade relations between China and the US in a prudent manner, viewing trade frictions as an opportunity and a driving force to promote economic cooperation between the two countries, which is also China's long-term strategy.

Promote the optimisation of the structure of exports and the appropriate expansion of imports. Promote balanced trade development. (1) Promote the optimisation of the structure of export goods. Expand the export of high value-added and high-tech products; reduce the export of high energy consumption, high pollution and resource-based products. From the point of view of the Chinese business community, enterprises should have a long-term vision and seek to improve the value of their processed products, rather than focusing on low-value products, which are an essential stage in the start-up of many enterprises. When the conditions are right, companies should actively seek to improve their value proposition, as low-value products are highly unstable in terms of both their own markets and trade policies. (2) Appropriately expand the scale of imports: import large quantities of advanced equipment, raw materials and semi-finished products that are urgently needed domestically to meet the needs of a growing domestic economy.

Establish an early warning mechanism for trade frictions. The establishment of a sound and scientific early warning system and rapid response mechanism to safeguard the fundamental interests of the state and industry has become an urgent task for China. The government, enterprises and industries should work together to establish an early warning mechanism for trade frictions. Firstly, an early warning mechanism for investment should be set up, and enterprises should look at the supply situation of the industry worldwide to see whether there is room for profit or value-added value chains and establish their own distribution networks. The government and enterprises should take into account the political cycles of trading partner countries and be alert to them in advance; they should be alert to special protection measures, keep abreast of relevant information, understand international market trends and the growth rate and characteristics of product exports, and conduct market analysis of relevant data to prevent problems before they occur.

4 Conclusion

In conclusion, this study addresses the persistent trade conflict between China and US for decades, it identifies the political tension, economics impacts and social implications of the trad conflict. The imposition of tariff on trade regulations imposes a negative economic effect, exemplified through China's cotton factory industry. Possible suggestions are proposed this global trade tension, underlying solution to its political and economic regulation to ease the ongoing conflict. Yet, this trade conflict extend itself beyond China and US's economy, creating an international impact on other countries and the stability in global economic status.

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