ANALYSIS OF THE CAUSES OF THE UNITED STATES TRADE WAR WITH CHINA IN THE ERA OF ECONOMIC GLOBALIZATION

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ABSTRACT

To understand the trade war between the United States (US) and China, it is important to first discuss the underlying causes of the trade conflict. This paper mainly studies the main causes of the US-China trade war. By reviewing and analyzing the literature on China's economic development and the evolution of US-China relations, by comparing the impact of globalization on the US and China, and by exploring what can be learned from the US-Japan trade conflict to understand the current US-China situation. trade relations, research shows that there are three main forces triggering the US-China trade war. With different levels of importance, the three forces are globalization, different development strategies, and President Trump's political declarations. Through research proves that the US-China trade war is unavoidable under the recent geopolitical landscape.

Keywords: US-China Trade War, Development Strategy, Globalization

INTRODUCTION

Entering the 21st century, China gradually grew its economy, and in 2010, China became the 2nd largest economy in the world, replacing Japan. This extraordinary achievement could not be completed without the benefits derived from free world markets, as well as some extraordinary national economic policies. China, entering its reform era, quickly adapted to the 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 the privatization of small and medium enterprises.

Because China's industrial production capability has increased drastically, China has gained a lot of influence and status on the international stage. However, the extraordinary level of development has challenged many superpowers in various aspects. When China's economic development began to threaten the position of the United States (US) as the world's dominant leader, in March 2018, the Trump administration started a trade war with China by imposing import tariffs that increased significantly by 25% for $50 billion worth of products. This surprising decision led to unexpected trade tensions between the US and China. In response, China imposed higher tariffs on US imports, escalating the US-China conflict. Despite many meetings and trade talks between officials from the two countries, and some substantial progress such as a one-vote agreement at the meeting, the conflict may not end easily. This is because the fundamental strength of the US-China trade conflict is deeply rooted in bilateral relations and the geopolitical landscape between developing and developed countries.

To understand the trade war, several aspects that contribute to this conflict must be discussed and analyzed. Emerging anti-globalism, the differences in the evolving US and China strategies, and the political resolve processed by President Trump have all contributed to the escalation of trade tensions between the two countries. This study discusses three main strengths and is structured as follows. The first part is about how to discuss the development of relations between China and the United States as a trigger for a trade war. The next section discusses how the different factors of China's economic development strategy have triggered a trade conflict with the United States. The last section discusses the impact of globalization on the economic development of the United States and China.

RESEARCH METHOD

The writing method used in this research is a qualitative method. Because qualitative research methods focus on non-numeric data, they are closely related to the emergence and explanation of social phenomena.

RESULTS AND DISCUSSION

History of the Development of Relations between China and the United States as a Factor Triggering a Trade War

Economic relations between China and the US began in the late 20th century. During this period, China gradually increased its industrial strength, building economic zones, light industry and inviting foreign investment. In 2000, President Clinton signed the U.S. The China Relations Act of 2020, marks permanent normal trade relations between the US and China. This action paved the way for China to enter the global trade market, and for China to enter the World Trade Organization (WTO). By entering the global market, China's industrial advantage and low labor costs rapidly increased its global influence and became a major exporting country. From 1997 to 2004, US-China trade, especially US imports from China, increased from 62 billion dollars to 197 billion dollars, which is quite large considering that this milestone was completed in less than a decade. By 2006, China overtook Mexico and became the second largest trading partner with the US, with a staggering amount of trade going from just 5 billion in 1980 to 231 billion dollars in 2004.

Being a socialist country for nearly 40 years, relations between the US and China are not very harmonious. Since the end of the Korean War, tensions between the communist world and the democratic capitalist countries have been enormous. For nearly 40 years, China has remained closed to the outside world, dedicating their energies and resources to building a socialist nation. However, signs of improvement started around the 1970s, when a US Ping-Pong team was invited to mainland China, along with US journalists. They are the first group to be officially invited to China. Nixon's visit in February 1972 started official conversations among the top leaders between the two countries. The most significant progress occurred in 1979, when President Carter granted China full diplomatic recognition officially, marking the start of formal relations between China and the US. The interdependence between China and the US in terms of their political and economic relations advanced to a new level as China became the world's second largest economy, and China accounts for about 45 percent of global marginal growth and 16 percent of global activity. While these remarkable accomplishments by the Chinese people are beneficial to the world market as a whole, US concern over China's progress is developing into a hostile competitive relationship, particularly within the Trump administration.

The US National Security Strategy claims that China has challenged US interests and power in global markets because China makes their economy less free and fair, and considers China not a trustworthy partner. Entering 2014, tensions between the two superpowers worsened further, as the US-China trade deficit peaked, and nearly 2 million were unemployed as a direct result of shifting business to China. Along with several disputes over the South China Sea and China's One Belt One Road Initiative policy, the level of distrust has increased significantly. One of the most significant forces behind this growing suspicion is that China is too reliant on state-owned enterprises.

These companies control key commodities, and are not regulated by free markets, thus failing to appeal to WTO commercial standards. In 2018, President Trump and his administration announced a surprise increase in tariffs on Chinese imports, unveiling the era of US-China trade relations, in response to claims that China had stolen US technology and intellectual property. These high tariffs are aimed at electronics, clothing, shoes, and restrictions on Chinese investment in the US. In response, China retaliated by increasing tariffs on US goods, thereby creating a hostile and competitive environment between the US and China. During this bilateral trade conflict, there will be clashes and further trade policies that can ultimately exacerbate relations between the two countries.

Differences in China's Economic Development Strategy which triggered a trade conflict with the United States

The Government Approach serves to provide government encouragement and guidance to private institutions. Likewise, the Chinese government started adopting the economic philosophy of state capitalism in the 1990s to boost the domestic economy. The government and the communist party favor and control many capital-intensive industries such as oil, electricity and steel, and these industries, by receiving state-level subsidies such as low regulation and land loan cuts, these companies enjoy many advantages and become more competitive. in the global market, which allowed them to gradually increase their market share and forced many western competitors out of business. In the auto industry, for example the Dongfeng Motor Group, has received an estimated $210 million in subsidies, such as offers of tax benefits, government development grants and loans below standard lending rates. With this important subsidy, Dongfeng motor plays an important role in domestic car production, and the company has experienced increased sales in foreign markets. The Chinese government also subsidizes research and development programs significantly. Science and technology-oriented small and medium-sized enterprises often receive grants and discounted loan interest from local governments to focus on their projects.

China is trying to develop its economy by adopting a development strategy from Japan. As it is known that the history of Japan after World War II is a country that is struggling to recover from the trauma of war, but in fact, after the war, for 25 years, Japan became the third largest industrial country in the world. From 1965 to 1970, Japan doubled the capital stock of its productive industries, and Japan moved from a provider of labor-intensive products such as toys and ornaments to a major exporter of electronics, machinery, and steel. Beginning with Japan after the Second World War, the strategy for recovering the economy relied largely on foreign technology. A unique characteristic of the Japanese approach to developing their economy is adapting foreign technology to the most practical use. By learning from western companies, Japan combined cutting-edge technology with domestic innovation and thereby further strengthened the domestic industry. As a result of technological advances, Japan experienced tremendous economic growth in many industries, for example, the Japanese steel industry managed to improve the quality of the special steel used in the automotive industry which enabled them to compete in the global automotive industry.

The most important factor that enabled Japan's tremendous economic growth was adaptation to foreign technology and manufacturing, and by adding Japan's own distinctive touch to the knowledge and skills acquired from foreign countries, they created the renown of Japanese manufacturing, eventually turning Japan into a super manufacturing nation. which dominates the large manufacturing industries in many countries. China, which is trying to adopt a similar development strategy to Japan, is also focusing on improving domestic technology by learning from foreign partners. One of the key tactics to ensure foreign companies openly share their technology is to force foreign companies to form partnerships with Chinese companies.

Because the Chinese government strictly controls the inflow of foreign direct investment, US and other foreign businesses have no easier option to enter the Chinese market than to form joint ventures with Chinese partners. It is common for these foreign investments to agree to Chinese companies' Joint Venture requirements and sign off on their Intellectual Property and technology. What's more, there has always been controversy between Western countries and partner countries in Asia in terms of technology transfer. According to a study from the March 2018 issue of the National Economic Research Bureau, Chinese companies in joint ventures often make the most technological advances and innovations, through learning and acquisitions from foreign partners. To accelerate China's economic boost, the Chinese government is encouraging state-owned and private enterprises to acquire technology from the United States, and this trend is likely to continue as China seeks to further develop its domestic high-tech industry.

This form of economic development strategy for Japan and China is a matter of concern to the US which is concerned it will affect their export commodities. Unlike developed countries, both countries shaped their development strategies relying on extensive manufacturing, to leverage their strengths to produce cheaper products in large quantities. With their production power, both China and Japan play an important role in the global market and exert their influence. Japan, by rapidly increasing their production, exported the majority of their products to the US, and from 1980 to 1985, the share of exports to the US in Japan's total exports increased from 33% to nearly 50%. In 1985, the US trade deficit widened to a record $148.5 billion, and Japan accounted for about a third of the overall deficit, with imports from Japan exceeding exports by $49.7 billion in 1985. Following Japan's pattern, China has emerged as a major powerhouse. exporter of electricity in the 21st century.

Since 2002, China has expanded its exports by more than 20% annually, and in 2009, China became the world's largest exporter. The trade deficit in 2019 between the US and China was US$345.6 billion. Trade imbalances are, in one way or another, considered symptomatic of non-market considerations by the US government. Therefore the US government is trying to overcome this problem by making new trade policies with Japan and China. In addition to the huge trade deficits, both the Japanese and Chinese governments aim to heavily subsidize domestic industry and companies, as a method of protecting domestic growth. The creation of the Ministry of International Trade and Industry (MITI), which was considered the most powerful government organization during times of economic expansion, made a significant contribution to industrial growth.

The recent US-China trade conflict is a war between the strongest developed countries and developing countries. Interestingly, decades ago, during the 1980s, the US had another major trade conflict with another major power in Asia. Japan, with a clear determination to rebuild a strong economy after the World War, has experienced tremendous economic growth since the end of the Korean War. Similar to the recent US-China trade war, the US-Japan trade war involves discussions about developing strategy. For these Asian countries, in the process of their development, their strategies make a significant contribution to domestic growth and thus enable these countries to take part in global market shares. However, many of these developing strategies led to global tensions with the western world as these tactics touched upon and challenged the leading positions of the western superpowers. The three main tactics to be compared between Japan and China that are causing the tension are export-driven growth, hefty government subsidies, and technology transfers.

The impact of globalization on the economic development of the US and China

Over the past century, the US has always been a supporter of globalization. Initially, globalization brought millions of manufacturing jobs from Europe to the states, which US civilians were happy to take advantage of and reaped the fruits of great increases in wealth by advancing their technology. As globalization continued, the US began to take a leading role in many world organizations such as the world trade organization. To ensure the US will remain as the vanguard in promoting globalization, one president after another their presidents have signed many free trade agreements with various global partners. Over the last few decades, the world has benefited significantly from globalization. Developing countries receive a major economic boost leveraging their strengths in the workforce. Low labor and capital costs attract a lot of investment and foreign companies to seek opportunities in these developing countries. For developed countries, they can enjoy cheaper products and better living conditions.

However, globalization has many drawbacks and one of its main strengths is inequality. the Trump administration views the impact as a turning point in globalization with the US gradually correcting its perspective on global development. From the beginning of his campaign, President Trump has steadfastly supported his "America First" ideology and advocated slowing the process of globalization in the United States. When President Trump announced increased tariffs on imports from countries like China and pressured Chinese companies to comply with US laws; this marks the first stage of the US-China trade war. Arguably, while the US dominates most of the world's industries, Americans dominate the world in all aspects. However, with the adoption of a more liberal and free trading environment, the US has gradually lost some of its dominance.

In doing so, reviving American manufacturing and bringing back factory jobs for blue-collar workers became President Trump's political identity and promise to all Americans. White House trade adviser Peter Navarro acknowledged that the administration had set in motion a minimum $2 trillion package aimed at restoring manufacturing jobs. It is clear that the Trump Administration is determined For some major industries, the percentage of jobs shifted from the US to China is high. For example, President Trump urged car companies to bring back American jobs. As major US auto companies plan to put more factories in China, President Trump has criticized China for such an advantage. President Trump also met with the chief executives of Ford, GM and Fiat Chrysler to encourage them to build more auto plants in the United States. While there has been violence in keeping jobs in the US auto industry, it still remains firmly at the top of President Donald Trump's agenda: more manufacturing jobs for the Rust Belt states that voted overwhelmingly to help elect him, he's demanding millions more jobs. made for Americans, primarily from the auto industry.

Another important factor that President Trump and his administration have been constantly criticizing over China is that China has “stealed” US intellectual property. President Trump argued that as a strategy to develop domestic industry and supply chain, China has always looked for opportunities to steal US intellectual property through "cooperation" means, which succeeded in elevating China's global power as a whole. Long since the Obama administration, the US has been concerned about cybersecurity, and in the Trump era, as the trade war has worsened, many US officials have openly criticized China as "grand theft of American technology." In order to protect American property rights, especially in high-end technology, this issue with China has been raised as a serious national issue under the Trump administration, and through sanctions and restrictions, the US government can eliminate unfair foreign trade practices, including “actions, policies, or practices of foreign countries that are unreasonable or discriminatory and burden or restrict trade in the United States.”

The manifestation of the US determination to protect technology is the US sanctions against Huawei, followed by a series of restrictions. As the US justice department has stated, Chinese companies, including Huawei, have long appropriated US intellectual property, such as the "U.S. Corp 1" internet source code, photos of circuitry inside network devices from rival companies, and diagrams and data from AT&T. To keep US intellectual property safe and secure, the Trump administration introduced several restrictions. For example, the main factory for producing Huawei's main chips, TSMC, along with others, almost stopped supplying all advanced chips to Huawei, which severely limited Huawei's ability to improve its technology and products. Not to mention that the US government is also banning the use of Huawei technology and lobbying allies to exclude Huawei from planned next-generation networks. The joint Huawei incident is just a reflection of the extent to which the US government is punishing Chinese companies for allegedly stealing American property, as well as forcing them to make internal changes.

In addition, President Trump's overall win is attributed to his successful appeal to working white people. In fact, many white workers have lost their jobs because of developing countries or they are threatened with losing their jobs to those countries. Over the last few decades of elite politics, these working white people have been neglected and left behind by the waves of globalization and immigration. The tactic President Trump used to secure the Republican Party nomination and the white working-class vote was to find scapegoats, like China and Mexico, for the hard lives of working white people, and give them promises to return a better life. By starting a trade war with China, this effort could fix some of the problems related to job loss, and large workers, those in the steel industry for example, are a fair hit in the global economy. Showing strong signal and resolve 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 the previous year, President Trump is aiming for a re-year 2020.

Emerging anti-globalists in recent years, especially in the US, claim that the pace of global economic liberalization is causing more problems for their economies, and as a result, this group of people demands an end to globalization while emphasizing the improvement of the domestic economy. The anti-globalist awakening marked the end of free global markets, and the shift towards stagnation of globalization and state capitalism. Like two sides of the same coin, globalization has benefited the most, it has also harmed individuals in developed countries, especially those who are unemployed due to shifts in production.

In the 1960s, many Americans worked in manufacturing, and according to the Bureau of Labor Statistics, 24% were employed. However, after several decades, with the signing of trade agreements, including the North American Free Trade Agreement, more than 5 million manufacturing jobs were taken from the state. When China presented attractive proposals to foreign investors, many US companies realized the advantages of China and relocated their factories to China. China, as the most significant beneficiary of globalization, is at the center of the vortex. The following section examines how globalization brought the US into a phase of trade conflict with China by comparing the pervasive benefits that China has gained and the disadvantages that globalization has brought to American society. A key industry, as mentioned earlier, the auto industry, is relocating many factories to China as well as selecting Chinese companies to supply components. Considering lower wages, cheaper supply and weak unions, many US automakers have decided to build factories in China. For example, Ford's decision to move manufacturing and development centers to China could result in significant job losses in Ohio, Indiana and Southern Michigan. Also, Tesla's decision to locate the facility in Shanghai, marking China's first foreign automaker, reveals a trend for more automakers to have fewer barriers to operating in China. With the increasing demand for electric cars, many automakers, such as Tesla, GM, and Ford, are choosing China as the next in line for the globalization of electric vehicles, thus more jobs will be transferred again from the US to China.

In order to maintain or even return labor-intensive jobs to the US, the US needs to slow down the progress of globalization. Over the last four decades, nearly 800 U.S. companies have moved or have moved a large part of their operations overseas. Many of these job losses significantly affected the Middle East region, creating nationalist feelings and an overall antipathy to globalization. Because manufacturing jobs in the U.S. much higher than for jobs in developing countries, the U.S. government use corporate rates and withdrawals to keep those jobs in the U.S. The emergence of inequality is also caused by globalization. First of all, globalization causes specialization, following this principle many existing industries in America will gradually lose their competitive edge with industries in other countries which have relatively higher competitive advantages (cheaper labor costs, better infrastructure, natural resources). abundant, etc.)

Global trade between the US and other developing countries such as China has reduced the wages of low-skilled, non-college-educated American workers but has also increased wages for those with advanced degrees, widening the income gap among all Americans. The steel industry, for example, has been badly damaged by globalization. Unable to compete with cheap manufacturing surging in China, the steel industry in the US had to lower its costs. Around 2011, almost zero wire rods were imported from China, but the amount jumped dramatically, imports plummeted by more than half between 2011 and 2013, so that China gained 14.4 points in the global share of wire rods while US domestic. producers lost 9.8 points. As a result of this loss of significant market share, the wire rod industry's operating income in 2013 was 30.5 percent lower than in 2012, and less than half of 2011 revenues. To remain competitive, American companies must lower costs, including lowering wages. average for all workers, and wages fell to their lowest level in 2013.

Income inequality in the U.S. has always been an issue of emphasis, and inequality in the U.S. much higher than in almost any other developed country. The main cause of inequality is global markets. Over the past few decades, many highly educated and skilled Americans, such as entrepreneurs, have benefited greatly from a globalized world because these entrepreneurs can use cheap Chinese manufacturing to quickly bring new products to global markets. As the number of jobs in the manufacturing sector decreases, the alternative for most blue collar workers is the service industry. The startling increase in service employment began in the mid-1980s, when the number of workers in service industries was attractive even with manufacturing jobs, and by 1999, service industries employed nearly twice as many workers as manufacturing industries.

Facing this transition, the aim of workers is to fill jobs in the retail industry, delivery industry and market industry, but compared to previous manufacturing jobs, such low-skilled service jobs cannot provide decent wages and social benefits. Obviously, politicians and public opinion are all aware of the struggles of the lower and middle classes. The Trump administration/administration believes globalization is a major force behind this increase in inequality, as a result of good manufacturing jobs flowing out of the country. As a strategy to keep American jobs and gain majority support, the US federal government is currently raising their voice to destabilize the process of globalization

CONCLUSION

This research focuses on analyzing the causes of the US-China trade conflict that was triggered in 2018. The study in this paper focuses on three main causes: the progress of globalization, differences in development strategies, the political movements of the United States. The study finds that globalization causes job loss and inequality in the US while significantly increasing China's development. Moreover, similar to Japan in the 1980s, China is using development tactics including export-driven growth, national capitalism, and technology transfer from the west to develop the country on a large scale. This trade conflict between the US and China seems inevitable as these three powers are firmly entrenched as China enters an increasingly globalized world Looking ahead to how the trade war develops, it is very clear that this tension could last for a long time. United States President Donald Trump's determination to pressure China is the strongest of all former presidents. When the two most influential countries in the world start suppressing each other through economic and political means, the world order can be challenged. It will be very interesting to continue to examine the impact of the US-China trade war on global markets.

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