

A Realistic Analysis of the US-China Trade War

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Abstract

This article is entirely analytical and descriptive about the ongoing US-CHINA trade war. The author has attempted to explore the realistic view of the economic competition of the world's largest economies. In this globalized world economic nationalism is a high priority during the Trump administration. In international relations, every state seeks economic development and military power. Realists believe that state national interest must be on the priority and in order to protect and achieve state interests, every nation has the right to develop her capabilities. The United States is a world superpower that considers the economic rise of China in Asia as a threat to the global liberal order. Although the Chinese government has categorically stated that China's objective is to develop trade relations with other nations of the world. According to the realist theory of international relations, every state has to develop her capabilities and also maintain the balance of power. The US policy is to maintain the status of a superpower, no other nation can challenge its economic and military superiority. The trade war between both nations is based on realistic views of international politics, China wants to develop its economic and military capabilities in order to secure its borders and territory.

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On the other side, the United States policy is to contain China's economic rise in the region and in the world in order to maintain the global status quo dominant by her own interests.

Key words: Trade War, Realism, Capabilities, Superpower, Soft power, Power Politics

1. INTRODUCTION

Basically, Trade war is between two states when a state enforces tariffs on import goods and another state reacts and strikes back with similar actions. China and the USA are the world's largest economies in the world, positive and stable relations between these two countries are very important for the world community. The world peace and development, prosperity and stability depend on the balancing relations between these two counties. In March 2018, President Trump announced imposing additional tariffs on China's export of steel and aluminum to the USA. The same month President Trump announced to impose sanctions against China over its Intellectual Property Rights policies that negatively affect the US stakeholders. The sanctions included on selected Chinese products valued \$50billion to \$60 billion. On April 1, China retaliated by increasing tariffs on various American products. The US administration revealed a list of 1,333 products worth \$50 billion in trade to which it intended to apply a 25 percent tariff. These Chinese goods are in strategic sectors such as information technology, robotics, advanced rail and shipping, new energy vehicles and high technology medicine and health care. A few hours later, China released its relative response, 25 percent tariffs on 106 products, also worth \$50 billion in trade.[1]

China threatened to react with tariffs on American cars, chemicals, and other products. The 106 goods, many produced in parts of the country that have supported President Trump, were selected to deliver a warning that American workers and consumers would suffer in a protracted standoff.[2] China and USA are the two biggest economies in the world. The trade war between these two big economies can further create serious issues, problems all over the world. This move could be disrupting the current global economic system and economic expansion that can affect negatively the

American business that mostly depends on business with China. It could also further complicate geopolitical priorities given the Trump administration has enlisted the help of the Chinese in solving the crisis with North Korea.

From the Chinese perspective, the facilitation of Outbound Foreign Direct Investments (OFDI) on cross border e-commerce from Chinese companies in the United States, will help China to achieve its “Made in China 2025” goals, as well as enhance online business cooperation between China and the United States. The United States is still in the early stage of online business development compared to China, which has achieved integrated and effective logistic, payment and easy online shopping consumer journeys.[3]

Many trade analysts argue that China could prove to be a much more significant market for US exports in the future. China is one of the world’s fastest-growing economies. Healthy economic growth is projected to continue in the years ahead, provided that it implements new comprehensive economic reforms. China’s goals of modernizing its infrastructure, rebalancing the economy, upgrading industries, boosting the services sector and enhancing the social safety net could generate substantial new demand for foreign goods and services. China’s huge population and the immensity of its domestic market allow for the growth of all sectors of manufacturing and the emergence of thousands of industrial clusters throughout the country. These, coupled with the abundant supply of a well-educated, hardworking labor force and the unusual stability of a homogeneous society, explain China’s unparalleled attractiveness to investors home and abroad. The central government’s implementation of long term growth plans and its massive investment in infrastructural networks further contribute to China’s global competitiveness. It is the functioning of all these factors that pushes the phenomenal growth of the Chinese economy.[4]

2. METHODOLOGY

Qualitative method is essential for social science research and contributes to social science. Qualitative research enables a researcher to gain an empathic understanding of social phenomena, to facilitate recognition of subjective aspects of human behavior and experiences, and to develop insights into the group’s lifestyles and

experiences that are meaningful, reasonable and normal to those concerned. The article has been conducted for academic purposes and for the general advancement of knowledge. The study is qualitative, analytical and descriptive research which makes use of secondary sources.

3. REALISTIC PARADIGM OF GLOBAL POLITICS

Realism is an approach to the study and practice of international politics. It emphasizes the role of the nation-state and makes a broad assumption that all nation-states are motivated by national interests, or, at best, national interests disguised as moral concerns. Realism is the world dominant theory in global politics, the state national interest, struggle for power, anarchy in the global environment are the core ideas. Realists believe that there is no universal power or authority to dictate the foreign policies and a sovereign state. The states are sovereign and independent while shaping their policies to achieve their goals. The theory is applicable in economic relations among nations because of the power and capabilities of the state belongs to economic development. The study of the international political economy is relevant in explaining the relations among states. Historically, the wars fought just because it grabbed the economic incentives by exploiting the weak states. USA and China the world's top economies fighting for the economic incentives and dominance in the world market. Actually, both states are in economic competition to become a global market leader.

John Mearsheimer a Prominent Political scientist believes that the best to survive under the global anarchy China has to achieve regional hegemony in Asia as the way the United States dominates the western hemisphere. In order to achieve this goal China seeks to maximize the power with its neighboring countries like Japan, India, and Russia and it will pave the way for military dominance in the region. [5] China has already gained regional hegemony and now moving towards an important global player. The ongoing trade war with the united states is evidence that China will defend its national interest, economic opportunities.

4. CHINESE PERSPECTIVE

Since 2017 the basic Chinese position has not changed. China has taken a non-ideological approach to economics over the last few decades, picking market-based tools and government policies to their advantage. China's Ministry of Commerce made the Chinese position very clear. It said, "We do not want to fight, but we are not afraid to fight a trade war. The Chinese side will follow suit to the end and will not hesitate to pay any price and will definitely fight back. It must take a new comprehensive response and firmly defend the interests of the country and the people.[6]

There is a school of thought that the new tariffs will hardly send China into an economic plunge. China's more than \$13 trillion economies exported \$2 trillion in 2016. The tariffs will adversely affect some businesses and industries, but their total value (25 percent of between \$50 billion and \$65 billion) represents only about 2.5 percent of China's overall exports to the US. China is at the end of the Asian supply chain. Many of the goods it exports, particularly consumer goods, contain a substantial amount of intermediate products from elsewhere in the region that Chinese companies then assembled into a finished product.[7] China's practices are not much different from what all advanced countries have done historically when they were catching up with others.

An ancient Chinese defense strategist Sun Tzu said in his worth writing "Art of War" know your enemy and know yourself you will never lose a single war over the hundred. The Chinese have realized and accepted that preparing for a trade war with the United States will require stabilizing domestic economic policies that can set the nation for self-reliance. China also seeks new friends and partners in order to maintain its economic strength and also to counter the possible consequences of economic war. The belt and road initiative of President Xi that investments in the Eurasian region would not be possible without the Kremlins's consent. The cooperation of Russia and China for the gas pipeline heading to Japan has now rerouted to China.[8]

China accused the US of initiating the largest trade war in history and responded to retaliate by imposing tariffs on US goods. According to a spokesperson for China's ministry of commerce, after Minutes the US tariffs went into effect, China promised not to fire the

first shot, but in order to safeguard the country's core national interests as well as those of the people, it is forced to fight back the US will be opening fire on the whole world and also opening fire on itself.

Additionally, the state-run Global Times wrote, "If what the US wants is to escalate a trade war with China, then so be it. A little fighting may be the only way the Trump administration clears its mind and allows everyone to abstemious up.[9]"

5. CHINESE SOFT POWER and TOLERANCE

Historically States are using their hard power to affect the other states in international politics, now state soft power is also important in order to increase its influence over the countries. in the case of China, it has developed its soft image domestically and internationally.

China's policy is peaceful so far, the state narrative is to engage in economic relations, trade and business with other nations. The policy is based on a win-win approach in all dimensions. The belt and road initiative is to economically engage China with other nations of the world. It has no political and ideological ambitions but China wants its due share in global politics. Although China threatens to retaliate after US sanctions on Chinese companies and increase tariffs on Chinese products. It means China is fully prepared for a possible economic confrontation with the US. The Chinese government is waiting so far patiently until the next elections in America. In 2014 Xi Jinping said, we should work to improve the soft image of China, and give a positive gesture and narrative to the world. For this purpose, China is working to fulfill its dreams to become a global player.[10]

6. USA PERSPECTIVE

The President of USA, Donald Trump, has for years accused the Chinese Government of unfair trade practices, which he says puts the US companies at a disadvantage. Many other foreign leaders have agreed that China unfairly subsidizes its businesses and has at times devalued its currency to boost exports. However, most countries have favored a multinational approach to applying pressure on Beijing.

The US policy-makers and stakeholders have expressed concern that China does:

- Limit exports of critical commodities like rare-earth to give its own producers advantage on rival non-Chinese companies to move operations to China.
- Subsidize massive overcapacity in goods like steel and aluminum in order to undercut the competition globally
- Place many restrictions on foreign providers of farm products along with banking, insurance, telecommunications, Internet-related, audiovisual, express delivery, legal and other services
- Remain determined to keep foreign firms in the dark about the regulations concerning licensing and operating requirements; product, investment, business expansion approvals, and business license renewals.
- Sue its trade partners in the WTO simply because they are exercising their right to bring actions against China.
- Extort or steal its rivals intellectual property
- Pursue industrial policies aimed precisely at creating advantages for many designated key sectors of its economy over foreign competitors.

The US Government's grievances center on the Chinese trade practices impacting technology transfer, intellectual property, and innovation. The Trump administration's Section 301 Report identifies four areas of specific concern, which are précised below:

- China has an unfair regime of forced technology transfer, implemented through formal and informal practices and policies. Through foreign investment restrictions, US companies seeking to operate in China are made to engage in a joint venture with a Chinese partner, most often a state-owned enterprise. In selected sectors, such as aerospace and information technology, Chinese regulations require that the Chinese enterprise maintain the controlling interest in the joint venture.
- The Chinese Government directs and unfairly facilitates the systematic investment in and acquisition of, US companies and assets by Chinese companies, as a means of obtaining intellectual property and generating large scale technology transfer in industries deemed important by state industrial

plans. The 'Made in China, 2025' program blunts US innovation and corrodes its distinct competitive advantage

- Forced technology transfers occur through discriminatory licensing restrictions under Chinese technology import-export regulations. Chinese companies are able to “free ride” on their US counterparts’ research and development in virtually any imported technology transfer arrangement.
- Over a decade, the Chinese Government has conducted and supported cyber intrusions into US commercial networks targeting confidential business information held by US firms. Through these cyber intrusions, Beijing has gained unauthorized access to a wide range of commercially valuable business information, including trade secrets, technical data, negotiating positions and sensitive and proprietary internal communications.[11]

7. ANALYTICAL DISCUSSIONS

The trade war between the US and China will affect the global economic market and trade. It could lead to a decline or a collapse of the international economic system. The developing nations are usually dependent on the world developed nations especially the USA and China. this trade war may lead to a negative impact on underdeveloped nations and societies. The largest economies have several development projects and huge investments in different countries in the world. The decline of investments, disturb the economic and financial market of the world, are the major negative repercussions and outputs of the trade war. According to an economic analyst, the trade war has huge negative implications and will affect world supply chains. The US goods and products are accumulated in the developing nations can also be affected and also the consumer will end up to pay high costs.

The trade war between the two superpowers in the 21st century the age of technological advancements and developments in every sector will affect badly the global market. Especially the third world nations can be more victims of the global power politics show. This trade war is similar to the cold war between the USA and USSR in history. Furthermore, the trade war can also affect the economy of China, in the era Chinese economy is strong enough to hit back the

US tariffs on Chinese goods because China is not dependent on exporting products to the United States, less than three percent in its economy is dependent of US. The Shanghai stock market is in the main territory, down 23 percent from a high in January 2018. The establishment has been constriction financial conditions and trying to curb financial hazards, so that the economy is slowing, even before it takes a hit from trade. The Chinese currency has depreciated round about 4.3 percent against the dollar for the last past few months.

The world's largest economies are doing no positive actions for their own advantage, it can affect their economy and ultimate for the survival of the state. As a realist I believe in the capabilities and power of the state in all sectors, military power, economy and also the soft image of the country. Although in global politics no state is a permanent friend and no permanent enemy the permanent is the country's national interest. The international anarchic environment dictates the foreign policy of the state, it affects the weaker states towards security dilemma and ultimate for their survival. The trade war is actually the war of blame game by both states, this will threaten the setup rules-based the international economic order. According to my own analysis it could also isolate the United States because it has rejected to settle the issue through mediation or direct negotiations with Chinese authorities. The government of China often emphasis to settle the trade issue through table talks, but the Trump administration has no clear view of the negotiations and they believe on to react through imposing tariffs and baning Chinese goods and companies. The trade war may also affect the global soft image of the United States, the allies from all over the world will also affect and lose hope from the superpowers ultimately they will seek alternative options to fulfill their needs and priorities.

The most popular slogan of Trump administration is America First, this approach may push China to look alternative options, maybe China could appeal the US allies and other states in order to gain support in international politics. It may also a counter hit back for Trump administration in the trade war, so far Chinese behavior is soft and defensive in nature, the authorities don't want to disrupt the soft image and rising power status. Chinese authorities are trying to gain support from European countries and other nations, in order to strengthen its policy on the trade war with US. Political analysts believe that China may also play an important role between US and

North Korea's diplomatic efforts to resolve the issue of the missile program. The alliances making is an effort to balance the power structure in global politics and in the region. China has the ability to disrupt and create hurdles for American business communities. China has several weapons which are uncovered the general trade war rules, which could be a possible threat to retaliate the US actions on the trade war.

8. CONCLUSION

The shift in the policies and priorities in the United States foreign policy after the cold war has changed the dynamics of global power politics. The US has considered the emergence of China as an economic power as a threat to her global hegemony, particularly in Asia. China is rapidly developing its economy, technology, and the military that has already become a hegemonic power in Asia. With all means, sea lanes of transportation, rising position within Asian countries, moving towards Africa, so several political scientists consider China as a competitor or challenger for US supremacy in the world. The US foreign policy focuses on rising China, and also as the center point for US policymakers.

The US is heading into potential talks with several demands, and top among them is for China to reduce its trade deficit with the US by 100 billion USD. But, it is an unrealistic request, given the time it would take to adjust supply chains and given the US consumers' demand for Chinese products. China certainly could not reduce the deficit by itself. Washington's second major demand is that China opens up more sectors to investment and trade without restriction, including automobiles. Given the possible contents of Xi's speech at the Boao Forum, this could end up being an area where both sides align. America holds almost all the high cards in trade with China, and almost none of Beijing's supposed points of pressure are real threats. Most of the threats, for example, would hurt China's fragile currency far more than the sturdy US economy. The only element Washington lacked in previous administrations was the political will to use its overwhelming power. So far, Trump has demonstrated such will, even in the face of withering criticism, especially at home. Economically, both the US and China would lose from a trade war. Retaliatory tariffs would push up import prices,

hollow exports, cost jobs and crinkle economic growth. Both sides would do best to avoid an outbreak of hostilities.

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