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A BRIEF ANALYSIS OF SINO-US TRADE RELATIONS UNDER THE NEW ERA

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ABSTRACT

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China-us economic and trade ties have always been the "ballast" and "booster" of the bilateral relations, and it is of vital importance to build a sound trade relationship between China and the United States. China and the US are each other's largest trading partners. China-us trade is of great significance to the resource allocation, job creation and market expansion of the two countries. In the last ten years, bilateral trade volume has risen steadily. China's exports of labor-intensive and capital-intensive products are much larger than imports, while the gap between imports and exports of resource-intensive products is very small. China's long-term surplus lead to trade frictions. Since the financial crisis in 2008, China has received 2,067 non-tariff trade barriers (NTB) sponsored by the US. In the uncertain international environment, we need to seek a stable, friendly and win-win sino-us trade relationship.

KEYWORDS

Sino-us trade status, trade frictions, trade countermeasures.

1. THE IMPORTANCE OF MAINTAINING CHINA-US TRADE RELATIONS

1.1 Complementary trade endowments

According to trade endowment theory, because of the different degree of affluence of various factors of production, the price ratio of each factor will be different, which will lead to the difference of comparative cost and product price, and the price difference of the same kind of product in different countries, which will eventually lead to international trade. The US has the advantages of talent, technology and capital compared with China.

In terms of talent, 30 of the top 100 universities in the world are from the US, while only 5 are from China [1]. The United States has a wealth of educational resources and strong economic strength, which attracts top talent from all over the world. In the technical aspect, according to the "Science and engineering indicators 2016" published by National Science Board published in 2016, total R & D expenditures in 2013 in U.S. was \$456 billion, accounting for about 26.8% of total global R&D spending. China's R&D spending was \$336.5 billion. The United States has invested a lot of money and manpower in science and technology, enabling the United States to have a strong technical advantage [2]. As for capital, capital market is highly developed in the United States. According to Thomson Reuters data, in 2012, the latest year for which data can obtain accurate, global venture capital totaled \$42 billion, and the venture investment of the United States was in a leading position worldwide, accounting for 68.6% of total global venture capital. And Asia and Europe accounted for 14.4% and 13.5%, respectively.

Compared with the us, China is relatively weak in talent, technology and capital, but China has an obvious labor advantage. According to the United Nations population division (UNPD), China has 1.405 billion people in 2016, accounting for 18.82 percent of the global population, while the American population only accounted for 4.42 percent of global population [3]. According to the United Nations international labor organization, the average salary in the United States was \$1,020 per month in 2010. In the same year, China's per capita income was 3,045 yuan. What's more, our country's production of clothing, shoes and hats, refrigerator, washing machine, air conditioning and other products are the world's first, so we can see the advantage of our labor resources.

International trade can make good use of the trade endowments of different countries. For example, the United States can use China's relatively cheap labor force to reduce costs. China can import relatively advanced machinery and equipment from the United States to improve labor efficiency.

1.2 Job creation

Study of the relation between international trade and employment, elements of compensation methods mainly include the CGE model, the specific factor model, econometric model of input-output model, regression, etc., among them, the input-output model is more and more widely used. There are many domestic scholars who have calculated the data, I selected the data of zhang yiying and jiang hong [4]. They used the world input-output table compiled by the European commission to calculate and found out that the number of jobs created by sino-US trade in 2011 was 1636.8 and 23.18 million in China and U.S. respectively. U.S. exports generate a strength of 156 billion dollars, compared with just 5014 billion in China. America's imports from China will not reduce the number of American jobs, but create 393, 000 jobs. According to statistics, in 2011, the labor remuneration created by China and the United States in the sino-us trade was 551.25 and usd 15.655 billion respectively, and the capital remuneration of the two countries was 1039.76 and 11.677 billion US dollars respectively [5]. This shows that Sino US bilateral trade is beneficial to the employment and trade remuneration of China and the US. China and the US should continue to develop bilateral trade and expand the positive impact of Sino US trade on the two countries' employment market.

1.3 Expanding overseas markets

China-us trade can not only create new jobs for both countries, but also expand the product market. According to the product life cycle of international trade, new products are first developed and produced in the most advanced countries like the United States. At this point, other countries cannot produce this product, so the United States can export to obtain a larger market share. China's position in the global value chain is lower than that of the United States, and the United States is willing to use lower costs to import simple processed products from China, which can also expand the market of Chinese manufacturers.

1.4 Promoting regional development

The United States is the largest developed country in the world. China is the largest developing country in the world. The trade relationship between China and the United States is not only related to China and the United States, but also to other countries [6]. As Howard schatz, a senior economist at the rand corporation, says, us-china economic and trade cooperation should be run with the heart. "Any country in recession, the world will be affected. So as long as the United States and China do not fall into a trade war or mutual blame, everyone will benefit. This means that both sides must find ways to resolve their differences and keep their economies stable and growing.

2. THE CURRENT SITUATION OF BILATERAL TRADE BETWEEN CHINA AND THE UNITED STATES

2.1 Total trade and unfavorable balance of trade

To understand the general situation of sino-us bilateral trade in the recent ten years, the following will show the data obtained from the autumn report of China's foreign trade from the website of the Ministry of Commerce of the people's Republic of China on 2017 [7]. In order to clearly understand the bilateral trade situation between China and the United States, the author made a further arrangement of the data. In order to show the bilateral trade situation between China and the United States, we draw the following figure 1.

Figure 1: Overall bilateral trade in China and the United States from 2008 to September 2017 (unit: \$100 million) Data source: ministry of commerce of the People's Republic of China.

As we can see from figure 1, from 2008 to 2015, the bilateral trade between the United States and China continued to grow, and the growth rate of the total volume of bilateral trade showed a downward trend, with the total volume of trade increasing from 298.26 billion US dollars to 558.28 billion US dollars, of which, on 2009, there was a slight decline [8]. This shows that Sino-US economic and trade relations are very close. This is also an inevitable result of the economic development and complementarity between China and the United States. In 2016 the volume of trade fell.

Figure 2: China's favorable balance (unit: US \$100 million) from 2008 to January-September 2017 (Data source: ministry of commerce of the People's Republic of China.)

As can be seen from figure 2, China's trade surplus with the United States has been growing slowly, and its growth rate has been decreasing. In 2016, the surplus shrank. According to the Commerce Department, the U.S. trade deficit with China accounted for 46% of the total deficit in 2016, which is still large, but has declined significantly from 49.2% in 2015. Compared with 2015, 2016, the U.S. trade deficit with China fell by \$20.1 billion to \$347 billion, compared with a drop of 5.5%, and in December 2016, the U.S. trade deficit with China narrowed for the fifth consecutive month, is also an important signal to America's huge trade deficit - China or since then gradually reduced.

2.2 China-us trade structure

The following figures are from the United Nations statistics division international trade database (UN COMTRADE), which USES the HS1992 commodity classification standard to collect and analyze sino-us trade commodity data. According to the distribution principle of Chinese product classification standard, the 22 categories of HS1992 are classified into three categories: resource-intensive, labor-intensive and capital-intensive. The specific classification is as follows:

Resource intensive: classes 5, 6, 13, 15.

Labor intensive: classes 7, 8, 9, 11, 12.

Capital intensive: classes 16, 17, 18.

In addition, due to the differences in trade statistics between China and the United States, the data of 1992-2015 shown in the following figure is reported by Chinese side in the United Nations Comtrade database.

From figure 3 and figure 4 we can obviously know that, since China joined the WTO in 2001, bilateral trade between China and the United States has increased sharply, with capital-intensive products increasing the most and accounting for the largest proportion of bilateral trade products [9]. Whether it is resource-intensive, labor-intensive or capital-intensive, exports are larger than imports. Among them, labor-intensive and capital-intensive exports are much larger than imports, and the gap between imports and exports of resource-intensive products is very small. This can reflect the source of the Sino-US trade surplus.

Due to China's abundant labor resources and low cost, many factories willing to set up factories in China, carrying out low-technology processing and assembly, and then import to their mother county. This leads to a "surplus in China, profits in the United States". China's trade deficit with the United States mainly comes from processing trade [10]. A large proportion of China's exports to the United States are intermediate products of American multinationals such as apple, general motors, Toyota and chevron. Although the surplus is in China, this kind of multinational company earns a high profit because of the processing trade, so we should look at the Sino-US trade surplus in a comprehensive way.

Figure 3: Overall characteristics and changes of China's exports to the United States in 1992-2015.

Figure 4: Overall characteristics and changes of China's import commodity structure from 1992 to 2015. (Data source: United Nations statistics division international trade database.)

Observer columnist Li Jianhua said in his article that the United States has long been a major exporter of service trade and that the United States has a huge trade surplus with China.

Data show that the bilateral trade in services between the United States and China in 2015 reached us \$635.5 billion. U.S. imports from China are \$15.1 billion and US exports to China are \$48.4 billion. The us is the world's biggest exporter of services trade its projects include the international transportation, international tourism, international Banks, finance companies and other financial services, international information processing, and data transmission, computer operations, and so on.

2.3 China-us trade frictions

Since the outbreak of the financial crisis in 2008, sino-us trade frictions have been escalating. According to WTO statistics, the number of non-tariff trade barriers (NTB) initiated and implemented in the United States

from 2008 to 2016 reached 2,259, with 2,067 affected by China, and 99 for China especially. China's implementation of NTB is relatively small. In 2008 and 2016, the number China initiated and implemented the non-tariff trade barrier was 1776, and the United States was affected by 1,682, with 46 of the NTB specifically targeted at the United States.

According to the Ministry of commerce data, in 2016, China encountered 119 trade remedy investigations launched from 27 countries, involving 14 billion 340 million US dollars. The number of cases and the amount involved increased by 36.8% and 76% compared to the same period, and the number of cases reached a record high.

There are three possible ways for the us to launch a trade war with China in the future: first, label China a "currency manipulator". In recent years, the people's Bank of China has intervened in the exchange rate in order to avoid the depreciation of the RMB, which does not meet the requirements of the US Treasury to manipulate the exchange rate. Even if included, China should take correspondent measures, such as a reduction in trade with the United States or a massive sale of U.S. Treasuries, which would be a big blow to the United States. Second, if U.S. impose 45% tariffs on Chinese products just as Trump said, it will violate the rules of the WTO organization. What's more, the enforcement will be constrained by US legislation because this kind of tariff is not included in the legislation, not even mention a massive trade war against both China and the us. Third, continuation of the measures since 2008, such as anti-dumping, countervailing investigations and other non-tariff barriers to trade, this measure is more likely and universal means of trade protection.

3. THE SINO-US TRADE STRATEGY

Strengthen dialogue with the United States to safeguard the core interests of the two countries. We should maintain and consolidate sino-us relations, promote the long-term and stable strategic relationship between China and the us, and deal with them through consultation, so as to reduce the impact of trade frictions on sino-us relations. The government and economic management leaders of China and the United States should establish and improve an efficient national regular coordination mechanism, strengthen mutual visits and exchanges, enhance understanding and strengthen coordination, and properly solve potential problems of trade disputes between the two sides. At the same time, we should actively utilize the dispute settlement mechanism of WTO, submit the dispute to the WTO dispute settlement mechanism, safeguard our national interests, and take the initiative to take the advantage of China's accession to the WTO Protocol to defend it.

Expand trading partners and reduce dependence on the United States. Vigorously implement the "Belt and Road" policy and strengthen foreign trade cooperation with countries along the route. Viewing from a global perspective, strengthen negotiations on free trade areas with South Korea, Australia, Latin America, and other countries and regions. To provide a broader market for the development of international trade and effectively resist the risk of trade friction brought by local areas.

We will energetically develop science and technology and improve the technological content of products. Strengthen the independent innovation, promote technological progress, rationally increase R&D financial and material resources and manpower investment, gradually form unique technical advantages, accelerate the transfer of Chinese export products to high value-added product upgrade, and make China towards a "trading powers".

Encourage enterprises to respond actively and establish an early warning mechanism for trade frictions. According to the successful responding cases, we should prepare early materials, apply experienced lawyers, strengthen the strength of the association, and have the confidence to fight a protracted war, so as to better cope with the anti-dumping. Establish information sharing platform between government, enterprises and industry associations, expand information channels, strengthen information analysis capabilities, enable information to be transmitted quickly, and enable enterprises and governments to respond effectively in time.

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