

The impact of the US-China trade war on the volume of China's exports

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Abstract:

Since 2018, the trade dispute between the People's Republic of China and the United States of America has become a hot issue in the global economy. The study found that the US-China trade war led to an overall decline in the number of China's export products, especially in areas such as steel and electronic products, they have been greatly affected. This is mainly due to the increase in tariffs, the intensification of market uncertainty, the increase in trade barriers, and other factors triggered by the trade war, which makes export enterprises face problems such as reduced orders and increased market risks, leading to the impact on the number of export products. In addition, the structure of China's export industry also has a certain degree of problems, and certain traditional industries are overly dependent on low-cost competition and are facing greater pressure. At the same time, the Chinese government has taken a series of countermeasures, including tax cuts and fee reductions, expanding domestic demand, expanding market diversification, etc., to mitigate the adverse effects of the trade war, aiming at analyzing that the Chinese government can better strengthen the macro-control, to formulate a more reasonable export strategy and market expansion strategy.

Keywords: trade war between the United States and China, industrial exports, comparative analysis method, Add tariffs

1. Introduction

The outbreak of the trade dispute between the People's Republic of China and the United States of America can be traced back to the Trump administration, when the Office of the United States Trade Representative (USTR) issued the Section 301 Report (Section 301), which distorts the facts to characterize Chinese industrial policy represented by "Made in China 2025 (MIC2025)" as an "unreasonable" policy that is highly offensive to the world economy, thus providing the so-called "legitimacy" for trade sanctions. MIC2025) as the representative of China's industrial policy is characterized as the world economy is very offensive "unreasonable" policy, and then provide the so-called "legitimacy" for trade sanctions. [1] During the Biden administration, a series of industrial bills on high-tech products were passed, including the "Semiconductor Technology and Science Act (CHIPS and Science Act)" and other industrial policies, to prevent high-tech products from entering China, and to create a "necklace" problem of core technology for China. Neck" problem, to deal with the rising China's challenge to the U.S. economic and political status. The trade war involves both sides imposing tariffs on each other's goods, as well as restrictive measures targeting specific industries and companies. Specifically, Trump signed a Presidential Memorandum in

the US White House planning to impose 25% tariffs on at least \$60 billion of Chinese imports and, accusing China to the WTO of policies of forced technology transfers, licensing below market value, and cyber theft. The statement of the United States side led to a significant decline in China's exports to the United States, data from China's General Administration of Customs showed that from July 2018 to June 2019, China's exports to the United States fell by 12 percent year-on-year, and the slowdown in China's economic growth dynamics has made the GDP growth rate also continued to decline during the trade war, pushing the bottom line of 6 percent growth. [2] On the other hand, China firmly denies the US's unreasonable allegations and the Tariff Commission of the State Council issued a 25% tariff increase on 106 items of goods in 14 categories, such as soybeans, automobiles, and chemicals, originating in the US, to safeguard its legitimate rights and interests. At the same time, the violent turmoil in trade relations between the world's largest economies has also dealt a severe blow to global market confidence, leading to a marked shift in investment appetite towards risk-averse assets. A study by the OECD (Organisation for Economic Co-operation and Development) pointed out that the continuation of bilateral trade tensions between China and the United States could lead to a loss of about

0.6% of global GDP growth over the next 2 years. [3] In terms of the current situation, the imposition of tariffs by China and the United States on each other's goods and a series of restrictive measures in the areas of technology and investment have led to an increase in uncertainty in

the global trade environment, which is exerting some pressure on China's exports.

2. Analysis of China's total exports and imports before and after the trade war

Table 1 China's Total Imports and Exports, 2017 to 2020

vintages	2017	2018	2019	2020
Total exports and imports (\$ billion)	41,071.4	46,224.2	45,778.9	46559.1
Exports (US\$ billion)	22,633.5	24,866.8	24,994.8	25899.5
Imports (US\$ billion)	18,437.9	21,357.3	20,784.1	20,659.6
Difference (\$ billion)	4,195.5	3,509.5	4,210.7	5,239.9

Data source: Knowledge Network - China Trade and Foreign Economic Statistics Yearbook

According to the analysis of this chart, after 2018, China's trade war had an extremely significant impact on China's import and export trade. According to the previous background analysis, it can be seen that in 2018, the trade friction between China and the United States escalated, the United States first imposed tariffs on the Chinese market and took trade-restrictive measures, and then China retaliated with tariffs to limit the U.S. market, which led to a more pronounced change in the value of China's exports and imports in this period. As can be seen from the table, in 2018, China's exports amounted to US\$2,486.68 billion, up from US\$2,263.35 billion in 2017, but at a slower rate. Meanwhile, China's imports fell to \$2,135.73 billion from \$1,843.79 billion in 2017. [4] This suggests that the trade war has created a great deal of uncertainty in China's foreign trade market and that many companies or governments are scaling back their imports as much as possible. The impact of the trade war on China's economy can be seen more clearly by comparing the difference (exports minus imports) data. In 2018, the difference was \$350.95 billion, which is a decrease from \$419.55 billion in 2017. This shows that China's imports are growing faster than its exports, which in turn leads to a decrease in the balance. It shows that the trade war has impacted the Chinese economy to a certain extent, putting China under pressure to reduce its exports and increase its imports. In addition to the U.S.-China trade war, the outbreak of the new crown epidemic in 2020 has caused a huge impact on the global economic landscape, and China, as one of the world's largest manufacturing and exporting countries, the impact of the new crown epidemic on China should not be underestimated. Although the Chinese economy was already in the recovery phase due to the gradual reconciliation of the economic and trade friction between China

and the United States in 2020, measures such as factory shutdowns and delays in the resumption of work by enterprises were taken during the epidemic to suppress production activities, resulting in China's total import and export volume for that year reaching only US\$4,655.91 billion, although only a slight increase compared to US\$4,577.89 billion in 2019, the impact of the epidemic has still greatly depressed the China's import and export trade. From the table, it can be seen that imports also declined in 2020, from US\$2,078.41 billion in 2019 to US\$2,065.96 billion, reflecting the impact of the disruption of the global supply chain and the weakening of China's domestic demand. To summarize, both the U.S.-China trade war and the new crown epidemic have had a huge impact on China's import and export trade. The trade war has slowed export growth and increased imports, while the epidemic has exacerbated global economic uncertainty, leading to slower growth or even a decline in import and export trade. Therefore, China needs to cope with the uncertainty of the external environment by deepening reform and expanding opening-up to stabilize and promote the development of import and export trade. [5]

3. Comparison of tariffs imposed on each other by China and the United States

3.1 United States of America

In the early hours of 2 August 2019, US President Donald Trump tweeted that he would impose 10% tariffs on approximately \$300 billion of Chinese exports to the US from 1 September. The list of proposed tariffs for this round of \$300 billion includes more than 3,800 HS codes, covering almost all Chinese products exported to the U.S. in addition to products that have previously been subject to tariffs worth a total of \$250 billion, including smart-

phones, laptops, tablets, apparel, footwear, household goods, and agricultural and livestock products. [6] This amounts to an almost all-encompassing sanctioning of all Chinese industries by the US as a means of suppressing China’s economy. On 13 August, the Office of the U.S. Trade Representative (USTR) issued a notice adjusting the proposed list of duties on \$300 billion of products exported from China that Trump had originally planned to issue, with some of the products delayed until 15 December 2019, and some products removed from the \$300 billion 10% tariff increase list based on national health, national security, and other factors. list.

This malicious act of the United States to suppress China’s economy has been criticized by major Chinese media outlets, such as Xinhua, People’s Daily, and the Global Network, as typical unilateralism, which means behavior that is bent on one’s interests without taking into account the aspirations of the majority of the countries and the people, and that undermines or provokes the peaceful development of society as it exists. This practice not only violates the rules of the World Trade Organization but also undermines the stability and development of the global trading system. At the same time, it leads to higher trade costs and increases international trade tensions. Not only that, many countries and international organizations have expressed their opposition to unilateralism and trade protectionism and called for the settlement of trade disputes through dialogue and consultation, to maintain the stability and development of the global trade order. The United States, under pressure from all walks of life, the new announcement issued by the Office of the United States Trade Representative (USTR), since 12:01 a.m. EST on February 14, 2020, the U.S. tariff increase on China’s \$300 billion List 4 A list has been officially effective in reducing the tariffs from 15 percent to 7.5 percent. It also cancels the tariffs on the 300 billion List 4 B list, which were scheduled to take effect on 15 December.

3.2 China

On 6 February 2018, China’s Customs Tariff Commission of the State Council announced to adjust the tariff measures imposed on about US\$75 billion of goods imported into China from the United States. Effective from 13:01 on 14 February 2020, the tariff rate for goods on which a 10% tariff has been imposed since 1 September 2019 is adjusted to 5%; for goods on which a 5% tariff has been imposed, the rate is adjusted to 2.5%. [7] Specifically, the tariff adjustment targets the adjustment of the tariff rate for the 270 or 646 tariff items listed in Parts I and II of Annex 1 of the Announcement of the Customs Tariff Commission of the State Council on the Addition of Tariffs on Certain Imported Commodities Originating in the United States (the Third Batch), issued on 23 August 2019, from 10 percent to 5 percent; and the adjustment of the tariff rate for the 64 or 737 tariff items listed in Parts III and IV from 5 percent to 5 percent. The rate of increase for 64 items of 737 items of goods listed in Parts III and IV of the Announcement is adjusted from 5 percent to 2.5 percent.

China has responded positively to the constant pressure from the United States, actively participated in the World Trade Organization and other international institutions, resolved trade disputes through lawful means, and safeguarded the stability and development of the global trade order, thus demonstrating the image of a responsible big country. By expanding domestic demand, deepening reform, and opening up, China has boosted the endogenous momentum of its economy, promoted economic restructuring and industrial upgrading, and enhanced the endogenous growth momentum of its economy and its ability to cope with external pressures. In addition, China has strengthened economic and trade cooperation with other countries and expanded diversified trade channels. China has actively promoted the construction of “One Belt, One Road”, deepened trade cooperation with Asia, Europe, and other countries, expanded market space, reduced dependence on a single market, and improved the resilience and risk resistance of the economy. [8]

Table 2: Consolidated table of information on tariff increases and exclusions in the US-China trade war (provisional)

Comprehensive Table of Tariff Increases and Exclusions Information for the US-China Trade War								
impose an additional levy round	United States v. China				China vs. the United States			
	mark-up list	mark time	increased tax rate	note	mark-up list	mark time	increased tax rate	note

first round (of match, or election)	US \$34 billion	2018/7/6	25%		8 batches have been excluded	China \$34 billion	2018/7/6	25%	Four 10-digit codes have been excluded	
		2019/10/15	Suspend upward adjustment to 30% and maintain 25%							
	US \$16bn	2018/8/23	25%		3 batches have been excluded	China 16 billion	2018/8/23	25%	Four 10-digit codes have been excluded	
		2019/10/15	Suspend upward adjustment to 30% and maintain 25%							
second round (of match, or election)	US \$200bn	2018/9/24	10%		8 batches have been excluded	China 60 billion	2018/9/24	5% and 10%		
		2019/5/10	25%				2019/6/1	5%, 10%, 20% and 25%		
		2019/10/15	Suspend upward adjustment to 30% and maintain 25%							
third round	US \$300bn	List A	2019/9/1	15%	China 75 billion	List I	2019/9/1	5% and 10%		From 13.01 hours on 14 February 2020, the rate of increase is reduced to 5% and 25%.
			2020/2/14	Reduced to 7.5%				List II	2019/12/15	
		List B	2019/12/1555	U.S. suspends levy increase		Reinstatement of the levy on automobiles and parts	2019/12/15			5% and 25%

Source: Office of the United States Trade Representative and Ministry of Finance of the People’s Republic of China.

4. Implications of the US-China trade war

Tariff barriers, changes in market demand, changes in the investment environment, and supply chain adjustments have become the four major mechanisms affecting Chinese companies’ exports. This trade war not only affects the economy of China and the United States but also has a far-reaching impact on the global economy. This paper will specifically analyze the impact of the Sino-U.S. trade war on Chinese enterprises’ exports from three perspectives:

international trade theory, industrial organization theory, and enterprise strategy theory. From the perspective of international trade theory, the increase in tariffs between China and the United States will inevitably lead to an increase in trade barriers, thus affecting the exports of Chinese enterprises; from the perspective of industrial organization theory, tariffs will greatly affect the market demand and supply, and the competitive pattern of the market will be adjusted according to the changes in the tariffs, thus affecting the exports of Chinese enterprises; from the perspective of enterprise strategy theory, enterprises will have to adjust their investment by the changing tariff situation. From the perspective of enterprise strategy theory, enterprises have to adjust their investment and

sales strategies according to the changing tariff situation, thus affecting their import and exports. As the world's two largest economies, the trade relationship between China and the United States is of great significance to the stability and development of the global economy.

4.1 Impact on China

The trade war between China and the United States has brought some political pressure on China. Internationally, international economic organizations and other countries that want to economically suppress China are pressuring China in the fields of trade and diplomacy, and the Chinese side has to bear the pressure of public opinion from other countries to maintain its national image and interests. At the same time, it also has to appease the negative sentiments of domestic enterprises caused by changes in the global economic environment, which have a certain impact on domestic political stability. The U.S. first increased tariffs on Chinese goods, and in response, China imposed retaliatory tariffs on imports from the U.S. around the same time, thus having a direct negative impact on Chinese product exports and seriously slowing down China's economic growth. [9] On the positive side, the trade war also prompted China to accelerate the pace of economic restructuring transformation, and upgrading. In the face of external pressure, the Chinese government has enacted a series of policies aimed at promoting the opening and reform of the domestic market, accelerating industrial transformation and upgrading, reducing dependence on external markets, enhancing independent innovation capacity, and shifting from labor-based production services to high-end manufacturing and high-tech industries, while at the same time, China has strengthened its investment in local high-tech zones to overcome the scientific and technological, China has also strengthened its investment in local high-tech zones to overcome scientific and technological "choke points". These initiatives have contributed to the long-term sustainable development of China's economy.

4.2 Implications for the United States

From the perspective of the U.S. social level, the trade war's policy of imposing a large number of tariffs has made imported goods sold in the U.S. mainland at a higher price, which means that if you want to purchase daily necessities U.S. families have to pay a higher price than ever before to buy them, which puts a lot of pressure on U.S. consumers' lives, and the bottom consumers can't even buy the essentials, which results in a high crime rate in the U.S., and brings about U.S. social unrest. U.S. companies will also adjust their export ratios as a result of China's retaliatory tariffs against them causing U.S. man-

ufacturing companies to face smaller export markets and less revenue. [10] In addition, the uncertain trade environment resulting from the emergence of the trade war also directly affects U.S. companies' decisions on investment and production, making it difficult for companies to make long-term planning in this context, increasing the risk of slowing down investment or lowering production, and at the same time, it is difficult for investors to anticipate the current tensions and the investment risks brought about by the background of the trade war, thus indirectly causing stock market volatility to increase, directly affecting U.S. financial markets. This has indirectly increased stock market volatility, directly affecting U.S. fiscal and economic growth and employment. Reputationally, the unilateralist and protectionist tendencies demonstrated by the United States in the trade war could reduce its influence in international organizations.

4.3 Global Implications

The countries most affected by tariff increases against China are Canada and Mexico, major trading partners of the United States, particularly in the chemical, electrical/electronic, and automotive manufacturing sectors. These are industries that rely heavily on imported intermediates, and tariffs on such products from China could lead to a significant increase in cumulative tariffs. Trade wars also exacerbate the instability of global supply chains. Many products are manufactured and assembled across multiple national borders, and tariffs and trade restrictions resulting from trade wars disrupt these supply chains, increasing production costs and delivery delays. Trade wars have also led to volatility in international financial markets, which has significantly hampered both securities, foreign trade, and investment, increasing the hidden risks in financial markets.

5. Conclusion

On 9 January 2024, Chinese Foreign Minister Wang Yi said at a seminar on the international situation and China's diplomacy in 2023 that China adheres to genuine multilateralism, firmly supports the multilateral system with the United Nations at its core, abides by the norms of international relations based on the purposes and principles of the United Nations Charter, adheres to the concept of "common cause, common good, and shared responsibility", actively provides international public goods, and promotes the international community's common development, common security, and a common civilization. security and civilization. [11] China will join hands with more countries in the future to build together and strengthen cooperation with the European Union, Asian neighbors, and other trading partner countries to jointly safeguard free trade

and the multilateral trading system. Thereby reducing the unilateral pressure in the U.S. trade war.

In his report to the 19th National Congress, General Secretary Xi Jinping pointed out that reforms should be deepened by focusing on key areas and key links, and that opening up to the outside world at a high level should be proactively expanded, to provide a strong impetus for promoting high-quality development and advancing the construction of Chinese-style modernization. [12] China is vigorously promoting economic restructuring and market reform, further opening up its markets, and enhancing the ease of investment for foreign enterprises. At the same time, it has strengthened the protection of intellectual property rights and promoted the renewal of its economic development model. By deepening reform and opening up, China will enhance its economic resilience, reduce the sensitivity of its domestic economy to the impacts and shocks of domestic and foreign trade, and improve its competitiveness in the international arena.

In recent years, China has been facing the problem of high-tech “neck”. To promote structural change in science and technology, and to enhance China’s independent innovation capacity in science and technology, as well as to increase China’s investment in independent innovation in the field of high and new technology, to promote the pace of scientific and technological development, and to enhance the capacity for independent innovation. By strengthening the construction of scientific research institutions, encouraging enterprises to increase investment in scientific research, and emphasizing the cultivation of talents, we will accelerate the transformation and upgrading of China’s economy from the traditional manufacturing industry to the high-end manufacturing industry and service industry, to enhance China’s position and right to speak in the global industrial chain.

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