

USA-China Trade War in Short

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This article will explain very briefly what the USA-China Trade War stands for, where it came from and where it is moving to in accordance with every relevant information you need to know.

WHAT ?

Let's start with the basics and look at the most important definitions. The Cambridge Dictionary[1] defines a Trade War as "a situation in which two or more countries raise import taxes and quotas (=limits on numbers of goods) to try to protect their own economies". Trade Wars are a possible consequence of what is called 'protectionism'[2]. It is defined as "the actions of a government to help its country's trade or industry by taxing goods bought from other countries".

Besides, we need to understand other important definitions. A tariff[3] is "a charge or list of charges either for services or on goods entering a country". The goal of tariffs[4] is to protect businesses in your country. One last important definition is a trade deficit, which is "a situation in which the value of goods a country (= buys from other countries) is greater than the value of goods it exports (= sells to other countries), or the size of its difference.

As you may have understood from the title, we look at the trade war between the U.S. and China. Table 1 shows important numbers about the definitions just seen.

There is thus a Trade Deficit of approximately \$970 billion in total. Compared with a \$380 billion China Trade Deficit, that means that around 40% of the total is linked to China. With this background information, let's move on to the seven reasons Trade Wars happen according to the American entrepreneur Patrick Bet-David[6] in the next section.

Table 1: U.S. Trade Deficit Numbers[5].

Total U.S. Imports \$2.41 Trillion	Total U.S. Exports \$1.44 Trillion
U.S. Imports from China \$499 Billion	U.S. Exports to China \$119 Billion
499Billion/2.41 Trillion = 20.7%	119Billion/2.5 Trillion = 4.8%

WHY ?

Trade Wars can be about:

1. Power. Being the Global number one Power, the U.S. may think "We're letting them getting closer to us";
2. Economy;
3. Politics and ideologies. The U.S. has the Republicans and Democrats constantly fighting against each other, which is beneficial for citizens, while there is no such 'fight' in China and thus more difficult to seek for what is true and what is not;
4. Competition;
5. Money;
6. Market;
7. Control.

Let's not forget to mention that China knows exactly what the U.S. does, while the U.S. has no clue about what China does. A good recent example of this is the disbelief in the low coronavirus cases and deaths published by China.

Mr. Bet-David believes Trump has his own six motivations to not let China become the number one Global Power. These are (i) keeping manufacturing jobs in the U.S., (ii) reduce the US/China trade

deficit, (iii) keep the U.S. as the dominant empire, (iv) get the U.S. out of debt, (v) bullying the bully and lastly the most important one (vi) the “Made in China 2025 game plan”.

China’s motivations for their game plan can be found in the following table. The table combines both U.S. strength and China strength.

Table 2: *U.S. strength vs. China strength*

U.S. Strength	China Strength
Ideas and innovation	Cheap labor
Free market competition	Copying
Technology	Manufacturing

Combining the U.S.’ strength to their own strength would give a powerful cocktail to become the number one Global Power.

How ?

The China 2025 game plan is what gets a lot of people concerned. It looks as follows:

- Chinese private companies need to adjust their vision to the 2025 vision;
- The government is providing enormous subsidies (\$300 billion investment);
- A lot of foreign investments and acquisitions (mainly focusing on semiconductor firms to gain access to the U.S. technology);
- They are mobilizing state backed companies and the implication of forced transfer agreements (Chinese companies are forced to share their trade secrets with the government).

WHO WILL WIN THIS WAR ?

There is no sure answer to this question, only time will tell. Nevertheless, we can try to make predictions by asking the following question: “Who needs who more?”. In general, the U.S. relies on China for labor and China relies on the U.S. goods. Both parties need each other!

Nevertheless, the US has an edge. Looking at the Net Migration Rate (= difference between Immigrating persons and Migrating persons in a country during the year per 1000 persons) data of 2017[7], China’s Net Migration Rate ranks number 121 of 221

with a negative number (meaning more people leave the country than enter the country per year). The U.S. ranks 29 in the list, much better than China thus. Moreover, between 2016 and 2018 Chinese employment has been stable around 4% and has risen from 2018 until now (reaching a peak of 6.2% in February 2020). These numbers do not look at the reality, as the way these numbers are calculated is wrong. Several articles discuss the problem, if you are interested you can take a look at [Article 1](#), [Article 2](#) and [Article 3](#). The main issue with this is that the numbers are probably much higher than 4-6%. In most articles, the estimates of real unemployment are often at least double the numbers reported. It is not new that the Chinese lies or withhold information. Lastly, according to Frank (2018)[8] one third of Chinese millionaires want to leave China for three reasons: (i) seeking better education systems, (ii) flee the country’s polluted cities and strict government and (iii) to protect their wealth.

FUTURE OUTLOOK

So given the edge of the U.S. on Net Migration Rate, wrong unemployment numbers of China and many rich Chinese it is probable that the U.S. will probably survive this war the longest. Note that this is only a simplified conclusion and that the win of the battle will depend on many other variables! It will be about who can survive the longest, who is the most stable and whoever needs the other person less.

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