African Journal of Economics and Sustainable Development
Volume 2, Issue 2, 2019 (pp. 39-55)
www.abjournals.org

US-CHINA TRADE WAR: MAKING AMERICA GREAT AGAIN OR A SYMBOLIC DECLINE OF AN EMPIRE?

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ABSTRACT: *This paper navigates into the contemporary U.S.-China trade war with the aim to examine the causes, impact on both sides and on the global environment. The paper also analyses the ambiance of the U.S. global influence especially from the perspective of Trump's or its paradox of a declining empire, which seemed to be reason why the united states wages trade war not only against China, Mexico, Canada and a host of other nations. From the application of a library research, findings show that, a trade war would have very serious repercussions all over the world; It could derail the current global economic expansion and cripple American businesses that depend on business with China. It could also further complicate geopolitical priorities. The paper concludes that, as the two biggest economies in the world, the trade war will definitely lead to great economic incongruity from both sides, but ensures more progress for Chinese economy and waning of American economic strength and global influence. The paper recommends that the US and China should find a safe landing for a better resolution of the ongoing trade war as it may affect the global economy in general, among other things.*

KEYWORDS: U.S-China, Trade War, Make America Great Again, Empire, Donald Trump

INTRODUCTION

On March 8, 2018, the US President Donald Trump announced imposing additional tariffs on China's export of steel and aluminum to USA. On March 22, 2018, President Trump announced plans to enact sanctions against China over its Intellectual Property Rights (IPR) policies that negatively affect the US stakeholders. These sanctions included raising tariffs by 25 percent on selected Chinese products valued at $50 billion to $60 billion (Oxford Economics, 2017). On April 1, China announced that it had retaliated against the US action by raising tariffs on various American products, such as pork. On April 3, the US administration unveiled 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 proportional response: 25 percent tariffs on 106 products, also worth $50 billion in trade (Oxford Economics, 2017). Thus, there is a tit-for-tat action going on between China and the US. The Trump administration's plans to tax $50 billion worth of Chinese imports was met with threats by the Chinese to subject $50 billion worth of American products to the same. China threatened to retaliate 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 (Oxford Economics, 2017).

Under the World Trade Organisation (WTO) rules, a developing country is entitled, to a certain extent, to use non-market practices to spur economic development. Since it became an economic power house trailing only the US, developed countries want China to follow the same rules and responsibilities as a market economy. So far, China's government has reacted to new tariff actions by the Trump administration with relatively restrained words and promises of proportional responses to the American government's actions. The actual intention behind the Trump administration's recent series of anti - China moves goes beyond this rhetoric. It has two aspects (Oxford Economics, 2017):

i. Forcing Beijing to open its market further for US goods and services and providing US companies with more favourable investment conditions

ii. Curbing the state-backed high-tech sectors that form the core of Beijing's 'Made in China 2025' strategy.

The US and China are the two biggest economies in the world. A trade war would have very serious repercussions all over the world. It could derail the current global economic expansion and cripple American businesses that depend 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.

The US-China trade rose rapidly after the two nations re-established diplomatic relations in January 1979, signed a bilateral trade agreement in July 1979 and provided mutual most favoured nation (MFN) treatment, beginning in 1980. In that year (which was shortly after China's economic reforms began), the total US-China trade (exports plus imports) was approximately $4 billion. In 2017, the total US merchandise trade with China was $636 billion, making China the US' largest trading partner (Guntram, 2018). The US merchandise exports to China in 2017 were $115.6 billion. China was the third-largest US merchandise export market after Canada and Mexico. China was the second-largest US agricultural export market in 2017, at $19.6 billion, 63 percent of which consisted of soybeans. The top merchandise US exports to China in 2017 were:

i. Aerospace products (mainly civilian aircraft and parts)

ii. Oil seeds and grains (mainly soybeans)

iii. Motor vehicles

iv. Semiconductors and electronic components

v. Waste and scrap

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.

Economic growth has improved the purchasing power of Chinese citizens considerably, especially those living in urban areas along the east coast of China.

In addition, China's large foreign exchange reserves (at $3.1 trillion as of December 2017) and its huge population (at 1.39 billion) make it a potentially enormous market. To illustrate (Simon, 2018):

i. A January 2017 study prepared by Oxford Economics for the US-China Business Council estimated that in 2015 US exports of goods and services to China plus bilateral Foreign Direct Investment (FDI) flows directly and indirectly supported 2.6 million US jobs and contributed $216 billion to US GDP. The study further predicted that US exports of goods and services to China would grow from $165 billion in 2015 to over $520 billion by 2030.

ii. In 2016, Chinese visitors to the US totaled 3.0 million, ranking China as the fifth largest source of foreign visitors to the US. Chinese visitors spent $33 billion in the US in 2016 (including on education), which was the largest source of visitor spending in the US. The US Department of Commerce projects that by 2021, Chinese visitors to the US will total 5.7 million.

iii. As of June 2017 China has the world's largest mobile phone network with 1.36 billion mobile phone subscribers and the largest number of internet users at 751 million.

iv. China's online sales in 2016 totaled $752 billion (more than double the US level at $369 billion).

v. Boeing Corporation delivered 202 planes to China in 2017 (26 percent of total global deliveries), making it Boeing's largest market outside the US. Boeing predicts that over the next 20 years (2017-2036), China will need 7,240 new airplanes valued at nearly $1.1 trillion and will be Boeing's largest commercial airplane customer outside the US.

vi. General Motors (GM) reported that it sold more cars and trucks in China than in the US each year from 2010 to 2017. The US motor vehicle exports to China were $8.3 billion in 2016, making it the second-largest US motor vehicle export market after Canada.

vii. According to estimates by Credit Suisse (a global financial services company), China overtook the US in 2015 to become the country with the largest middle class at 109 million adults (with wealth between $50,000 and $500,000); the US level was estimated at 92 million. A study by the Brookings Institute predicts that spending by China's middle class will rise from $4.2 trillion in 2015 (12 percent of global total) to $14.3 trillion (22 percent of global total) in 2030 (Nan, 2018:65).

LITERATURE REVIEW

According to Nan (2018:69), China was the largest source of US merchandise imports in 2017, at $506 billion. China's share of total US merchandise imports rose from 8.2 percent in 2000 to 21.6 percent in 2017. The top five US imports from China in 2017 were communications equipment, computer equipment, miscellaneous manufactured commodities such as toys and games, apparel and semiconductors and other electronic components. Throughout the 1980s and 1990s, nearly all the US imports from China were low-value, labour intensive products, such as toys and games, consumer electronic products, footwear and textiles and apparel. However, over the past few years, an increasing proportion of US imports from China are more technologically advanced products. According to the US Census Bureau, the US imports of "advanced technology products" (ATP) from China in 2017 totaled $171.1 billion. Information and communications products were the largest US ATP import from China. ATP products accounted for 33.8 percent of total US merchandise imports from China.

Some see the large and growing US trade deficit in ATP with China as a source of concern, contending that it signifies the growing international competitiveness of China in high technology. Others dispute this, noting that a large share of the ATP imports from China are in fact relatively low end technology products and parts, such as notebook computers, or are products that are assembled in China using imported high technology parts that are largely developed and/or made elsewhere (Nan, 2018:69).

China, according to Nan (2018), is a major US trading partner in services. In 2016, China was the fourth largest services trading partner at $69.6 billion, the third largest services export market at $53.5 billion and the 11th largest source of services imports at $16.1 billion. According to data from the Bureau of Economic Analysis, the US actually ran a surplus in the services trade with China in 2017 - to the tune of roughly $38.5 billion. When you factor that surplus into the two countries' overall trade balance, the US ran a roughly $336 billion deficit with China last year - which means Trump's figure was off by about $164 billion (Nan, 2018:98).

Nan (2018) while explaining the China-U.S. trade war is of the view that, the US President, 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. Most countries have favoured a multinational approach to apply pressure on Beijing. While China has significantly liberalized it's economic and trade regimes over the past three decades, it continues to maintain or has recently imposed a number of state directed policies that appear to distort trade and investment flows. The US policy-makers and stake holders have expressed concern that China does (Nan, 2018:98):

i. Extort or steal its rivals' intellectual property.

ii. Pursue industrial policies aimed precisely at creating advantages for many designated key sectors of its economy over foreign competitors.

iii. Limit exports of critical commodities like rare earths to give its own producers advantage on rival non-Chinese companies to move operations to China.

iv. Subsidize massive overcapacity in goods like steel and aluminum in order to undercut the competition globally.

v. Place many restrictions on foreign providers of farm products along with banking, insurance, telecommunications, Internet related, audiovisual, express delivery, legal and other services.

vi. Sue its trade partners in the WTO simply because they're exercising their right to bring actions against China.

vii. 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.

Alan (2018) has reported in his writing that, the office of the US Trade Representative provided that the tariff targets were developed using a computer algorithm designed to choose products that would inflict maximum pain on Chinese exporters, but limit the damage to the US consumers. The tariff list proposed by the US focused on technology parts and components — such as printed circuit assemblies, transistors and semiconductor devices — instead of finished goods like mobile phones or computers. That meant the US consumers may not experience a significant rise in the price of imported electronics goods from China. When it came to technology, both the US and the Chinese markets were 'incredibly intertwined' and that meant the countries could not walk away from each other (Alan, 2018:94).

In the writings of Steven (2018), the tariffs could backfire because they could make it harder for American companies to sell goods overseas if other nations retaliate. A number of US agriculture firms have warned that they could be caught in the middle of a trade war, particularly if Trump follows through on threats against China and Mexico. The National Pork Producers Council said in late March that its members exported $1.1 billion of pork to China last year, making it the third-largest market. In addition to pork, the new tariffs from the Chinese Government would include US exports of apples, oranges, almonds, pineapples, grapes, watermelons, cranberries, strawberries, raspberries, cherries and a host of other items (Steven, 2018:99).

Many US firms view participation in China's market as critical to their global competitiveness. The US imports of lower cost goods from China greatly benefit the US consumers. The US firms that use China as the final point of assembly for their products, or use Chinese made inputs for production in the US, are able to lower the costs of their products. Most U.S. imports from China are not a threat to the US national security. These imports include cheap Chinese products such as apparel, toys, furniture, and consumer electronics upon which lower income Americans rely. They consist of more than 40 per cent of China's exports to the US. This also applies to most US exports to China, including copper, pulpwood, plastic materials, logs and lumber and medical equipment. Together, these products add up to 12 percent of the total U.S. exports to China. The USA can and should continue to buy these products from China and vice-versa. Both countries could source these goods elsewhere but would face higher prices for doing so (Steven, 2018:106).

Many of the targeted products are consumer goods such as televisions and dishwashers. When a large country such as the US imposes tariffs, the pain is shared between consumers who pay higher prices and producing firms abroad who have to absorb lower profit margins. Tariffs are a very poor instrument for punishing China for any unfair trading practices. Some of the cost will be borne by (Steven, 2018:106):

i. American consumers.

ii. American firms that either produce in China or use intermediate products from China.

iii. Firms in countries (mostly US allies) that supply China.

iv. Chinese firms (mostly private ones).

The same analysis can be applied to Chinese retaliatory tariffs. Chinese consumers will pay more for soybeans and products like pork that rely on soybeans. Chinese airlines will be less productive if they cannot buy American aircraft. It happens that these US exports have mostly domestic content, so that most of the pain felt by producers will be within the US. There are some sectors in which China's exports consist primarily of domestic value-added. These tend to be old industrial sectors. In textiles, for example, 75 percent of value added is really 'Made in China'. If Washington wants to limit collateral damage on its own firms and third countries, then it makes sense to go after an old sector like textiles (Steven, 2018:115).

The 15-year-old joint venture between General Motors (GM) and Shanghai Automotive Industrial Corporation has resulted in GM's selling more vehicles today in China than it does in America. This has been great for GM's bottom line. This has also increased the probability that China will soon have its own global auto that will compete head-to-head with GM inside and outside China. The American firms would (Steven, 2018:106):

i. Like to have unfettered access to the Chinese market.

ii. Prefer not to have to enter joint ventures with Chinese firms.

iii. Worry that 'tech transfer' in China sometimes takes the form of intellectual property theft.

Some experts feel overall; tariffs are the wrong instrument to address the US-China trade issues. Tariffs will cause a lot of unnecessary pain for consumers and third countries, not to mention American firms caught in the crossfire. The issues are complex. The US is an advanced industrialized economy that relies on liberal, free market principles to spur innovation and grow the economy. In contrast, China seeks to occupy a similar position in global commerce, but through a managed economy led by national champions, often state owned enterprises and a top-down industrial policy. While there are missing nuances in this characterization, this fundamental difference should be the starting point for any level-headed approach to addressing the dispute (Steven, 2018:106).

In a literature provided by Brookings Institution Analysis (2019), 15 Nobel laureates signed an open letter warning the Trump administration that "new tariffs in response to trade imbalances" would harm workers across the country, much like protectionist measures did in the 1930s. Today Washington depends far more on trade, supply chains and globalization than it did over three quarters of a century ago. The Brookings Institution Analysis (2019) also estimated that there are "some 2.1 million jobs in the 40 industries that produce products now slated for Chinese retaliation." If Washington and Beijing proceed with reciprocal impositions of tariffs, an even more recent study concludes, nearly 134,000 Americans would lose their jobs, and American farmers' net income would fall by 6.7 percent (Steven, 2018).

FINDINGS AND DISCUSSION

In understanding the rising nature of China and the declining nature of the United States as it relates to economic rise and having global influence, Philippe (2018) has posited that, in 1990, China's gross domestic product ranked only the eleventh, lagging behind not only the US, Japan, Germany, France, UK, Italy, Canada and Spain, but also two developing countries, Iran and Brazil. By 2010, China rose to number two, next only to the United States. China's rapid economic growth has been attributed to (Philippe, 2018:31) the following:

i. The Chinese Government's reform measures, which ranged from the introduction of the household responsibility system in place of collective organizations in agriculture and the rise of township and village enterprises in the 1980s.

ii. Privatization and incorporation of state-owned enterprises in the 1990s.

iii. Massive inflow of foreign direct investment.

However, these are not uncommon in the rest of the world. These are found more or less in almost all other developing countries, but none of these countries has experienced economic growth as fast and enduring as in China. Economic factors alone cannot fully explain China's rapid economic expansion in the past or the sharp power it has developed outside the country. The reasons behind China's rise as a global power may be due to China's history and culture, which work together to influence the behaviour of the people and government in China in their pursuit of personal well-being or the national goal of economic growth.

Specifically, there are five factors (Philippe, 2018:31):

i. Immense size of China's population and market.

ii. The homogeneity of its society and its ethnic composition.

iii. The secularized values of its people.

iv. The abundance and high quality of its human capital.

v. The intervention and strategizing of the state that combine to propel and sustain China's economic growth.

What is unique to China is that all these five factors exist there simultaneously, and all of them have their roots in Chinese cultural traditions or historical legacies before the Communist Revolution in 1949. 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 labour 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 propels the phenomenal growth of the Chinese economy (Philippe, 2018:31).

The American View and Attitude towards the Trade War

In the writings of Alan (2018) the US Government's grievances centre 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 summarized below (Alan, 2018:65):

i. 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.

ii. Forced technology transfers occur through discriminatory licensing restrictions under the 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.

iii. 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' programme blunts US innovation and corrodes its distinct competitive advantage.

iv. 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 (Alan, 2018:65).

Chinese View and Attitude towards the Trade War

China is a hard-nosed global player, pursues its national interest vigorously. They've 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 (Philippe, 2018:37)." There is a school of thought that the new tariffs will hardly send China into an economic tail-spin. China's more than $13 trillion economy 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 (Philippe, 2018:41).

China has been making a concerted and successful push to reduce its dependence on trade; the share of total exports in its gross domestic product fell from over 30 percent in 2007 to under 20 percent last year. During that same time, the share of exports to the US fell from approximately 9 percent of China's economy to just over 4 percent. If Beijing concludes that trade tensions with Washington are likely to stay, and perhaps even intensify, it may well take steps to accelerate that trend (Philippe, 2018:43). China plays the globalization game by what we might call Bretton Woods rules, after the much more permissive regime that governed the world economy in the early post-war period. China's practices are not much different from what all advanced countries have done historically when they were catching up with others. One of the main US complaints against China is that the Chinese systematically violate intellectual property rights in order to steal technological secrets. In the nineteenth century, the US was in the same position in relation to the technological leader of the time, Britain, as China is today vis-à-vis the US. And the US had as much regard for British industrialists' trade secrets as China has today for the American intellectual property rights (Philippe, 2018:31).

China retaliated by putting tariff of $13.7 billion worth of soybean imports, alongside a little over $3 billion in cotton, sorghum, wheat and corn. China's decision to play its biggest card — soybean imports — is risky. The country accounts for 60 percent of global soybean imports. It receives the majority from two sources - Brazil and the US. The Chinese market is important for the American soybean growers, these exports are vital in helping contain food price inflation in China, since these crops are widely used to feed the livestock that satisfy the country's soaring appetite for beef and pork. Though China cannot fully replace the US as a source of soy, it can take several steps to mitigate the impact. China is likely to increase imports from Brazil, increase domestic production and use of domestic stocks and start using alternative feed sources like corn. The US is likely to be able to withstand most of the restrictions without significant shortages or pricing impacts. However, given that China can use subsidization to account for rising import costs, Beijing is in a stronger position than Washington is when it comes to this specific tariff (Cathleen, 2018:76).

China already has outlined a strategy to respond in the WTO while also targeting politically sensitive US exports that would squeeze Trump's support base. In February, China opened an investigation into the alleged US farm subsidies for sorghum production. The country's government also has raised the possibility of targeting other agricultural exports, including pork and soybeans, for investigations that could hurt business in states such as Iowa, Nebraska, Indiana and Missouri which are traditional Republic strongholds. Reports have circulated in the Chinese state media that Beijing may drop aircraft orders from the US aerospace firm Boeing Co. in favour of France's Airbus. China included narrow-body aircraft but not wide-body aircraft in its retaliatory tariffs. Only two companies in the world make wide-body planes: Boeing and Airbus. If China put a tariff on planes from the American Boeing but not the European Airbus, it would lose leverage with Airbus with which to extract favourable prices and access to cutting edge technology. China has imposed tariffs on the easy stuff: luxury goods like American wine and liquor and agricultural goods that are considered luxuries within China, like almonds and pistachios.

Through Geopolitical Actions

China could try to raise the temperature in the dispute by installing more military equipment on the artificial islands that it has recently built across the South China Sea. China could also step up pressure on Taiwan. Not likely at this stage, as posited by Prasad (2019), an economist at Cornell University who studies Chinese economic relations. Prasad wrote:

> "One of the very important tools that the Chinese have is the ability to make life difficult for a large number of American businesses. They have all of these unconventional weapons that are not covered by traditional trading rules that could be potent weapons in actually fighting a trade war. American automakers who make cars in China might find their local joint venture partners squeezing them out. Regional governments might send safety inspectors to plants of American companies so often as to disrupt production" (Cathleen, 2018).

Cathleen (20180 believes that American companies do significant business in China that doesn't show up in trade data. When Apple assembles an i-Phone in Zhengzhou and sells it in Shanghai, that doesn't count as international trade, though the profits accrue to the benefit of the California based company. The Chinese Government has any number of tools to try to weaken that business if it wishes. It could decide that phones made by a foreign company are a national security threat or shut down plants because of minor regulatory problems (Cathleen, 2018:83). The importance of the US-China relationship is already being challenged by other players. Apple's i-Phone sales in China are running into competition from local Chinese manufacturers. Samsung is more than happy to fill any void that the Chinese can't deal with. Likewise, the Chinese would happily shift their trillion dollars in future aircraft purchases to Airbus, a European firm that is already building a plant in China to finish assembly of large, twin-aisle jets. As for automobiles, most Chinese would just as soon drive a Mercedes, BMW or Lexus in place of say a Ford (Cathleen, 2018:87).

The details of what China might do are speculative. Thus far, China's government has reacted to new tariff actions by the Trump administration with relatively restrained words and promises of proportional responses to the American government's actions. The tariffs won't even go into effect until after a comment period, setting up a potentially long period of lobbying and negotiation that could rein in their scope or even delay them indefinitely. But, just because matters have been calibrated thus far doesn't mean they will stay that way (Cathleen, 2018:87).

There are a number of issues that will be deferred to avoid confrontations as long as possible. Perhaps President Xi Jinping can simply wait-out the current US administration. China can play the long game better than any other country today and has proven that in any number of instances. A senior Chinese economist with close ties to the government said (Cathleen, 2018:87):

> However, there is a deal that could be struck, as both sides have a lot to lose, especially China, as we are not ready for economic warfare with such a big power as America. What scares me, and many government officials, is the rhetoric is heating up very quickly, leaving both sides very little room

> to work out a deal. Both sides are making a big mistake, as trying to score quick points for their own domestic political audiences is a big error. Now is the time to get both sides in a room, lock the doors, and work towards a deal that is fair to everyone (Cathleen, 2018:144).

Table 1: 2018, U.S. Trade in Goods with China

NOTE: All figures are in millions of U.S. dollars on a nominal basis, not seasonally adjusted unless otherwise specified. Details may not equal totals due to rounding. Table reflects only those months for which there was trade.

Month	Exports	Imports	Balance
January 2018	9,902.6	45,765.6	-35,863.1
February 2018	9,759.9	39,020.6	-29,260.7
March 2018	12,652.1	38,327.6	-25,675.5
April 2018	10,503.8	38,303.9	-27,800.1
May 2018	10,428.2	43,965.7	-33,537.5
June 2018	10,860.1	44,612.1	-33,752.0
July 2018	10,134.6	47,120.6	-36,986.0
August 2018	9,285.9	47,869.2	-38,583.3
September 2018	9,730.0	50,015.0	-40,285.0
October 2018	9,139.9	52,202.3	-43,062.5
November 2018	8,606.2	46,500.8	-37,894.6
December 2018	9,144.9	45,972.1	-36,827.2
TOTAL 2018	**120,148.1**	**539,675.6**	**-419,527.4**

Source: U.S. Department of Commerce (2019): Trade in Goods with China. The U.S. Bureau of Census.

It can be seen from the above table that the year the U.S. waged trade war against China has equally affected the United States, which is year 2018. it is discernible that U.S exports have declined in favor of China.

Table 2: 2019, U.S. Trade in Goods with China

NOTE: All figures are in millions of U.S. dollars on a nominal basis, not seasonally adjusted unless otherwise specified. Details may not equal totals due to rounding. Table reflects only those months for which there was trade.

Month	Exports	Imports	Balance
January 2019	7,134.3	41,603.8	-34,469.5
February 2019	8,433.6	33,194.4	-24,760.8
March 2019	10,426.5	31,175.7	-20,749.1
April 2019	7,896.3	34,798.9	-26,902.6
May 2019	9,074.5	39,269.1	-30,194.6
June 2019	9,034.7	39,002.3	-29,967.6
July 2019	8,733.7	41,508.7	-32,775.0
August 2019	9,430.6	41,187.3	-31,756.6
TOTAL 2019	**70,164.3**	**301,740.3**	**-231,576.0**

Source: U.S. Department of Commerce (2019): Trade in Goods with China. The U.S. Bureau of Census.

It can be seen from the above table showing 2019 trade year between the United States and China, where American exports to China continued to dwindle and the U.S continued to import more than it exports. From this figure, Trump asserted that even the Chinese economy has been hit due to level of American imposed tariff, with China losing 3 million jobs (Wang and Xin, 2019).

Contrary to Trumps assertion, Wang and Xin (2019) have posited that China has been able to create 10.97 million jobs in spite the trade war within nine months of 2019. Wang and Xin (2019) have written in line with the above that:

> The figure comes despite the country's headline gross domestic product (GDP) growth in the third quarter slowing to 6.0 per cent, the lower end of the government's 2019 target. China's surveyed jobless rate was 5.2 per cent at the end of September, unchanged from the end of August, while its migrant workforce stayed relatively steady at 183.36 million, a slight increase from 182.48 million at the end of June.

According to Medley Global (2019), if the China-U.S. trade war is resolved, year 2020 will emerge as a year of wonderful trade surge among trading nations. In spite of fallen level of exports and imports affecting the two, and with the perpetual dialogue ongoing between the two countries' negotiators, business will improve, but that does not guarantee that the American global economic influence would not be by-passed by Chinese influence.

US Dependency on Rare Earth Metals

The US is almost entirely dependent on China specifically for rare earth metals that have been processed into a final and usable form. These metals are not actually rare, however, they are difficult to mine and process. They play crucial roles in everything from smart phones to electric car motors, hard drives, wind turbines, military radar, smart bombs, laser guidance and more. If China clamps down on these exports, it would create a panic type situation into America's supply chain for high tech consumer products and military's advanced weapons systems. China has shown its willingness to use its advantage in rare earth metals earlier in 2009. China did cut off its rare metal exports to Japan entirely after an international incident involving a collision between two ships. This was eventually resolved at WTO (Cathleen, 2018:141).

America has plenty of rare earth deposits. The problem is maintaining a domestic industry to mine the minerals and transform them into final components. Colorado-based Molycorp started mining rare earths at Mountain Pass. But, it struggled to turn a profit, and eventually went bankrupt. In the middle of last year, a bankruptcy proceeding sold the mine to another China involved consortium. The Chinese partner in the consortium, Shenghe, will have exclusive sales rights to the mined product (Cathleen, 2018:141).

China's Holdings of U.S. Treasury Securities: 2002-2017

Barry (2018) asked the question-could China use its role as No. 1 lender to exert pressure in a trade war? It would be risky maneuvers in which China itself would potentially have much to lose. But, it cannot be ruled out. If China were to suddenly unload some of its holdings, or even signal an intention to buy fewer dollar assets in the future, that would probably cause long-term interest rates in the US to rise, at least temporarily. And this would cause some pain in the US, as borrowing costs would rise. Furthermore, China needs to maintain significant reserves of the US debt to manage the exchange rate of the renminbi. Rise of currency's exchange rate would make the Chinese exports more expensive in foreign markets. It would also drive down the value of China's existing bond portfolio, meaning China could lose billions. And, it would tend to push down the value of the dollar relative to other currencies, which would actually help the US attain more advantageous trade terms. As such, China's holdings of the American debt do not provide China with undue economic influence over the US (Barry, 2018:10).

That doesn't mean there isn't room to cause some near-term pain and disruption. The Chinese have some leverage to rattle the US bond markets, even if the threat of substantive action is not very credible. Given that a trade war with such a major trading partner is without precedent in modern times, we don't really know what it would look like. But, it's a safe bet that Chinese officials are already thinking through their options in case that is where the latest round of economic saber rattling ultimately leads (Barry, 2018:16).

Reconciliation

There has been a lot of rhetoric and statements from both sides. The standard protocol in a trade dispute is: One country takes action against another country, which hits back with a proportional response and then both sides call a *de facto* truce. Neither Washington nor

Beijing's tariffs will take effect immediately. The US had laid out a roughly six to eight-week period for the tariffs to receive public comment before going into effect. China's announcement, on the other hand, did not include a date. Beijing is hoping backdoor discussions will persuade Washington to hold off on the tariffs, thus preventing the need for retaliation. China would not implement its tariffs until after the US takes action. China would adjust its decision based on what the US does. Trump has to decide whether to accept something like the deal offered by the Chinese or to proceed with the tariffs on $50 billion of imports. China then would certainly proceed with the matching tariffs on $50 billion that it has identified. It has been observed that whenever Trump or his officials talk tough on China, the US stock market falls. Whenever there is more conciliatory talk about negotiating an agreement, markets rise. This is an indication that major companies have a lot at stake in resolving the dispute, preferably with some better market access, rather than having a trade war. Also, there are a number of farmers in Trump country who have a lot to lose if exports to China are penalized. There are strong incentives for Trump to accept something like the deal offered by China and to declare victory.

China, which is worried about the health of its financial sector, appears to be willing to open up certain markets, responding to domestic concerns. Details remain in the works. Beijing already has shown willingness to make several concessions to Washington including (Jeffrey, 2018:43):

i. Reducing investment restrictions on financial, automotive and other sectors.

ii. Offering to increase the market access on restricted financial and service industries.

iii. Purchases of various US exports, such as liquefied natural gas and semiconductors.

But, China has so far been making offers that carefully align with its own domestic reform priorities. As its domestic market grows more robust, it is not likely to concede to changes that alter the foundation of its heavily state influenced economy, which is what hawkish US negotiators want most. On April 10 2018, at the Boao Forum for Asia known as 'China Davos', Xi Jinping made some eagerly-awaited statements in his keynote address. Some of these were (Jeffrey, 2018:43):

i. In the automobile area, in addition to the tariff reduction on cars, Beijing would permit more foreign investment in domestic auto companies and financial services and greater protection for intellectual property.

ii. International Import Expo would be held in Shanghai in November "to open up the Chinese market."

iii. He said that China's door of opening up will not be closed and will only open even wider.

iv. Xi reiterated a call for developed nations (US) to ease restrictions on high tech exports to China. That is not about to happen, with Washington citing national security concerns that such technologies would find their way into China's defence industry.

v. While making no direct mention of the trade war with the US, he said a 'zero-sum' and 'Cold War' mentality looks even more out of place than ever in the modern world.

The Chinese President's speech assuaged investors' concerns about a potential trade war, at least temporarily. The overt message was that China would continue to gradually open up on its own terms and the implicit message was that American firms may lose out on the benefits if President Trump pursues the trade war. The Trump administration's trade policy team USTR Robert Lighthizer, Commerce Secretary Wilbur Ross, Treasury Secretary Steven Mnuchin, National Economic Council Director Larry Kudlow and National Trade Council Director Peter Navarro has been to Beijing to get China to commit certain actions that would enable tensions to come down. China has announced the suspension of its retaliatory tariffs, which cleverly singled out the products of the Republican farm states. Trump, on Twitter, suggested that the Chinese have "agreed to buy massive amounts of additional Farm/Agricultural Products." At least for now, he appears to have dropped, or tempered, his demands for big, structural changes in how China treats domestic and foreign companies (Jeffrey, 2018:43).

It is clear that China is willing to negotiate some modest changes in policies and purchases that Trump could take as a victory, but that they are not willing to negotiate with a gun to their head. However, China was not willing to accede to a key US demand — to stop subsidizing the 10 high tech industries targeted in the Made in China 2025 programme.

CONCLUSION

If China maintains its internal political stability and high economic growth rate, this tense transition period would continue for at least a couple of more decades. Tensions would be further aggravated if the Chinese Government believes, as some Chinese analysts claim, that the more China "rises," the harder Washington will resist. It is also notable that as the two biggest economies in the world, the trade war will definitely lead to great economic incongruity from both sides, but ensures more progress for Chinese economy and waning of American economic strength and global influence. This shows that, Donald Trump is rather aiding in the decline of American Empire, as the trade war will not lead to American economic rise, rather cripple it in all ramifications. The two parties involved (China and U.S.) must continue to engage in dialogue in order to reach agreements on healthy trade and transactions. The U.S. needs to allow for market forces to determine international trade and economic relations, with policies that are truly liberal not protectionist in nature.

RECOMMENDATIONS

1. The paper recommends that the US and China should find a safe landing process through mutual dialogue for a better resolution of the ongoing trade war as it may affect the global economy in general.
2. The United States must allow market laws and laws of demand to determine international economic relations and accepts market liberalization against economic protectionism. This will ensure trust building and proper rules of engagement between the two world largest economies.

3. The United States should accept the creed that empires rise and empires decline, and the rise of China is inevitable. It should deal with rising domestic and global challenges and cooperate with other states in dealing with multilateral dialogue on climate change, Iranian nuclear deal, trade wars and many other issues of international relevance.
4. China must consider areas of concern made by the United States and legally respond to those claims. Where shifts need to be made, China should rationally look into that, in order to eliminate mutual distrust and allow free market to flourish.
5. China must continue to pursue peaceful diplomatic relations with other states around the world with the United States inclusive, and continue to protect its interest which is an inclusive global economic growth and peaceful coexistence among states and nations.

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