The Impact of American Protectionism on China
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Abstract

With the spread of covid-19, international trade has been greatly affected. To prevent the further spread of covid-19, many countries have shut down international transportation, leading to stagnation of international trade and severe damage to the international tourism industry. China and the United States, as the world’s major trading nations, have been severely impacted. As China’s largest trading partner, the United States has developed extreme protectionism due to covid-19, which severely limits the economic recovery of China and the United States after the end of covid-19. Therefore, according to the current international trade policies of China and the United States, the author outlines the impact of U.S. protectionism on China in terms of strengths and weaknesses, and proposes China’s countermeasures.

Keywords

International Trade; Protectionism; SWOT Analysis.

1. Introduction

1.1. Historical analysis of trade protectionism

In 2001, China formally joined the WORLD Trade Organization (WTO). Since then, China has carried out foreign trade in strict compliance with WTO rules. Its trade links with other countries have become increasingly close, with the total volume of business increasing. China is now the world's second-largest economy, the largest industrial nation, the largest trader of goods, and the largest foreign exchange reserve country. [1]

When President Bush managed the country, there was a terrific event that could never be forgotten by people--911. After that, Bush had to bring out pro-economic policies and seek competitive liberalization to save the country from a huge recession. He also issued tools like tariff barriers, anti-dumping and anti-subsidy policies, non-tariff barriers, bilateral trade agreements, and tech restrictions that prevent its economy from being attacked by foreign countries. Barack Obama was the second president that continued this "tradition" of protectionism. The US economy encountered a financial crisis at that time, caused by more severe problems than that by 911. The Obama administration proposed "growth-boosting", "re-industrialization", "Return to the Asia Pacific", "Buy American" and "National Export Program." Strategies such as the "National Rejuvenation Initiative" attempted to compete with China for markets in the United States and abroad. Finally, the present President Donald Trump even made more efforts on trade protectionism. He took more drastic measures to protect domestic industries than in the past, and he called for import substitution. Trump's trade policies have shown a shift from rules-based multilateralism to power-based unilateralism and bilateralism since he considers the US has lost many profits by giving too much ground in negotiations. As a result, we could see protectionism is a concept that always lies under the United States system, and it is especially obvious when China is growing at an unprecedented rate. [2]
2. SWOT analysis

2.1. Threat

2.1.1. Global demand shock

Under the shadow of the unprecedented COVID-19, many countries face threats threatened by COVID-19 from many different aspects, which could hardly be prevented. The global demand shock, no doubt, is the first threat that we need to notice. The Pandemic itself has dramatically reduced people’s (or countries’) purchasing power and the well-being of industrial sectors, which is likely to result in a decrease in consumption and investment globally. Even though in classical economic thinking, the reduction in demand will be covered by supply and adjusts to the long-run equilibrium position. This is under the preposition of stable productivity, which is undoubtedly not going to happen during the Pandemic. [3]

Moreover, if we analyze histories issues and take the example of a global economic crisis, once people's demand for products or bonds decreased, the government had to sacrifice its revenue or carry out loose monetary policy. It slowed down the development of the national economy. Hereafter, this impact even spread to other countries and caused a more severe loss. Since price increase due to a decrease in demand, supply will decrease, and then there comes the vicious circle: the amount accompanies the drop of demand. When the price is too high, companies can infer the nominal interest rate will become extremely low. If companies have basic knowledge of the monetary system, the problem here is pretty apparent: the nominal interest rate cannot go below zero or a liquidity trap. However, there must be a solution to this low-interest rate. The government, in turn, should give up monetary policy and use demand-pulled fiscal policy. Not to mention financial pressure faced by many countries’ governments, other less developed countries will "utilize" infrastructures like the lighthouse built by more developed countries, known as free riding. However, free riding limits the effect of financial policies and the government’s willingness. As a result, many countries’ economic status will recover at a relatively low rate, which means China will lose a portion of foreign demands. [4]

2.1.2. Populism and trade protectionism

As many Western countries preach about their national political systems and calling on suffrage, they value personal rights instead of a whole network. From a different perspective, this rise of populism reflects how most developed countries suddenly dislike globalization (immigration, excessive imports, the outflow of capitals, etc.), which affect their benefits. Regardless of populism’s legitimacy, China have to figure out how this popular notion correlates with the Pandemic and global economy. Populism emphasizes the values of the ordinary people and regards the democratization and popularization as the ultimate purpose of political movements. It relies on the masses to reform society and consider them as the decisive force in political reform, emphasizing populist values such as the unity of the populace, referendums, and the right to create the people effectively controls and manipulates the masses as a whole. An essential object this belief considers is people, which can be reflected from much consideration of people’s rights and benefits. The Pandemic will push many people out of their working positions, and it widens the inequality of incomes and salaries. Next, a significant difference between people's wages and life qualities drives to the rise of populism. Eventually, populism will inevitably lead to trade protectionism as well as exclusivism. As a president who always suggests “American first," Trump is a typical supporter of populism. To reach his populism goal, he ignores other countries’ benefits and destroys the global economy's integrity. [5]

2.1.3. Withdraw of foreign capital as well as US-based companies in China

The epidemic has affected the national industrial chain and product assembly line. Any country affected by the Pandemic will impair the entire chain of production. Since China is famous for its processing technic and has established high status in the international production chain, it
is the one that will be most affected by the break of the string. More importantly, United States will try its best to corner China by restricting trade and inducing interests to strike China’s reputation globally, thus forcing foreign capitals to flow out of China, especially American companies, to reduce the profit that could be gained by China. Although China’s manufacturing sector’s leading role cannot be shaken in a short time for its complete network and high-level regional cooperation, the loss of foreign capitals brings a series of economic and social problems that are difficult to handle. [6]

2.1.4. Blocked technology
The most crucial characteristic of protectionism is technology control, which is undoubtedly a threat to China during and after the Pandemic. Two years ago, the United States abused its long-arm jurisdiction to arrest the CFO of Huawei. Combining all the other actions that the United States took these years, China can realize that America has been trying to prevent China’s technology from growing too fast. As expected, recently, U.S. President Donald Trump has announced foreign companies that use U.S. chip-making equipment will need U.S. licenses to supply certain types of chips to Huawei or Huawei affiliates like Hess. As a result, the restriction of technology is also a curious threat to China, since technology takes a large proportion of a country’s competitiveness for the trend of network-based society. Huawei is the first company that came up with the realization of 5g, is a tool that would benefit China in future negotiation with the United States, while it is under the attack. Chips are the core of electronic devices; the ban of chips produced by foreign companies means China’s local high-tech company has to invent its chip to provide plots like cell-phones. However, China couldn’t provide chips itself, so the United States’ measure is likely to result in a massive recession in the development of Chinese technology. Moreover, this measure represents how Americans deal with technology issues, and there will probably be more measures to restrict China’s high-tech firms and impair their capability of independent innovation. [7]

2.1.5. De-globalization
The series of protectionism measures taken by the U.S. affect the relationship between it and other countries and the economic connection within different countries. More importantly, the effect of Pandemic shattered the hope for the financial well-being of many nations. Under this circumstance, de-globalization is a possible future path. The hit from de-globalization for China is self-evident. China is an exporting country, meaning that it gains most of its profits from trades. Over the years that China formed a relatively complete system of manufacturing and trading. It has been developing at an unprecedented rate. The appearance of de-globalization, in this case, is undoubtedly bad news for China because the production capacity will encounter large surplus, and China is no longer able to connect with foreign countries, which would maximize the marginal utility. [8]

2.1.6. Taiwan issue
During the Pandemic, some Taiwan independence separatists will view it as a springboard to eliminate dependence on the mainland’s economy and strengthen Taiwan’s relationship with the United States. The United States, on the other hand, will also utilize this opportunity to cooperate with Tai-wan and intensify the struck-on China’s economy. Finally, the United States could advocate the negative effect of Taiwan’s trade with the mainland, leading to an even more intense relationship between Taiwan and China mainland.

2.2. Strength
After the reform and opening, China has focused on the tertiary industry, and put the service industry and information technology in the front of development. In the process of economic development, China focuses on its own country and conducts trade with many countries. If there is a problem in one of the trading chains, it will not cause fatal damage to China’s economy.
This depends on several competitive advantages of China: gradually improved manufacturing industry, domestic consumption power, multi range foreign trade, and continuous progress of high and new technology.

2.2.1. China is already the largest manufacturing country and owns entire supply chain

In the past, it mainly produced low-end products and used cheap labor to earn price differentials by exporting to developed countries in large quantities, such as clothing, furniture, toys, etc. This kind of production mode has many disadvantages, strong substitutability, easy to break, and has little effect on economic development. Due to the increasing employment pressure, the advantages of secondary education aiming at entering higher education and higher education system emphasizing engineering education are gradually emerging, which makes China form a strong competitiveness in capital and technology intensive industries. Today, China's manufacturing industry is gradually transforming towards diversification, high-end and high-quality quantitative development. Electrical machinery and equipment have become the largest export category, which shows that China's factories are no longer limited to low-end products with small profits and quick sales, but continue to develop their own technology and focus on the more difficult and valuable products. [9]

2.2.2. China's huge domestic market consumption capacity is strong

With a large population in China, the corresponding demand for products will increase. Moreover, the people's saving rate is relatively high, which can guarantee the demand for funds for rapid economic growth. China can effectively integrate international advantageous resources by utilizing the advantages of capital supply, but it will not rely on the transition of foreign capital formation. In the case of reduced exports, through reasonable national regulation and control, products can be consumed internally, which will not lead to direct sales. Consumption promotes the circulation of money, goods, employment and economic growth, which plays an important role in improving people's living standards. The national policy of "expanding domestic demand" is to encourage consumption and investment, stimulate consumption, so that goods can be sold in time and realize social reproduction. Compared with other countries, the penetration rate of e-payment in China in recent years is 80%. The non-paper currency transaction mode promotes the consumption of electronic products, reduces the handling cost, and promotes the enthusiasm of consumption psychologically. Online shopping because Taobao and other platforms make it more convenient for the new generation of consumer groups to shop, so that all kinds of products compete on the same platform, effectively eliminate the uncompetitive factories, and ensure that production with the progress of consumption, constantly adapt to the changes of society.

2.2.3. China has good trade relations with many countries

China can produce a variety of products and meet the different needs of different countries. The one belt, one road policy with distinctive characteristics, helps China create a new pattern of opening to the outside world, and solve the problem of slow development in the East and slow in the west, weak coastal areas and strong internal areas, and uneven development among regions. One belt, one road, provides China with more space for industrial transfer and dissolving excess capacity; promotes regional transfer of low-end manufacturing; promotes investment and construction of infrastructure in the central and western regions; promotes coastal areas to optimize foreign trade structure; expands economic and trade cooperation with countries along the border; and enhances international competition in relatively mature industries such as power, high speed rail, engineering, machinery, and automobile industry. With the establishment of the Asian Infrastructure Investment Bank, the demand for cross-border capital on the silk road will continue to rise, which is conducive to improving the recognition of RMB and currency flow.
2.2.4. China attaches great importance to high-tech industries

For the government, through the establishment of a large number of national high-tech product export bases, create the R & D advantages of intensive talents and complete technical equipment, and with the help of national strength, open up the international market, and send China's high-end manufacturing to all parts of the world. The ability of the Chinese government to mobilize national resources is not comparable to that of the White House. Although the United States has a strong comprehensive national strength, the ability of the US government to mobilize resources is much worse than that of the Chinese government. China's institutional mechanism determines that China can effectively mobilize various resources in a short period of time through various means. This ability to mobilize resources means that China can concentrate more power to play games with the United States, while the United States does not have so many resources or even one enterprise You can't control your behavior. For private enterprises, after considering the benefits of high profits and high returns, and with the support of the state, they are also willing to invest a lot of money and technical talents in technology research and development, reduce the dependence on foreign technologies as much as possible, and create independent brands marked by China. Huawei's 5g construction and chip R & D mark the first time that China has won a leading position in the field of technology since 1840, which has improved China's international status. [10]

2.3. Weakness

2.3.1. Labor-intensive products are still a major export project, and their international competitive position is at a disadvantage

With the whole process of economic development, labor-intensive industries are gradually transitioning from a dominant stage to a non-dominant stage. According to expert research, the industrialization stage led by labor-intensive industries in the United States lasted 110 years, Japan lasted 80 years, and Taiwan Province lasted 40 years. Therefore, China will continue this process for some time to come. China's rural surplus labor force is large, and the education level is low, while capital, technology and other factors are relatively scarce. This is the basic national conditions of China, so China must develop labor-intensive industries to meet the needs of these people. However, as China continues to inflate, the prices of necessities, such as meat and vegetables, continue to increase, causing people to demand more wages. Therefore, labor costs are increasing. Moreover, in other countries, such as Southeast Asian countries, the labor cost is lower than China, and the cost of manufactured products in the same industry is lower than China, which makes China's labor-intensive industries in a high cost and low export situation, resulting in the decline of China's dominant industries.

2.3.2. Product technical content and added value are not high

Although China has made good achievements in the high-tech industry in recent years, such as 5G technology, BeiDou Navigation Satellite System, supercomputer, and in the world PCT international patent applications, the United States (23%), China (20%), Japan (20%) has become the three main forces of global technological innovation. However, it is undeniable that these achievements are difficult to put into mass production, because some are China's secret technology, and some are difficult to implement in other countries because of the international protectionist blockade. Therefore, these achievements are difficult to bring to China economic profits that can exceed labor-intensive industries. The total value of China's GDP in 2018 was 90.03 trillion yuan, but a large part of this was manufacture. According to the smile curve, the profits from current manufacturing are low, and global manufacturing has been oversupplied, but most of China's exports are still manufacturing, which is extremely inconsistent with China's current international status. Most Chinese companies are manufacturing and assembly companies, so-called low value-added industries. In order to survive, they can only continue to expand production capacity and maintain profitability. But if the market is shrinking, product
prices are falling, and product sales are no longer growing, companies immediately face an operational crisis. [11]

2.3.3. Trading partners are too concentrated, and the ability to resist risks is insufficient

In 2019, China’s imports and exports to the EU were 4.86 trillion yuan, an increase of 8%, and the EU became China's largest trading partner. China's imports and exports to ASEAN reached 4.43 trillion yuan, an increase of 14.1%, and ASEAN became China's second largest trading partner. Most of China's trading partners are clustered along the “Belt and Road” strategy, and there are not many imports and exports to Africa and Latin American countries. Moreover, after the United States began its trade war with China, the United States became China's third largest trading partner, and China lost its original largest trading partner. Coupled with the impact of the epidemic, many European countries canceled or postponed China's export goods, which was a great blow to China's exports. In the first quarter of this year, China’s total import and export value of goods trade was 6.57 trillion yuan, a decrease of 6.4% from the same period last year, and ASEAN replaced the EU as China’s largest trading partner. Therefore, there is no substitute for Chinese trading partners. [12]

2.3.4. Traditional superior industries will lose their advantages

China's traditional superior industries include shoe manufacturing, textile, furniture manufacturing, electrical machinery and equipment manufacturing, and paper and paper products. However, due to the increasing labor costs, China has no international advantage in exporting such products. Moreover, because these industries have caused severe environmental damage, the government has also restricted its production, which has led to a decline in factory output.

2.3.5. The United States has advantages in many industries

Boeing aircraft, Intel, the cultural industry represented by Hollywood and Disney, and the high-tech military industry are all American advantages. These industries have an almost monopoly position internationally. For example, an airline that buys planes can only buy Boeing or Airbus. The most widely used CPU is now manufactured by Intel. A city has two wishes: bid for the Olympics and build Disneyland. And most of the popular movies people watch now are made by American companies. In this way, people have great confidence in the United States and are willing to invest in American industries. Therefore, the United States has strong capital, so that its industrial development will be more rapid. [13]

2.3.6. The dollar has dominance

The US dollar has a hegemonic position in the world and is the world’s settlement currency. 1. The foreign exchange reserves of various countries are US dollars, and they can only buy or invest internationally. In addition to buying some commodities, the rest is to invest in liquidity. Most of them can only buy US Treasury bonds. Americans pay you interest, and your money will be returned to the United States. This is like people desperately producing things to sell. America, America borrowed money from him to buy his things. 2. When the interest in the United States is low, the wealthy Americans borrow money from banks and then invest in countries with high profits to make a profit spread. When the interest in the United States is high, the money is drawn back and returned to the United States. When the US dollar invests, domestic assets continue to rise, and when the US dollar returns, the assets fall.

2.4. Opportunity

2.4.1. One Belt and One Road have a great advantage

Although the United States has provided protectionism against China, but China has more trade between other countries. In china, there is a The Belt and Road. This is the abbreviation of "Silk Road Economic Belt" and "21st century Maritime Silk Road".

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The one belt, one road partnership will help each other in the face of the epidemic. The Chinese side has provided assistance to 122 “one way and one” partners, and sent medical teams to 25 countries. From January to May, the number and shipment volume of China Europe train increased by 28% and 32% year on year, and the cumulative delivery of anti-epidemic materials reached 12524 tons, which became the "life channel" and "destiny link" for all countries to fight the epidemic together.

One belt, one road diplomat said, "the China Development Bank and the China export Bank may provide loans to our friendly countries for sovereign loans." "We may cut interest rates by a few percentage points or cancel them altogether. China can also appropriately reduce the payment of principal. This is to prevent the borrower from going bankrupt because it may harm our interests. This series of actions will also further help China clear its inventory after the outbreak and help fast economic recovery." [14]

2.4.2. RMB internationalization

One belt, one road, is now on the rise due to the global epidemic. China can maintain bilateral good relations with the export materials and medical resources of the countries concerned and promote the settlement function of RMB in the export and medical resources. In addition, one belt, one road, can gradually open capital account. One belt, one road, is to promote the internationalization of financial institutions, especially the internationalization of banks, and to promote the transformation and upgrading of RMB internationalization. In order to solving currency mismatch. It refers to the fact that developing countries, such as China, are unable to lend in their own currency in the international market, and can only issue form bonds in foreign currencies, thus forming large trade surpluses and high foreign exchange reserves. After the internationalization of RMB, China can easily invest abroad, and it is also convenient for foreign capital to invest in China.

2.4.3. Europe and China can be good partners

Both Europe and China are open societies. Representatives of the 27 EU countries reached an agreement on Tuesday to open their borders to China and other countries from July 1 “Welcome the Chinese, but not the Americans!” The British TV station reported that. Chinese tourists are well-known in the world tourism market for their super consumption ability Europe, affected by the epidemic, has been looking forward to the return of the Chinese people. China hope to rely on “China’s strength” to boost the economy as soon as possible. However, the traditional European tourist, Americans, was explicitly excluded from the "open list."

They all support the construction of an open world economy and oppose protectionism; they all support the rule-based multilateral trade system and reform and strengthen the World Trade Organization; they all support peaceful means to solve various hot issues and regional disputes through dialogue and consultation; they all support strengthening international cooperation to cope with global challenges such as climate change. Compare with china Europe have colonial history with, many countries along one belt, one road have colonial history. The operation with deep local knowledge, rich contacts and rich operation and management, together with joint development of "third-party market cooperation", is conducive to sharing investment risks and Increase the space for hedging and cooperation, and cultivate new economic growth points. [15]

3. Conclusion

3.1. Strengthen support for domestic enterprises

The government strongly back the development of domestic enterprises. The country’s opening to the outside world is continuously deepening. In the face of the complicated international economic and trade situation, the government needs to take on the government’s regulatory
responsibilities, and continuously guide domestic enterprises in opening up to the outside world. It is necessary to further introduce a guarantee mechanism, improve laws and regulations, and provide a good domestic and international development environment for domestic enterprises. Policies should be given preferential treatment, while actively protecting the legal status and rights of domestic enterprises in international trade, and preventing other countries from deliberately harming the interests of Chinese enterprises. Therefore, China must continue to strengthen guidance and encourage more domestic enterprises to implement the "going out" strategy, especially the "Belt and Road", to give full play to policy advantages and enhance their own competitiveness.

3.2. Improve enterprise innovation ability and enhance enterprise competitiveness

Enterprises must fully recognize the opportunities and challenges brought about by economic globalization and international trade, formulate enterprise development plans based on their own strategic development, continuously improve their innovation and creativity, and enhance their international competitiveness to achieve long-term healthy development of the enterprise. Firstly, enterprises should continue to strengthen their own high-tech innovation. Because many outstanding multinational enterprises have emerged, and many technological developments have been achieved. Secondly, the enterprises should also strengthen independent brand building. At present, some large enterprises in China already have strong competitiveness, but some SME brands have not kept pace with international trade. Therefore, they must fully tap their own advantages and characteristics, build their own brand, and make their own brand an advantage in international trade through brand promotion and promotion. Finally, constantly improve trade technology and improve risk management. Chinese enterprises, especially small and medium-sized enterprises, should make good use of the huge advantages of good operation and flexible production, find a market position in international trade, strengthen international exchanges and cooperation, and expand their own international markets through modern channels and means such as e-commerce. In international trade, China must improve our own risk management capabilities, follow international trade-related laws and regulations, and continuously improve our ability to resist risks.

Reference