

Trade Protectionism and International Trade Policy Study

-- A Case Analysis Based on the China-US Trade War

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Abstract: In the context of globalization and the close interconnection of economies, international trade has become a key driver of economic growth and global cooperation. However, the resurgence of trade protectionism has posed a series of challenges to international trade. The trade war between the United States and China stands as one of the most prominent cases of international trade friction, providing a valuable empirical scenario for the study of trade protectionism and international trade policies. This paper begins with an overview of the US-China trade war, including the development of trade relations, the scale and structure of trade between the two nations, and the causes and key issues of the trade war. Subsequently, the article reviews the theoretical underpinnings of trade protectionism, focusing on the concepts and forms of protectionism, as well as the motivations behind it. Through the analysis of the US-China trade war case, the paper examines the direct and indirect impacts of this trade conflict on the economies of both countries and the international trade order at large. The research finds that while trade protection measures may benefit certain countries or industries in the short term, such practices are likely to harm the overall interests of the global economy in the long run, increasing uncertainty and instability within the international community. Finally, based on the current state of international trade, this paper proposes a series of strategies to address trade protectionism and offers insights into the future development trends of a new international trading system and international trade policies. The article emphasizes that in the face of the challenges posed by trade protectionism, the international community must work together through dialogue and cooperation to find long-term solutions to global trade imbalances, thereby promoting the shared prosperity and development of the world economy.

Keywords: Trade Protectionism; International Trade Policy; China-US Trade War; WTO.

1. Overview of the US-China Trade War

1.1. Development of US-China Trade Relations

Since the establishment of diplomatic relations between the US and China in 1979, the trade relations between the two countries have experienced significant development and changes. Initially, the bilateral trade volume was relatively low. However, as China's economy began to open up and reform, the scale of US-China trade rapidly expanded. During the 1980s, trade between the two nations encountered some contradictions and disputes over issues such as trade barriers and intellectual property rights, yet the bilateral trade volume continued to grow quickly. By the 1990s and the early 21st century, US-China trade relations entered a golden era, especially after China joined the World Trade Organization (WTO), with trade volumes between the two countries growing steadily. China became one of America's largest trading partners. Nonetheless, US-China trade relations have also faced challenges and controversies. In recent years, the trade deficit has become a focal point of bilateral trade. The United States has criticized China's trade policies as unfair, citing issues of intellectual property theft and forced technology transfer. In response, the US implemented various trade restriction measures, such as increasing tariffs and sanctioning Chinese companies, leading to an escalation of trade disputes. The trade deficit is just one aspect of US-China trade relations, as both countries also engage in extensive investment cooperation and exchanges across various fields.

In summary, since 1979, US-China trade relations have achieved remarkable development and accomplishments but have also been marred by trade disputes. Amidst an ever-changing international environment and bilateral relations, both the US and China need to engage in dialogue and negotiation, working together to resolve differences and establish a stable, equal, and mutually beneficial trade relationship.

1.2. The Scale and Structure of China-US Trade

The trade relationship between China and the United States represents one of the most significant bilateral trades in the world, characterized by its immense scale and complex structure. A key issue in analyzing the scale and structure of China-US trade is the trade deficit. The total trade volume between the two nations exceeds hundreds of billions of dollars annually, with both sides experiencing continuous growth in trade volumes over the past decades. However, a significant trade deficit persists, where China's exports to the United States far exceed US exports to China. Additionally, the trade structure between China and the US is diverse and multifaceted. China primarily exports consumer goods such as electronic products, clothing, and toys to the US, while the US exports items like aircraft, automobiles, and high-tech products to China. As the integration of supply chains and value chains deepens, trade between the two countries increasingly encompasses services, investment, and intellectual property rights. When discussing the trade deficit

issue, multiple factors must be considered. On one hand, China's relatively lower labor costs, along with its competitive manufacturing sector and export-oriented economic development model, are among the primary reasons for the trade imbalance. On the other hand, US trade barriers, restrictions, and sanctions against China also play a role in affecting the balance of bilateral trade.

1.3. Causes and Key Issues of the US-China Trade War

The onset of the US-China trade war can be traced back to March 2018 when the US government unilaterally imposed substantial tariffs on imported steel and aluminum products from China, igniting the conflict. From March 2018 to early 2019, both nations engaged in a tit-for-tat imposition of steep retaliatory tariffs on goods, which failed to address the underlying disagreements regarding interests. Between March and December of 2019, the negotiations faced numerous setbacks as the trade war intensified, with the United States designating China a 'currency manipulator' and imposing additional tariffs. It was not until the period from January to November 2020 that the two parties finally reached a Phase One agreement. China consented to make concessions on issues such as intellectual property protection, industrial policies, market access, state-owned enterprises, and state subsidies. Nevertheless, the resolution of the trade war was not fully realized.

Throughout this process, the trade deficit the United States has with China emerges as a critical issue. China has consistently exported far more to the United States than it has imported, resulting in a continually expanding trade deficit for the US. One of the tenets of Donald Trump's 2016 election campaign was the notion that America's international trade policies were "too soft," leading to "unfair" trade constraints imposed by other countries that undermined US interests. With regard to China, the Trump administration contended that China had long been leveraging policies and subsidies to undercut American industries and jobs. In this context, the Trump administration began to implement a series of firmer measures aimed at balancing the trade relationship, significantly influencing the direction of China-US trade relations.

2. An Overview of Trade Protectionism

2.1. Concept and Forms of Trade Protectionism

Trade protectionism refers to an international trade policy where a country restricts and controls the influx of imported products through legislative and administrative measures, thereby protecting domestic industries and employment. The goal of trade protectionism is to safeguard the interests and competitive advantage of local industries by reducing the impact of foreign competition.

Common forms of trade protectionism include:

2.1.1. Tariff Barriers

Tariffs are taxes levied on imported goods and are one of the most direct and common measures of trade protectionism. By increasing tariff rates, a country can increase the cost of imported goods, thereby reducing import volume and protecting local industries.

2.1.2. Non-Tariff Barriers

Besides tariffs, a country can also impose a series of non-

tariff barriers to restrict imports. These include import quotas, import licenses, import restriction conditions, import quality standards, and technical standards. These measures can limit the quantity and quality of imports, increasing costs and difficulties for importers.

2.1.3. Subsidy Policies

A country can enhance the competitiveness of its industries by providing various forms of economic and fiscal support. These subsidies can include cash subsidies, tax cuts, preferential loans, and government procurement preferences. Subsidy policies aim to help local industries gain a price competitive advantage in the international market.

2.1.4. Anti-Dumping Measures

A country can levy anti-dumping duties or initiate anti-dumping investigations on imported goods deemed to be dumping, to prevent harm to local industries. These measures aim to prohibit importers from selling goods below market prices, thus protecting domestic businesses from unfair competition.

2. Motivations for Trade Protectionism

The primary motivations for trade protectionism include:

2.2.1. Protecting Domestic Industries and Employment

Nations fear the impact of foreign competition on domestic industries, which could lead to unemployment. For example, the US has imposed tariffs on foreign steel and aluminum imports to protect local industries from foreign competition.

2.2.2. Improving Trade Deficit

Trade protectionism is one method nations use to try to improve their trade deficits. For instance, the US has consistently had a trade deficit with China. During the US-China trade war, the US imposed tariff measures to limit China's exports and tried to increase its own exports to improve trade balance.

2.2.3. Gaining Market Share

By reducing the price competitiveness of imported products and increasing the price advantage of domestic products in the local market, countries can expand the market share of domestic products. For example, the US imposes high tariffs on Chinese imports to make domestic products more price-competitive in the local market.

2.2.4. Nationalist Sentiments

In some cases, trade protectionism can arise due to political factors. For instance, a significant reason for the US adopting trade protectionist policies is influenced by local nationalist sentiments, with the US emphasizing support for domestic industries to maintain its international status.

3. Case Study of the China-US Trade War

3.1. The Impact of the China-US Trade War on Both China and the US

The China-US trade war may have the following impacts on both sides:

3.1.1. Industrial Structure Adjustment

Protectionist trade measures can cause adjustments in the industrial structures of both China and the US. For instance, imposing tariffs and other restrictive measures may affect the exports of certain industries, potentially prompting companies to seek alternative markets or increase investment in domestic markets to provide local substitutes. For example,

the China-US trade war has forced China's high-tech industries to accelerate development while low-end manufacturing faces pressure to relocate.

3.1.2. Changes in Commodity Prices

Protectionist trade measures lead to price increases for restricted goods. For example, imposing tariffs increases the price of imported goods, causing fluctuations in the prices of related goods which affect consumers' purchasing power. This may result in increased inflationary pressure in both China and the US, especially in the US, which is more dependent on imported goods.

3.1.3. Employment and Wages

Protectionism may impact employment and wage levels. Restricting imports could stimulate growth in domestic industries and increase employment opportunities, especially in protected sectors. For instance, exports of agricultural products and certain heavy industries in the US may rise, and some American manufacturing sectors may receive limited benefits. While some American industries may benefit in the short term, they also face issues of significant cost fluctuations. The price increases resulting from cost fluctuations will also be passed on to consumers.

3.2. The Impact of the China-US Trade War on the Global Economy

The impact of the China-US trade war on the global economy can be analyzed from the following aspects:

3.2.1. Reduction in Trade Flows

China and the US are the two largest economies in the world today. The protectionist trade measures between China and the US have led to a reduction in bilateral trade volume, dealing a significant blow to the global trade system. Consequently, there has been a sharp decline in global trade volume, adversely affecting global economic integration and inhibiting global economic growth.

3.2.2. Supply Chain Restructuring

The China-US trade war has caused disruptions and forced restructurings of global supply chains. Impacted businesses have had to consider how to reorganize trade, investment, and industrial transfers. Some capacities originally located in developing countries have been forced to move to other nations, implying that those developing countries might lose some production factors and trade opportunities, negatively affecting their exports and employment.

3.2.3. Increased Trade Uncertainty

The trade disputes between China and the US could lead to frequent adjustments in tariffs and other trade barriers, making it difficult for businesses to predict the future international trade environment. This hinders companies from planning investments and making decisions, suppressing the recovery and growth of the global economy. The economy faces downward pressure, and the momentum for growth is relatively weakened, exacerbating the challenges to economic recovery and growth.

3.3. Challenges to the International Trade Order

The outbreak of the China-US trade war has intensified the global atmosphere of trade protectionism at a time when world trade growth was already sluggish, spreading protectionist sentiment to more countries. The intensification of trade protectionism may prompt other countries to adopt

similar protectionist measures, further distorting the international trade order. The China-US trade war also poses challenges to the World Trade Organization (WTO). The WTO's trade rules and dispute resolution mechanisms have played a critical role in handling trade disputes and conflicts. However, as the trade friction between China and the US escalates, the US has begun adopting measures not allowed under the WTO framework to comprehensively contain China's rise, putting significant pressure on the functionality and effectiveness of the WTO.

4. International Trade Policy: Responses and Outlook

4.1. Strategies Against Trade Protectionism

To address the challenges posed by trade protectionism, several strategies can be adopted as follows:

4.1.1. Supporting the Multilateral Trading System

Nations should steadfastly support and uphold the multilateral trading system, particularly the functions and rules of the World Trade Organization (WTO). Within the framework of international organizations like the WTO, it is crucial to strengthen cooperation with other member states, promote the reform and modernization of the WTO, reshape the global trade rules system to increase transparency and participation, balance the interests of all countries, and enhance its role in resolving trade disputes and in the formulation of trade rules.

4.1.2. Promoting Free Trade Agreements

Countries can actively promote the negotiation and signing of Free Trade Agreements (FTAs). FTAs can reduce tariff and non-tariff barriers, facilitate negotiations on important commodity trade quotas and concessions, enhance mutual trust, promote trade liberalization and facilitation, and reduce the risk of trade restrictions. Furthermore, FTAs provide more stable and transparent trade rules, offering businesses predictability and guarantees for market access.

4.1.3. Strengthening Regional Economic Cooperation

Nations can enhance regional economic cooperation by establishing regional trade and investment cooperation mechanisms for mutual benefit. For example, actively advancing the negotiation and signing of regional trade agreements like RCEP, CPTPP, etc., promotes free trade, investment facilitation, and economic cooperation, strengthens bilateral economic and trade cooperation mechanisms with key trading partners, aligns interests, forms regional economic blocs, reduces trade dependency risks, and minimizes trade disputes.

4.1.4. Enhancing South-South Cooperation and Development Assistance

Strengthening South-South cooperation and enhancing economic cooperation and assistance among developing countries is vital for promoting resource and technology sharing. Strengthening development assistance, especially in infrastructure construction, trade capacity building, and human resource development, can help enhance the trade competitiveness of developing countries.

4.1.5. Promoting Digital Economy Cooperation

Advancing digital economy cooperation is another critical strategy to counter trade protectionism. Strengthening the formulation of digital trade rules and standards, promoting the interconnectivity of the digital economy, fostering cross-border data flow and the development of e-commerce, can

enhance trade facilitation and the growth of the digital economy, promote cross-border investment and trade financing facilitation, improve the system of investment protection agreements, and promote economic integration.

4.1.6. Enhancing Policy Coordination and Dialogue Mechanisms

Strengthening international policy coordination and dialogue mechanisms is essential for cooperative resolution of trade disputes and negotiation of inconsistencies. Through multilateral dialogue and cooperation platforms, countries can exchange and negotiate trade policies, reduce misunderstandings and disagreements, and seek common solutions.

4.2. Prospects for Establishing a New International Trade System

The creation of an open, fair, and sustainable international trade system is both necessary and feasible. In today's era of globalization, economies are increasingly interdependent. An open international trade system can foster trade and cooperation between nations, enhance economic efficiency, ensure effective resource allocation, and contribute to global economic prosperity. Such a system can offer countries more opportunities and incentives for industrial upgrading and technological innovation. Through exchange and cooperation with other nations, countries can adopt and learn advanced technologies, management experiences, and business models, which can promote industrial upgrading and innovation, driving the development of enterprises and industries. Sustainable development seeks the harmonious progress of the economy, society, and environment. An open and fair trade system can promote the efficient use of resources, environmental protection, and social justice, aligning closely with the goals of sustainable development.

An increasing number of countries recognize the importance of an open, fair, and sustainable international trade system. Under the impetus of transnational cooperation and multilateral institutions, a considerable consensus has been reached globally, including the establishment and enforcement of global trade rules through the World Trade Organization. The development of modern technology and communication methods offers more opportunities and conveniences for international trade cooperation. Through the internet and digital platforms, countries can communicate and cooperate more conveniently, promoting information sharing and transparency, and strengthening regulation and enforcement.

To establish an open, fair, and sustainable international trade system, countries need to enhance cooperation and coordination, advancing the formulation and implementation of trade rules through multilateral mechanisms and bilateral cooperation. At the same time, nations should also strengthen domestic reforms and innovation to enhance their trade competitiveness and sustainable development capabilities. Through collective effort and cooperation, we can build an international trade system that fosters global economic prosperity, social progress, and environmental sustainability.

4.3. The Future Development Trends of International Trade Policy

Digital trade, sustainable development, and regional integration represent the three significant and crucial trends in the evolution of international trade today. Each harbors its

own set of opportunities and challenges:

4.3.1. The Prospects of Digital Trade

The rapid advancement of digital technologies provides fresh opportunities for digital trade. Such trade facilitates cross-border e-commerce, online services, and data flows, thus driving economic growth and innovation. With the continuing enhancement of global digital infrastructure, digital trade is expected to grow further in the future. Challenges faced by digital trade include issues around data privacy and security, the widening digital divide, intellectual property protection challenges, and restrictions on cross-border data flows. Furthermore, the development of digital trade also raises economic and social issues, such as labor employment concerns and economic imbalances.

4.3.2. The Prospects for Sustainable Development

Sustainable development has become a focal issue for the international community. Economic green growth and environmental protection can be attained by adopting sustainable methods and practices, such as energy efficiency, promotion of clean energy, and fostering a circular economy. The principles of sustainable development are increasingly being integrated into the strategies of corporations and governments. Challenges to achieving sustainable development include resource scarcity, environmental pollution, ecological degradation, and balancing economic growth with environmental conservation. Moreover, the implementation of sustainable development requires policy support from governments, corporate responsibility, and societal engagement.

4.3.3. The Prospects of Regional Integration

Regional integration aids in promoting the liberalization of trade and investment, strengthening cross-border cooperation and resource complementarity, and fostering economic unity and collective development. Some regions, such as Asia-Pacific, Europe, and Africa, have successfully established regional integration mechanisms, like the European Union and Asia-Pacific Economic Cooperation. Regional integration contributes to economic growth, improved standards of living, and social progress. However, it also faces challenges including issues of sovereignty and cultural differences, uneven economic development and industrial competitiveness, and the increased difficulty of policy coordination and cooperation. Additionally, regional integration requires the collective efforts and collaboration of countries on political, economic, and social levels.

5. Conclusion

The US-China trade war serves as a significant case study for exploring trade protectionism and international trade policies. Its impacts extend beyond the bilateral relations of the US and China, affecting the global economy profoundly. Understanding the motivations behind trade protectionism and the specific measures implemented, particularly through a case analysis of the US-China trade war, enables a deeper comprehension of the formation of international trade policies and the strategic choices for combating protectionism. In the face of global economic challenges, every nation should enhance cooperation, uphold the principles of mutual benefit and multilateralism, and jointly promote the development of an open, fair, and sustainable international trade system.

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