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Editorial Note

Special Issue S4:

“Global Trade Wars: A Case of
Sino–US Trade War”

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Editorial on Special Issue: “Global Trade Wars: A Case of Sino–US Trade War”

In the 21st century, trade has been recognized as the most significant vehicle for accelerating the pace of growth and development for a country, irrespective of developed or developing in particular, and global economy, in general. Accordingly, trade disputes and wars that have come out as the biggest issues for the global trading system are a matter of great concern. This is because the very purpose of creating World Trade Organization (WTO) is being defeated, that is “promotion of multilateral trading system”. Trade disputes and wars that are being combined with the “build up in leverage and higher asset unit values” may have emerged out as a deterrent to world trade and the same in turn may affect the existing global trading system to a greater extent. It has become *sin-quo-non* to have minimum possible trade wars among the major trading economies across the world. In the past decade, we have already seen that two contributory factors, namely leverage and asset prices, which were responsible for the 2008 crisis. The same situation has started coming up. Hence, the global leaders must pay attention on both the issues on war footing. Otherwise, the situation may become worse and out of control. It is an undisputed fact that world growth has been strong and sound during the last few years. However, on the one hand, the matter of concern for global players is how long it will remain strong and sound; on the other side, the persisting elevated asset price could be justified on the basis of strong and sound economic growth in general, world trade in particular, across the world.

TRADE FRICTIONS BETWEEN CHINA AND THE UNITED STATES

The biggest threat to the global trading system (multilateral trading system) is the increased conflict of interest between the United States and China. Recently, the US Government has launched an auto probe against China. According to the US Government, the national security investigation is underway against car and trucks imported from China in the light of Section 232 of Trade Expansion Act (TEA) of 1962. The very purpose of the investigation is to determine whether vehicles and parts imported from China are threatening the domestic industry’s health and ability to research and develop new and advanced technologies. The Commerce Secretary has observed that there is enough proof that suggests that, for the last so many decades, imports from trading partners, especially China and India, have eroded the country’s auto industry. China, India, and other countries have asked the US Government that the investigation must be through, fair, and transparent.

It is rightly opined that the higher tariffs imposed by the US Government are painfully affecting Asian automakers, namely Toyota; Nissan, Honda, and Hyundai, who are the major exporters to the United States to a greater extent. Accordingly, there is a broad sell-off in automakers’ shares across the Asian continent. The Government from Japan, China, and South Korea have started to take steps in monitoring the trends and situations. The Chinese Government has come out with the words that it would defend its interests.

The Chinese Government has been opposing the ongoing abuse of the national security clause that is going to seriously damage the existing multilateral trading system in particular and the WTO in general. This may increasingly affect and disturb the existing International Trade Order (ITO). Trade analysts have observed that there is an immediate need for focusing on whether Beijing and Washington are making any progress in their respective trade frictions that have put ITO under heavy odds.

Keeping in mind, the above-mentioned issues and their significance to the global world in general and developing and least developing nations in particular, there is an urgent need to ask the academicians; professionals, and policymakers to examine the issues in-depth and explore the possible solutions in reality to this world. The journal, namely *Management and Economics Research Journal (MERJ)*, USA, has come forward to publish a Special Issue on *Global Trade Wars: A Case of Sino-US Trade War*, the most burning issue for everyone, irrespective of developed and developing, large or small economies. The very purpose of this special issue was to invite research papers from academicians, professionals, and

policymakers in regard to how this critical and strategic issue should be taken into account and provide amicable.

This issue has far-reaching implications, impact and consequences for global trade in general, and multilateral trading system, in particular. **The contributors were given the freedom to write research papers on the different aspects of the Sino–US trade war.** I am fortunate enough in saying that I have got an overwhelming response for the issue. I got 14 papers from the academicians and policymakers across the world. Each paper has provided in-depth knowledge and understanding of its selected topic. A synoptic view is given below on each paper contributed.

First paper, contributed by **Yildiz**, reviewed trade war between the United States and China and also to express how this war affects the trade relations of Latin America with both of the actors being involved in the trade war. The reason why Latin America is chosen as a region to work on rests on the fact that both the United States and China have been conducting considerable trade relations with the region. The article is organized to analyze what kind of a position Latin America would be at during the upcoming moves from the two giants and how the region should revise its ties with both economies considering the past relations it has had with before this trade war emerged. There have been many moves taken by the United States and China after the dispute started to show up; however, Latin America has been conducting considerable relations in terms of trade, politics, historical orientation, and geographical ties with both giants since long before the trade dispute began.

Second paper, a joint paper written by **Usha and Bothra**, has pointed out that bilateral trade have proven to be quintessential to both sides of the deal. However, on a parallel front, every economy has a self-interest toward the domestic production, and they also try to defend their local manufacturers from the cross-border competition. The United States has an “America-first” policy. Whenever the United States imposes tariffs and duties, similar responses have been observed by China. These moves are an area of great concern for global trade. The impact is often visible in the rest of the world. A trade-off exists between domestic economic growth and favored imports. The trade tensions between the United States and China may continue for a few more years. This US–China trade war has affected not only the two economies but also the world economy. The paper elucidated the repercussions of trade war on the international supply chain and the countries of the European Union.

Third paper, authored by **Jain and Saloni**, has opined that the US–China trade relationship has expanded immensely after China’s reformation of its economy and liberalization in 1979. A very huge amount of trade takes place between the United States and China in terms of monetary value and quantity. China benefits the United States in several forms other than just trade, such as US firms seeking investment opportunities in China for their assembly units. Subsequently, China holds a huge amount of US treasury securities and purchases US debt securities, which help them to keep their interest rates low. However, even after the development of such a trade relationship, the United States has certain concerns relating to China’s intentions. From the United States’ point of view, China is not involved in a fair practice of trade. China has imposed state-directed policies that bend the flow of trade and investment opportunities. Furthermore, the United States has allegations against China pertaining to the issue of intellectual property rights along with mixed records on implementation of WTO obligations, the establishment of procedures for impacting the value of its currency, and restrictions on FDI. The paper is an attempt to analyze the effect of the trade war between the United States and China, and it briefly discusses about the impact of this war on China and the probable measures implemented by the country.

Fourth paper, submitted by two Chinese Professors **Guifen and Wang**, has observed that Japan is the country with the most Section 301 investigations initiated by the United States. Meanwhile, the ongoing Section 301 investigation case against China is the most complicated and tough case until now. The different responses of Japan and China will be the core theme of this paper. Originally, Japan, little by little, accepted all the demands of the United States under American pressure in the semiconductor conflict and then began to resist its unreasonable demands; eventually, Japan forced the United States to withdraw its excessive requirement in auto parts conflict. In the case of China, previous Section 301 investigations were resolved by bilateral or multilateral agreements although it was difficult. In this time, the Chinese government has taken a countermeasure against the United States’ bullying, evident from the very beginning. The situation is that China and the United States conducted bilateral negotiations on the stretch. Meanwhile, the United States continued to extend the scope of tariff goods and escalate the tariff rate against China, and the Chinese

government immediately published the same amount and tariff rate for imported products from the United States. China and other countries are jointly suffering the sanctions from the United States and are trying to restrain the trade hegemony of the United States.

Fifth paper, contributed by a Russian Professor **Olga**, has analyzed the US–China Trade War in the context of Russia. According to her, due to the fact that these countries occur to be the largest economies in the world, their conflict cannot in one way or another be reflected in other subjects of international economic relations. The article analyzed the main stages of the trade war between the United States and China and formulates the causes of the crisis. On the basis of a regional approach and analysis of statistical data, it became possible to make an assessment of the effects that the US–PRC rivalry has on mutual trade, investment, and energy cooperation between Russia and China. It is noted that in connection with the trade conflict, Russian–Chinese relations are reaching a new level of development, and the number of joint economic projects is growing. However, the confrontation between the United States and China brings not only opportunities but also risks for Russia.

Sixth paper, authored by **Murthy**, observed that US–China economic ties have expanded substantially since China began reforming its economy and liberalizing its trade regime in the late 1970s. Total US–China merchandise trade rose from \$2 billion in 1979 (when China’s economic reforms began) to \$636 billion in 2017. China is currently the United States’ largest merchandise trading partner, its third-largest export market, and its biggest source of imports. There are multiple areas of disagreement that preceded the trade war. One ground is that China is buying off American assets. It is also alleged that China violates US patent rights. It is also stated by the United States that China has restrictions on US companies entering certain areas in production in China. The scale at which US–China trade patterns are changing and ownership patterns of both countries’ MNCs are changing results in a mystification of trade data due to intrafirm trade imports and exports. This may be a major reason why apparent trade patterns do not clearly serve as a guide for commenting on policy wars. The paper has also examined the patterns in the US–China exports, mutual imports, and current account balances over a nearly 25-year period, to form a view about whether the trade war is justified.

Seventh paper, submitted by **Singh**, has discussed an overview of the ongoing trade war between the United States and China. The major focus is to discuss the recent developments and discuss a timeline of the events. It also looks at some of the other aspects that are linked with the ongoing trade war such as the Foreign Investment Law, the White Paper issues by the Chinese government discussing the trade war, and the Huawei issue. China and the United States have attempted to negotiate a solution but have continuously failed to reach a common ground. Given this background, the paper will attempt to look at the various developments since the trade war started and also try and attempt the factors that are preventing any quick and acceptable solution.

Eighth paper, authored by **Mutambara**, has reviewed standard international trade theories as they pertain to the impact of trade restrictions. Current empirical studies were reviewed to see whether the evidence supports trade theory predictions. Conventional price impacts in standard models of the international trade show that trade restrictions are detrimental for trade for both countries involved, and the empirical evidence from current studies confirmed this. The current tit-for-tat tariff escalation between China and the United States has led to, among other things, increased domestic prices to both American consumers and producers; lower export prices to some of the Chinese exporters and American firms based in China; reduced import and export trade between the two countries that would lead to costly adjustments in supply chains; loss in net welfare and employment; and loss in competitive advantage to firms in both countries that produce for export. Therefore, efforts should be made to de-escalate these trade tensions.

Paper nine, written by **Singh and Mukherjee**, has examined that globalization today can convincingly be said to have reached its pinnacle. However, with the world turning into a global space of homogeneity, the stakes of survival have risen up too. The various forms of environmental degradation culminating in climate change have been accelerated due to globalization. This review discusses one such form of global environmental degradation that poses a serious threat to the health of citizens in the Global South. The phenomenon being talked about here is that of global waste dumping, a practice that has caught up roughly over the past four decades. The context that helps in illustrating the same is the United States–China trade war, narrowed down to the recent ban imposed by China and India on the import of plastic waste. As a reaction to excessive plastic waste dumping from Global South to Global North, 180 nations agreed in Geneva

to add mixed plastic scrap to the Basel Convention. However, as will be shown in this review, the burden has only shifted to even poorer nations who willingly buy plastic waste from countries of Global North. The phenomenon of dumping plastic waste can be explained through the distinction between the developed and developing countries understood in the dualist taxonomy of Global North and Global South.

Tenth paper, submitted by a Chinese researcher **Sheng**, is of the view that the Sino–United States (US) trade war since 2017 has triggered Sino–US confrontations in the economic field and also intensified geopolitical competition. From a historical perspective, the current US–China trade war is a continuation of the conservative US trade policy, rather than a dramatic development. From a global perspective, the trade dispute between China and the United States is only part of President Donald Trump’s grand global economic strategy that aims to stabilize the economic hegemony of the United States. Trump’s economic diplomacy targets both China and its Western allies, with the goal of achieving a comprehensive and complete solution. The developmental status of the United States shows that its economic strength is increasingly insufficient to support the status of global hegemony, as well as being increasingly incapable of meeting the global requirements for providing public goods. Therefore, trade wars are essentially trade policy adjustments made by the United States to consolidate its hegemonic foundations and fight against potential opponents, for example, the trade wars against Germany in the 1960s and Japan in the 1980s.

Paper eleven, jointly written by two Indians, has pointed that United States (US) and China are the two largest economies of the world, where the former is the biggest developed economy and the latter is one of the largest developing economies of the world. The paper implored to assess the cause and effect of the US–Sino trade war. The attempt is to understand the reasons behind the same and its impact on war economies and collateral damage to the economies of other countries. The experience establishes that trade wars have no winners. The war started in year 2018; the long-run effects of this trade war are still to be seen yet; till date the impact of this crisis has been substantial for both the US and China. The fractious trade relationship between the US and China is not just any sudden event but a reaction to the threat of China’s emerging role in the global economy riding on the US resources. Hence, the US, while warning about China’s ambitions, has taken it unto itself to limit China’s economic influence in the US and abroad, and hence, the US–Sino trade war.

Twelfth paper written by three contributors - **Ravneet, Bansal, and Dhillon**, has a point of view that the paper decrypted the trade relations among China and the United States from the American government perspective (Presidency of Donald Trump). The American government claims that the Chinese government’s high import levies and subsidies to Chinese firms cause the Sino–US trade war, bringing about economic misfortunes in the United States. The American government thus contends that forcing high levies on Chinese products (imports) can be corrective measures for Chinese governments’ actions. This research article discovers that the American administration overestimates the deficits. Measures for diminishing China’s imports cannot raise the American employment rate; on the contrary, China furnishes the United States with high caliber and low-cost products and services. Although China is one of the top investors for the United States, Chinese capitalists tend to capitalize on the surplus by investing in American ventures and bonds. However, American administration limits Chinese capitals because of security concerns supported by various other nations (i.e., France, Germany, Britain, Australia, the European Union, Australia, Canada, and Japan). The fear for Chinese capitalists due to China’s moving up to the high end of the value chain is an outcome of economic advancement. Consequently, the two nations should strategize Sino–US trade patterns by developing trade and economic co-ordination by means of trade arrangements.

Paper thirteen, submitted by **Sousa, Maria, and Cruz**, has opined that international trade specificity and the main activities of Chinese companies in the US markets. It addresses the strategic tools of the companies and their application in a global and very competitive market, framed by public policies and governments’ strategies. It explores the principles of the internal and external environments of the countries. The main research question is: what are the dimensions of a model to potentiate the US–China companies? The principal methodology used in this research was a literature review, and the analysis was based on the papers that research the theme US and China trade relations. The findings reflect that international trade is conditioned by the government politics, and there are several other obstacles that a US or Chinese company need to overcome: (a) economic forces; (b) technological forces; (c) political–legal forces; (d) sociocultural forces; and (e) physical forces.

Fourteenth paper, authored by the **Kone**, has discussed the trade war, which opposes today the United States of America and China, and questions the free trade’s principle in international trade. To show the

dangerousness of this trade war for the world economy, this paper explores the theoretical limits of the comparative advantage principle by analyzing the limitations of the applicability of the comparative costs and endowments criteria. It concludes that the international trade theories not based on the comparative advantage principle are the exception to the rule and therefore cannot be used to justify the American positions except to introduce a certain degree of political considerations. Specifically, it shows that the international trade theories, other than the Ricardian theory and the HOS factorial theory, are exceptions to the applicability of the comparative costs and endowments criteria. In light of this argument, one should seek explanations of the war-like trade logic of Trump's administration in the international political economy. In this perspective, international trade is no longer necessarily a positive-sum game.

I am of the firm belief that the special issues that have covered the divergent views on the issue of US–China trade war, are providing an interesting reading on the critical topic and should prove to be an asset for those who are researching on this vital issue. The most noteworthy feature of this special issue is that contributors from China, Russia, and the EU have expressed their respective views on the burning issue. The issue is light and fruit-bearing both in nature and contents.



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