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TRADE CONFLICTS BETWEEN CHINA AND THE USA: OPPORTUNITIES AND CHALLENGES

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1. Clarify how the trade conflicts between China and US develop – a theoretical overview
2. Applying empirical studies on the impacts of China-US Trade Conflicts
3. Evaluating the economic opportunities and challenges in the New Era
4. Drawing conclusion and proposing recommendations for future economic development of both countries

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TRADE CONFLICTS BETWEEN CHINA AND THE USA: OPPORTUNITIES AND CHALLENGES

As the two largest economies in the world, the results of trade Conflicts between China and the United States not only affect their respective national economy, but also affect the world pattern extremely profoundly. As soon as the China-US trade war started, it attracted great attention and discussion around the world. In the past two years, foreign scholars have carried out research on the China-US trade war and produced a series of research results.

The thesis is based on the theories of protectionism, trade conflicts and international competitiveness. Through combing of the literature, it could be found that protectionism is a important tool for the countries to improve their international competitiveness, however the protectionism could cause the trade conflicts which in turn will exert effect on the competitiveness of these nations. Thus, make clear the deep roots of China-US conflicts could help to improve the current sever situation and promote the global development.

The relationship between China and the USA has gone through many ups and downs. The trade conflicts has always been existing through the detailed historical review of the trade and economic relations between China and the USA. However, since tariff actions taken by President Trump in 2018, in order to realize “Make America Great Again”, the trade conflicts were gradually evolved into the trade war, rounds of conversations were also conducted. Even the first phase agreement was achieved, the common sense has been received so far which means the conflicts still exist. By looking into the origin, high trade imbalance, rising protectionism and the leadership competition should be considered as the major causes.

By taking empirical studies, current status of foreign trade, trade protectionism and specific industries shall be presented. The huge asymmetry and increasing number of trade barriers all add unknown factors to the situation in terms of the economic and trade development. USA was also trying its best to contain the development of China which could be seen from the case of Huawei. The “USA First” idea has always been the deep inspiration

of its protectionism. The spillover effects could also be easily seen during the trade war between China and USA.

Combing the current background of COVID-19, a lot of challenges could be seen, especially for USA. Tariff policies and large-scale unemployment will somehow curb consumption growth thus become the obstacles. USA is suffering a lot due to the spread of the epidemic while China has controlled perfectly which also gave China great opportunities. Rise of domestic market and consumption in China, digitization and technological upgrading and favorable macro policies all push China stepping into a high-quality development way. By analyzing the competitiveness of China digital trade, the great potential in this field will also become a powerful point for China in the future.

Above all, in order to achieve win-win results. China and the USA must cool down, and establish negotiations as soon as possible. There are several developing possibilities in the future, like G0, G2 and so on, which is quiet unpredictable. However, what could be certain is that only by cooperation, a better global development pattern could be formed.

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1. INTRODUCTION

1.1 Research Background

The economic globalization of the past few decades has not only led to the monopolization and compression of resources in developing countries, but also brought challenges to developed countries such as immigration issues. This also caused a wave of "anti-globalization" worldwide. Since 2016, the world situation has changed, such as Brexit, Spain's regional independence, etc. The United States and other countries in the world have stepped up the trend of regional integration, which directly led to the United States' implementation of trade protection measures against China. China-US relation is one of the most influential bilateral relations in the world today. As the two largest economies in the world today, the economic and trade relations between the two countries are the top priority of bilateral relations. It can be said that China-US trade frictions are the epitome of anti-globalization and has aroused widespread concern from people all over the world.

On March 9th, 2018, the US government signed a tariff decree to impose additional tariffs on steel and aluminum imported from China. Since then, the US government has successively issued measures to impose tariffs on Chinese imports, which has continuously intensified trade frictions between China and the United States. The US government has actually launched a trade war. In addition to the apparently huge trade deficit and the needs of Trump's elections, the deeper reason is that China's overall rise has seriously affected the international strategic position of "American First", and China has become the most threatening role to the United States. As the contradicts between Sino-US trade continues to intensify, the impact on the trade between the two countries is gradually expanding. Under the influence of the current epidemic and the rapid development of the digital economy, the uncertainty of the international situation has further intensified. The decision-making of China and the United States plays a vital role in the current global economic development.

1.2 Theories Review

The major theories that will be covered in the thesis are: protectionism, trade conflicts and international competitiveness. These three aspects actually compose a complete circle which could perfectly explain most trade and economic issues.

1.2.1 Protectionism

Trade protectionism has the characteristics of globality, concealment, diversity, complexity and wide scope (Lin & Li, 2020). The general trend toward trade liberalization was partially reversed after the oil crisis in 1973 and the resulting worldwide recession. This gave rise to what has come to be known as new protectionism which is characterized by the imposition of many non-tariff barriers (Salvatore, 1993).

Many scholars started the research from its origin. Some held the opinions that it is related with the international competitions, industries with higher import penetration rates are more likely to develop trade protectionism (Maggi & Rodriguez, 2000). The adjustment of the industrial structure and trade structure of developed countries has brought about serious structural undertakings and the transfer of comparative advantages of trade, which is more likely to prompt developed countries to adopt trade protectionist policies (Gong, 1989). For example, studies have shown that the increase in imports from China has reduced the patent output and R&D expenditures of US companies (Autor et al, 2020).

But there are also different conclusions. Studies have shown that by reducing input tariffs, China has improved the productivity of Chinese companies, lowered their production costs, thus significantly reduced the prices of consumer goods in the United States, and increased consumer welfare （Amiti et al, 2017）. Considering the global value chain, China exports can even increase the wages and employment rate of American workers (wang et al, 2017). However, this has also led to the rise of anti-globalization thoughts. The strength of trade unions, party struggles, the maintenance of the government image, and votes are all political reasons for trade

protectionism (Dorn, Hanson & Majlesi, 2016).

Thus, the impacts of protectionism have always arouse great concerns aound the world. Gregori (2021) made investigation into the long-run relationship between international trade and protectionism. The macroeconomic effects of protectionism could also be seen from the dynamic effects of trade barriers which shows that protectionism could help the trade balance but not an effective tool for promotion of macro-economy (Barattieri, Cacciatore & Ghironi, 2021).

1.2.2 Trade Conflicts

By establishing a production system based on global value chains, the global trading system has improved the living standards of billions of people in many countries (Lawrence, 2018). With the development of global trade, comparative advantages can be brought into full play and a variety of choices could be possessed by consumers (Arkolakis et, 2018). But under the environment of open and free world economic development pattern, every country with a certain economic strength will continue to struggle for its own interests in international trade, which will inevitably lead to trade frictions and conflicts.

International trade conflicts has become part of the realm of “high politics”, the subject of major inter-state threats, negotiations, and occasionally even trade wars in the age of “interdependence” (Conybeare, 1988). Some scholars have made more in-depth researches on the theory of international trade conflicts. For example, the *A Theory of Economic History* by the British economist John Hicks (1999) discussed the trade market, currency, laws and regulations, the capital of credit, and trade conflicts between countries and other issues, which have had a far-reaching impact in the field of international political economy and trade. In the book *Political Economics of International Trade*, Robert (1999) analyzed the development trend of global trade relations and proposed some measures to resist trade protectionism and the regression of globalization in response to global trade disputes. At present, most researches analyze its social and economic impact, such as trade flow, welfare, currency loss and economic loss, etc (Lawrence, 2018; Li et al, 2018; Liu, 2018).

Talking about the specific issue, the trade conflicts have always been existing, especially the trade conflicts between big economies. Bown and McCulloch (2009) pointed out the similarities and differences between the Japan-US trade friction and the Sino-US trade war, and compared the macroeconomic conditions of the trade friction between Japan-US and China-US. There are also many researches About the China-US trade conflicts. Except the trade conflict itself, the derivative researches could also be found, like the influence of trade policy uncertainty (Ma et al, 2020; Nong, 2021; Zhang et al, 2018), contagion risk (Gong et al, 2020), environmental and economic impacts (Liu et al, 2019) and so on.

1.2.3 International Competitiveness

Except the traditional comparative advantage theory, the theory of "Diamond Model" developed by Michael Porter is the most common theoretical path in analyzing the competitiveness of industry. The diamond model, also known as the Porter Diamond or the Porter Diamond Theory of National Advantage, describes a nation's competitive advantage in the international market.

After conducting in-depth research on the competitiveness of multiple countries and industries, Porter believes that competitiveness is composed of four main factors: production factors, market demand, related and supporting industries, corporate strategy and structure, and horizontal competition. And two auxiliary factors such as government behavior and opportunity. Among them, the first four factors are the main influencing factors and constitute the main framework of the competitiveness model. The four factors influence each other to form a whole system and jointly determine the level of industrial competitiveness. The "Diamond Model" has constructed a brand-new competitiveness research system which has greatly exceeded the scope of the competitive advantage theory proposed before.

According to Michael Porter, the model's creator, "These determinants create the national environment in which companies are born and learn how to compete."[1]

[1] Porter, Michael E. (1990-03-01). "The Competitive Advantage of Nations". Harvard Business Review (March–April 1990). ISSN 0017-8012. Retrieved 2020-07-16.

Thus, the thesis would take the factors of the diamond model to analyze the advantages and disadvantages of both sides in China-US trade conflict.

Above all, the relation among these three concepts could be summarized as: protectionism is a important tool for the countries to improve their international competitiveness, however the protectionism could cause the trade conflicts which in turn will exert effect on the competitiveness of these nations.

1.3 Research Methods

Methods of documentary research, empirical analysis, historical research and case study are the major research tools in this thesis. The thesis mainly focuses on three questions “How the trade conflicts between China and USA develop?” “What are the impacts of China-US trade conflicts?” “What are the opportunities and challenges in this new era?” “What are the suggestions for the future development of both Countries” Thus, the methods mentioned above shall be applied so as to solve these questions.

Documentary research is used to sort out the previous studies related to the trade conflicts, trade protectionism and so on, thus clarify all the concepts and theories. By collecting resources from different books, journals and reports, the theoretical analysis of operating mechanism of China-US trade war and its impact could be conducted. When it comes to the empirical analysis, the statistics of specific indicators and many practical examples are given to make the explanation. Case study of the Huawei company is also given in the thesis.

1.4 Research Structure

The thesis could be divided into five parts.

The first part mainly covers the general informational of China-US conflicts including brief background and existing problems. Related literature review about protectionism, trade conflicts and international competitiveness, both theoretical and practical significance and so on are followed.

The second part puts forth the detailed historical review, including in-depth

combing and summarizing of development of China-US trade relationship. Based on the literature, the origin and general impacts of China-US trade conflicts are explained.

The third part describes the empirical presentation and global situation under the background of China-US trade conflicts. Abundant trade and economic data are shown in this part to elaborate the tense atmosphere nowadays.

The fourth part summarizes the opportunities and challenges in the new era faced by China, USA and other economies which are highly based on the theoretical and practical analysis of the first three parts. In this part, the competitiveness analysis of China digital trade will be also briefly given

The last part will be suggestions and conclusion for the future economic development of China and USA, both overview of existing suggestions and innovative strategies could be found in this part.

2. OVERVIEW OF CHINA-US TRADE CONFLICTS

2.1 China-US Economic and Trade Relationship

The Economic and Trade relationship between China and USA has gone through many ups and downs which could be mainly divided into the following Periods since the establishment of PRC (People's Republic of China):

2.1.1 Isolation Period (1949~1970)

After the founding of PRC in 1949, with the intensification of the Cold War between the United States and the Soviet Union, the United States used multiple methods such as political strikes, economic blockades, military threats, and diplomatic non-recognition. In 1949, the United States enacted the Export Control Act, the first step after World War II, stipulating that any military and political strategically significant materials are prohibited from being exported to socialist countries. In December 1950, the United States declared China as a "hostile country" and ordered a ban on export trade with China. Since then, China and the United States have begun a 21-year trade isolation period. In February 1951, the United States determined its overall strategy to contain China economy and introduced a series of sanctions. In August 1952, the USA Congress passed the "Battle Act"[2], forcing countries receiving aid from USA to stop their trade with China.

2.1.2 Relaxation Period (1971~1978)

At the end of the 1960s, the United States was deeply mired in the Vietnam War, and the domestic anti-war voices appeared one after another. The US-Soviet struggle for hegemony was at a stalemate. The United States began to change its foreign policy toward China. During the US table tennis team approach in April 1971, President Nixon issued a statement that the United States would issue visas to individuals or

[2] The act was enacted in the USA in order to establish an economic blockade of the USSR and other socialist co untries. It was named after Senator Battle, the author of the bill.

groups visiting the United States from China. In June 1971, the United States announced a trade manifest for non-strategic projects with China. In 1972, the two sides issued the *China-US Joint Communiqué* in Shanghai, marking the beginning of the normalization of Sino-US relations. In December 1978, China and the United States issued the Joint Communiqué on the Establishment of Diplomatic Relations between China and the United States, and officially established diplomatic relations on January 1, 1979, laying a solid foundation for the development of economic and trade relations.

2.1.3 Rapid Development Period (1979~1988)

In 1978, China began the process of reform and opening up, with economic construction as the center. In July 1979, China and the United States signed the bilateral trade relations agreement, which took effect on February 1, 1980. In March 1979, China and the United States established a joint economic committee. In 1983, the China-US Joint Committee on Commerce and Trade was established, which is an important platform for promoting the healthy development of economic and trade relations. President Reagan visited China in 1984 and the two sides signed a series of cooperation agreements. In 1987, China and the United States held the largest China-US investment and trade law seminar in history, which was called a new milestone in bilateral economic and trade relations. In the 1980s, the center of China-US relations shifted to the development of economic and trade relations. Trade and investment became the main bilateral issues between China and the United States, and bilateral trade developed rapidly.

2.1.4 Period of Rising Volatility (1989~2000)

In the late 1980s, Eastern Europe changed dramatically, the Soviet Union disintegrated, and China-US relations declined sharply. China and the United States have conducted long negotiations on most-favored-nation treatment, market access, and intellectual property rights. Both parties made corresponding concessions and compromises during the negotiation process. In 1993, the United States politicized the

trade issue for the first time, linking the issue of human rights with the issue of most-favored-nation treatment of China. In 1996, China and the United States held multiple rounds of bilateral consultations on the "WTO issue" of China. In November 1999, China and the United States signed a bilateral agreement on China's accession to the World Trade Organization after negotiations in the background. The most notable feature of China-US economic and trade relations at this stage is the constant conflicts and disputes, the continuous expansion of cooperation areas, and the huge room for economic cooperation between both sides.

2.1.5 Golden Age (2001~2016)

From China's official accession to the World Trade Organization in December 2001, to the time when Trump came to power to fully provoke a trade war in 2017, China-US economic and trade relations have been in a situation where competition and cooperation coexist, friction and dialogue coexist. From 2001 to 2006, the China-US economic and trade frictions continued to intensify. Since 1991, China-US trade frictions have manifested themselves in various ways. After China's accession to the WTO, economic and trade exchanges between the two countries have expanded, and trade disputes have continued to deteriorate. From August 2005 to June 2016, China and the United States entered a period of strategic dialogue. Five rounds of China-US Strategic Economic Dialogues were conducted from August 2005 to December 2018. In July 2009, the China-US Strategic Dialogue and the China-US Strategic Economic Dialogue were merged into the China-US Strategic and Economic Dialogue. 8 bilateral negotiations were held until June 2016. In addition, from June 2008 to July 2016, China and the United States conducted a total of 26 rounds of bilateral investment agreement negotiations.

2.1.6 Frontal Confrontation Period (2017 ~ Now)

Since President Trump took office in 2017, he has been pursuing the "America First" policy and has begun to adopt a series of protectionist and unilateral measures. From February 2018 to December 2019, China and the United States conducted a total of 13

rounds of economic and trade consultations and negotiations, and achieved phased progress. However, as the world situation changes, there is still great uncertainty in China-US economic relations.

Table 1 Big Events of China-US Trade War

Time	Events oF USA	Events of China
2017.8.18	The USTR initiates an investigation into certain acts, policies and practices of the Chinese government relating to technology transfer, intellectual property and innovation.	
2018.03.23	US imposes a 25 percent tariff on all steel imports (except from Argentina, Australia, Brazil, and South Korea) and a 10 percent tariff on all aluminium imports (except from Argentina and Australia).	
2018.04.01		China imposes tariffs (ranging 15-25 percent) on 128 products (worth US$3 billion) including fruit, wine, seamless steel pipes, pork and recycled aluminium in retaliation to the US' steel and aluminium tariffs.
2018.04.04	The USTR releases an initial list of 1,334 proposed products (worth US$50 billion) subject to a potential 25 percent tariff (list revised June 15).	China reacts to USTR's initial list, and proposes 25 percent tariffs to be applied on 106 products (worth US$50 billion) on goods such as soybeans, automobile, chemicals (list revised on June 16).
2018.06.16	Initial list of products reduced and finalized. List 1 now implements a 25 percent tariff on a reduced 818 products (from 1,334) and is set to take effect on July 6, 2018. List 2 of 284 new products is also announced and under consideration.	China revises its initial tariff list (25 percent on 106 products) to now include a 25 percent tariff on 545 products (valued at US$34 billion). This tariff will take effect July 6, 2018. China also proposes a second round of 25 percent tariffs on a further 114 products (valued at US$16 billion).
2018.07.06	**US implements first China-specific tariffs US.** The US Customs and Border Protection (CBP) begins collecting a 25 percent tariff on 818 imported Chinese products valued at US$34 billion.	China takes retaliatory measures by imposing a 25 percent tariff on 545 goods originating from the US (worth US$34 billion)
2018.07.10	The USTR releases a third list of tariffs of over 6,000 commodities originating in China (worth US$200 billion), which will be subject to a 10 percent tariff.	
2018.08.01	The USTR, at the direction of Trump, considers a 25 percent tariff rather than a 10 percent one which was originally announced on July 10, 2018.	
2018.08.03		In response to potential US tariffs on US$200 billion worth of products announced on August 1, 2018, China's Ministry of Commerce proposes a range of additional tariffs on 5,207 products originating from the US (worth US$60 billion)
2018.08.08	**Second round of tariffs finalized and released US.** Set to take effect August 23, List 2 announces that the US$16 billion of imports will now be subject to a 25 percent tariff rather than previously announced 10 percent.	China's Ministry of Commerce announces a reciprocal 25 percent additional tariff on US$16 billion of US exports to China, effective August 23, 2018.
2018.09.24	US and China implement third round of tariffs US	
2018.12.02	US and China agree to temporary truce	
2019.05.05	Trump says that the US will increase tariffs on US$200 billion worth of Chinese products from 10 percent to 25 percent, effective Friday, May 10.	
2019.05.10	US increases tariffs on US$200 billion worth of Chinese goods (List 3) from 10 percent to 25 percent, as the US and China fail to reach a deal following the end of the first day of the eleventh round of high-level trade talks.	
2019.05.13		China announces that it will increase tariffs on US$60 billion worth of US goods from June 1, 2019, in response to the tariff increases imposed by the US on May 10.
2019.09.05	China and US agree to 13th round of trade talks	
2019.12.13		China releases second set of US products to be excluded from additional tariffs
2020.01.15	**US, China sign phase one trade deal**	

Source: China Briefing

Wewbsite: https://www.china-briefing.com/news/the-us-china-trade-war-a-timeline/

Above all, the relation between China and the USA presents the following characteristics: First, the long-term politicization of China-US trade relations, the fluctuations in China-US trade are all interrupted or violently fluctuated due to political factors. The development of economy and trade is also due to politics. Second, China-US trade has always been asymmetry. China has a huge goods trade surplus, the United States has a huge service trade and currency trade surplus. US investment in China is far greater than China investment in the United States. Third, there has always been complementary competition in China-US trade. China has manufacturing advantages unmatched by the United States, especially a complete industrial system and abundant labor force. However, the United States has advantages in science and technology. Therefore, China-US trade is complementary. Harmony and mutual benefit, but also competition and game exist in the relations. Fourth, China-US trade has long-standing frictions and disputes. There have always been differences in ideology and governance systems between China and the United States. This is reflected in the economic field of China-US trade disputes, and most of them are initiated by the United States. The scope of disputes ranges from simple industry products. Trade disputes extend to make intellectual property and human rights issues more complex.

2.2 Cause Analysis of China-US Trade War

Since the outbreak of the China-US trade war, many scholars have rationally and profoundly analyzed the reasons and essence of the trade war launched by the Trump administration in the United States. The main points are as follows:

2.2.1 High Trade Deficit as an Excuse

Joseph E. Stiglitz (2018), winner of the Nobel Prize in Economics, believes that the United States' high trade deficit and shrinking manufacturing industry are the result of the combined effects of macroeconomic, domestic investment, and savings levels. Thus, the trade war cannot solve the problem. Abdulhamid Sukar and Syed Ahmed

(2019) of Cameron University pointed out that factors such as low domestic savings rate, high investment demand, and high popularity of the U.S. dollar as an international currency will affect both employment and trade. On the one hand, high income and high consumption in the United States promote a large number of commodity imports. On the other hand, the increase in labor productivity brought about by technological progress has caused the loss of manufacturing jobs. Therefore, imposing punitive tariffs on China does not touch the root of the problem. Some scholars also believe that the realization of trade balance and the return of manufacturing by imposing high tariffs reflects to some extent Trump's misunderstanding that trade is a zero-sum game. Stuart S. Malawer (2018), an emeritus professor at George Mason University, said that Trump's policies are actually detrimental to the national interests of the United States which actually shows that Trump regards geopolitics as business negotiations, and his ignorance of the global trading system and supply chain is shocking and disturbing. Professor Robert Z. Lawrence (2018) of Harvard University believes that the trade war on the grounds of national security can easily lead other WTO members to misunderstand trade and imitate retaliation. This will only raise trade barriers and increase unilateralism, tendency of disrespect, non-compliance with WTO rules.

2.2.2 Rise of Protectionism of US

In recent years, domestic "protectionism" has risen in the United States, and the willingness to provide global public goods and services has decreased. After Trump took office, he put forward the "America First" development philosophy, pushing the United States to adopt a "contraction policy" in all aspects. Indian scholar Ayesha Fatuma (2019) summarized three reasons why the United States believes that it must adopt a "America First" policy: First, it saves the huge expenditure it considers to provide global public services; Second, USA military strength supports its trade and dollar hegemony; Third, the United States Strive to reduce the cost of international affairs and improve domestic welfare. Zhao (2019) of the University of Denver believes that the huge fiscal deficit in the United States has affected its confidence in

providing global public services. At the same time, the country is experiencing a crisis of democratic failure, social divisions, and conflicts between domestic politics and international obligations. It is advocating isolation and reduction of international obligations. Against this background, China has become a scapegoat for the USA condemnation of globalization. Fred Bergsten (2018), honorary director of the Peterson Institute for International Economics, said that after Trump was elected president, he has repeatedly expressed doubts about the international economic system and appreciation for gaining trade advantages through national power. Therefore, the US government has changed free trade and the attitude of less intervention to the implementation of anti-globalization and trade protectionism.

2.2.3 Fundamental Cause: Leadership Competition

Competition for leadership in the economic and technological fields. Some scholars pointed out that the response of the preserving economic powers to the rising economic powers is the real reason behind the China-US trade war (Xing, 2018). The rise of China as a competitor prevents the United States from treating China like other developing countries (Fatma & Bhart, 2019). Anthony W. Chen (2019) of California State University believes that behind the dispute is the fight for technological superiority. On one hand, China "Made in China 2025" demonstrates China's ambition to seek development and industrial upgrading in the high-tech field. On the other hand, the United States discovers that China's investment in R&D has the potential to surpass the United States which shows that China is challenging its dominance in the high-tech field. Thus, the United States find it necessary to maintain its own technological advantages and reduce China's global influence.

The China-US trade dispute is essentially a long-term systemic competition for world economic leadership, involving politics, economy, ideology, value orientation, security, and comprehensive national strength. China believes that the United States is In delaying its rise, the United States believes that China will broadly challenge its world leadership (Bergsten, 2018). In terms of the conflicts and contradictions of the economic system, the United States hopes to change the Chinese system by guiding

modernization of China while China hopes to use the power of the United States to achieve rejuvenation (Zhao, 2019). Such contradictions have been put on hold due to economic and commercial interests. However, since 2009, the United States has suffered a major economic crisis. The strength to deal with capital competition has succeeded. China is full of confidence in its own development model, further consolidated its status as a state-owned enterprise, and launched a strong geostrategy, which made the United States nervous. There are many differences between China and the United States. The United States advocates the freedom of economy and trade, and China emphasizes the importance of the country in economic development. These differences have been more fully demonstrated in recent years, but Trump has also shown his appreciation of China's nationwide system after he came to the stage. In the competition with China, the US government has increased the power of state intervention (Bergsten, 2018). Thus, the United States must use trade protectionist measures to deal with China's nationwide system (Urata, 2020).

2.3 Influence of China-US Conflicts

2.3.1 The Impact of the Trade War on China

The existing researches mainly focus on economic losses and domestic policy adjustments of China. Numerous studies believe that the impacts of the trade war on the economy of China are manifested in three aspects:

First, China’s direct economic losses will be greater than that of the United States. Japanese scholar Itakura Ken (2020) calculated that the escalation of the Sino-US trade war will cause the United States to lose 317 billion U.S. dollars, accounting for 1.35% of real GDP, and China will lose 427 billion U.S. dollars, accounting for 1.41% of real GDP. The second is that the trade war will destabilize foreign investment and part of the industry will be transferred. In order to avoid tariffs, foreign companies may move production facilities out of China, cut orders for Chinese factories, or even be forced to leave. This wave of confidence may affect the stability of the RMB (Xing, 2018). Third, some industries will be impacted, and the

burden on consumers will increase. The electronic equipment manufacturing industry and other unclassified manufacturing industries of China will experience negative growth, the price of soybeans and dairy products will increase, and the burden on producers and consumers will increase (Carvalho et al, 2019). Scholars believe that economic conditions and domestic development situations will lead to some adjustments in policies of China. China's labor market has been impacted during the trade war, private enterprises' debt levels are high and loans are difficult, local governments' high debts, etc., have prompted it to adopt proactive fiscal and financial policies starting in 2018 and issued the *Foreign Investment Law* to further opened up the market to foreign investors, improved the business environment, restricted mandatory technology transfer, and at the same time played down the "Made in China 2025" to a certain extent. Some scholars also pointed out that the trade war cannot make China abandon its established development strategy. China will not bow to Trump due to economic losses (Lawrence, 2018). "Made in China 2025" targets high-tech industries and is related to sustainable development and economic transformation to avoid the middle-income trap. China cannot make a lot of concessions on this (Liu, 2018).

2.3.2 The Impact of the Trade war on US

Researchers believe that the impact of the trade war on the United States is mainly manifested in two aspects. On one hand, the United States may gain in the short-term, but it will eventually suffer in the long-term. It is estimated in the short term, the United States may reduce its trade deficit by US$50 billion, and the output of the steel and aluminum industries will increase. However, as mentioned above, it is not possible that a trade war can fundamentally solve the problem of high trade deficit. In the long run, the United States will suffer from a sharp drop in allocation efficiency and damage to domestic welfare (Carvalho, 2019). The trade war does not benefit the majority of the American people, especially the poor, who are most vulnerable to the torture of the trade war (Fatma, 2019). On the other hand, as the United States, who has led the establishment of the world trading system and rules, the trade war will

seriously affect its leadership. Some scholars pointed out that the USA actions to break the rules and set aside the WTO dispute settlement mechanism will inevitably lead to misunderstandings and imitations of other countries, fostering unilateralism and protectionism, and increasing global trade participation and cooperation costs. There are many US multinational companies and their business distribution Extensively, American commercial interests will eventually suffer (Lawrence, 2018). At the same time, more and more emerging economies are working to promote WTO reform, but the China-US trade war has hindered this process and brought negative effects to many developing countries (Hopewell, 2019).

2.3.3 The Impact of the Trade War on World Pattern

The adjustment of China-US relations due to the trade war will add many uncertain factors to the prospects of the world structure. Whether economic and trade conflicts will lead to the reversal of the relations between the two countries and the drastic changes in the world structure has attracted the attention of foreign academic circles.
One view is that the long-term nature of the competition between the two countries and the existing misunderstandings may cause serious conflicts. It is believed that China and the United States have the possibility of a full-scale conflict and a cold war (Chen et al, 2019). The United States cannot understand why China has not changed its political system while the market economy is developing. On the contrary, China has shown a high degree of self-confidence, and the Chinese people are becoming more United. The Chinese media has also portrayed the trade war as a “conspiracy” by the United States to contain China (Zhao, 2019).

One view is that the China-US trade war will have a negative impact on the global economy. Countries in the value chain close to China and the United States are extremely vulnerable to trade wars. For example, Vietnam is the center of intermediate products, and Singapore and Malaysia have many mechanical products to be exported to China and the United States (Iqbal et al, 2019). The escalation of the trade war may cost the world US$450 billion (Itakura, 2020). The trade war will also have a lasting and unfavorable impact on Africa’s major oil-producing countries

(Olayyungbo, 2019). The trade war will also have an impact on WTO rules and mechanisms. The dispute involves the core content of the WTO agreement, causing third countries to suffer trade wars or fall into a dilemma between the two countries, but countries can Use the trade war as an opportunity to strengthen the construction of global trade rules and form a consensus on emerging trade issues (Lee, 2013).

One point of view advocates the formation of a G2 structure in the world economic field where China and the United States work together. The most likely future is to enter the G0 pattern when the United States' willingness to lead the world economy is reduced, and China does not yet have the ability to effectively lead the world. No country has the ability to provide world-wide openness. Markets, borrowing and promoting capital circulation, global trade and investment are not guaranteed. More contradictions will arise. Then the economic development will face a deadlock. The second prospect is that China will become the world economic leader after the United States. This is possible but full of difficulties. China attaches more importance to internal affairs, and it is difficult for foreign countries to accept its political system for a while, and the United States will not easily allow China to lead the world economy. The third and best prospect is the formation of a G2 pattern in the world economy where China and the United States work together. The United States must restore its self-confidence in its own model, and further accept, integrate and promote the development of China. China must adjust and reduce its challenge of the WTO system to avoid conflict with the United States (Bergsten, 2018).

3. EMPIRICAL STUDY ON China-US TRADE CONFLICTS

3.1 International Trade

3.1.1 International Trade of China and US

According to the data from UN Comtrade, the developing trend of international trade both countries could be analyzed. **In terms of China,** even there were slight twists and turns during the economic crisis, the international trade in goods shows an overall positive trend since 2001. The trade balance has been kept also positive in these 20 years. In 2020, under the influence of COVID-19, the export still increases a little bit. However, the international trade in services shows flat trend even the total value is increasing rapidly. Before 2008, the export and import were in a straight line while the import has increased a lot since then. The number of service trade deficit has been also increasing obviously. In 2020, the total value of international trade in goods of China reached $ 4.6 trillion (1.7% increase) with a trade surplus of $ 535 billion. In 2018, the total value of trade in service is $ 732 billion (11.1% increase) with a trade deficit of $ 314 billion (11.9% increase). In 2020, we can see USA is the biggest export country for China, while the 3rd importer.

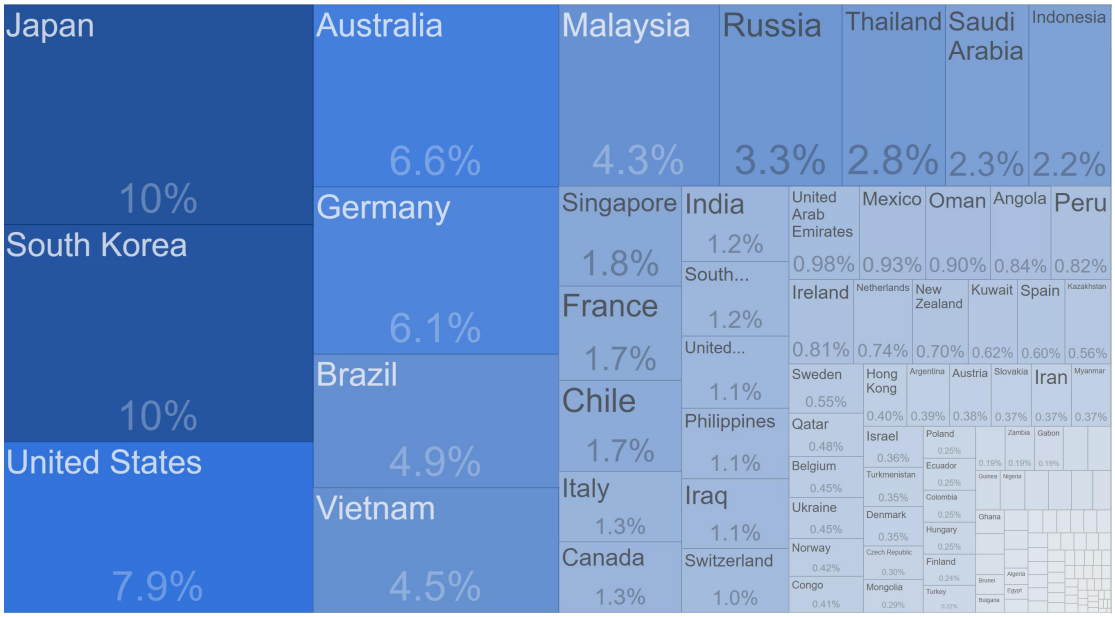

Figure1 China Import by Countries in 2020

Source: UN Comtrade Database

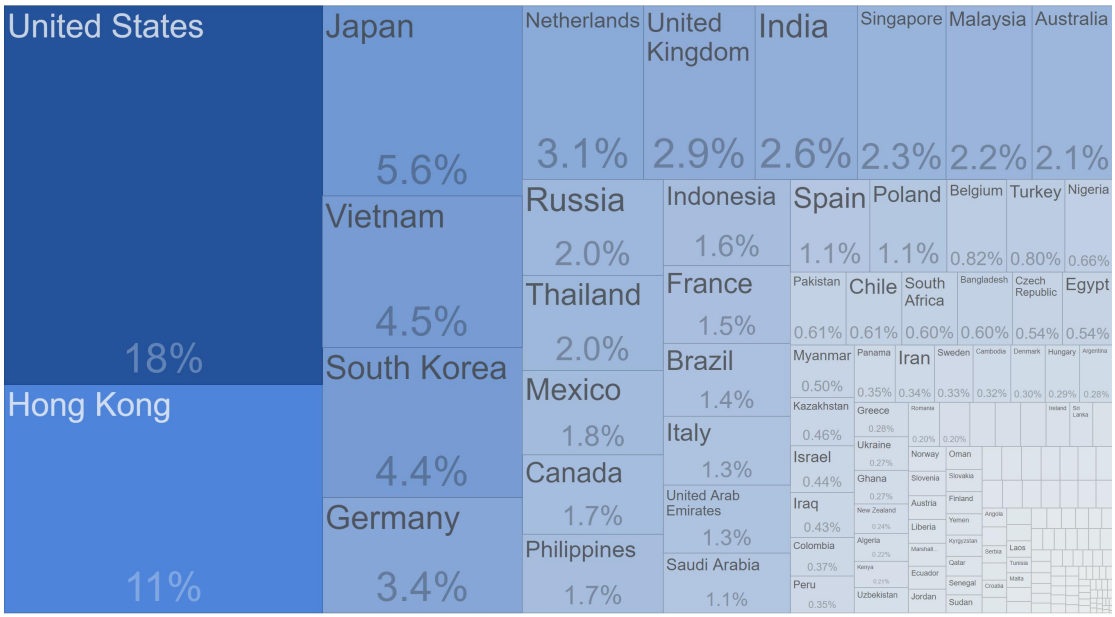

Figure 2 China Export by Countries in 2020

Source: UN Comtrade Database

In terms of USA, the situation is the converse. The trade in goods shows a similar growing tendency, export, import and the total value keep going up in the 21st century. But the huge import could also not be neglected. The trade deficit has been existing even before 2000 and the expansion is a highlight in the process. Different from the trade in goods, the trade in services is somehow better which could be seen from the positive growth and the trade surplus. In 2020, the total value of international trade in goods of USA reached $ 3.8 trillion (8.9% decrease) with a trade deficit of $ 975 billion. In 2018, the total value of trade in service is $ 1.3 trillion (5.5% increase) with a trade surplus of $ 268 billion.

Above all, the unbalance of international trade could be discovered between China and USA: China possesses great advantage over the international trade in goods, while the USA owns more rights in service trade. But as the development of Chinese economy, the scale of service trade could be lifted up. Thus, we could say China is in a more favorable position.

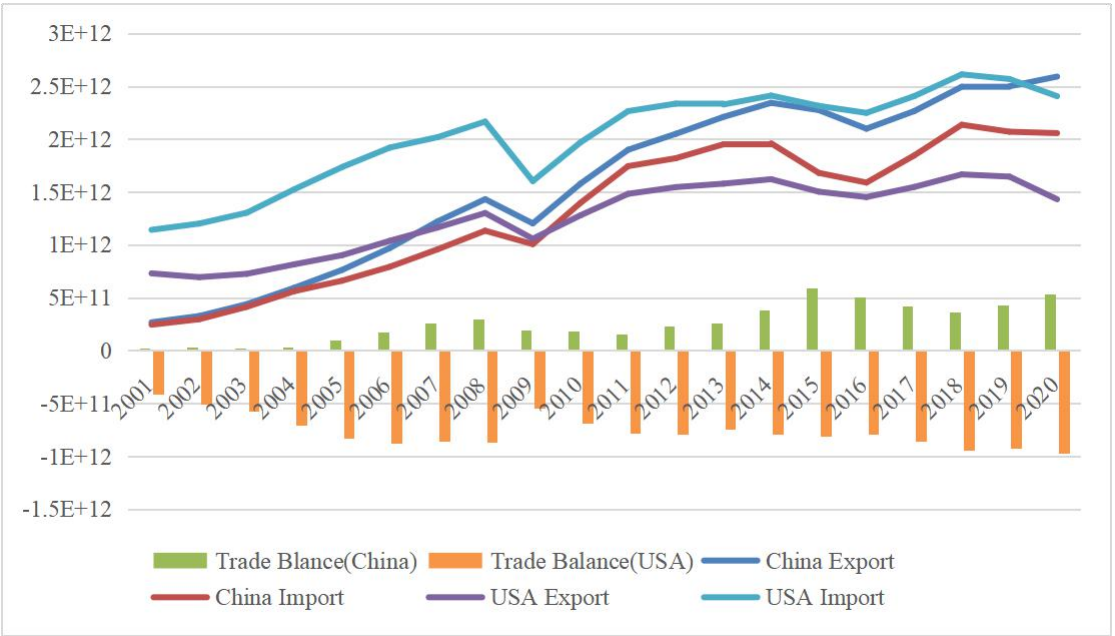

Figure 3 China and US International Trade in Goods (2001-2020)

Source: UN Comtrade Database

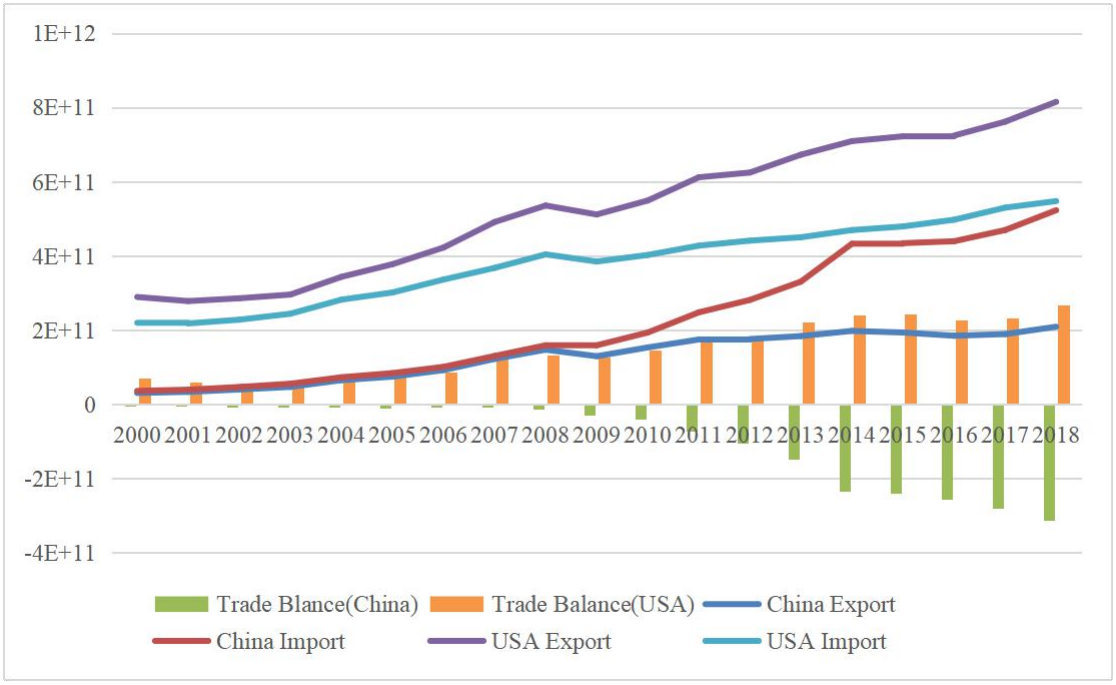

Figure 4 China and US International Trade in Goods (2000-2018) (US$)

Source: UN Comtrade Database

3.1.2 Bilateral Trade Between China and US

By collecting data from UN Comtrade, the bilateral trade in good between China and US could be seen. The bilateral trade also show a unbalanced trade. The total trade

value and export from China to US has been greatly increasing since 2000. After 2016, the ups and downs could been found because of the political changes. The trade surplus of China could even be traced back to 1993. In 2020, the total trade value between China and USA has reached $ 588,573,227,608 (8.6% increase), in which the export is $ 452,576,714,868 (8.1% increase), the import is $ 135,996,512,740 (10.3% increase), and the trade surplus is $ 316580202128 (7.2% increase). The average growth rate of the total trade value and trade surplus from 2001-2020 has reached 11.7% and 13.9%.

According to the data from the Office of the United States Trade Representative:[3] The U.S. goods trade deficit with China was $345.0 billion in 2019, a 17.6% decrease ($73.7 billion) from 2018, which some how shows that the tariff actions have improved the situation of deficit in the goods trade from the short term. The United States had a services trade surplus of an estimated $36 billion with China in 2019, down 4.1% from 2018, which actually means the advantages of USA in service trade is some how decreasing.

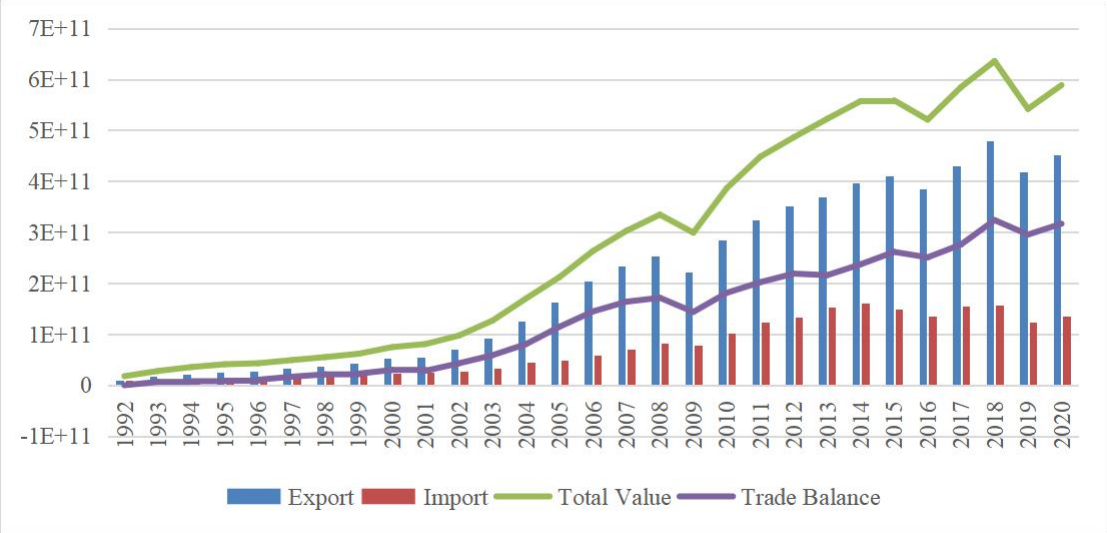

Figure 5 Trade in Goods Between China and USA (1992-2020) (US$)

Reporter: China Partner: USA

Source: UN Comtrade Database

China trade with other partners[4]:

[3] https://ustr.gov/countries-regions/china-mongolia-taiwan/peoples-republic-china
[4] https://baijiahao.baidu.com/s?id=1699067627861739786&wfr=spider&for=pc

Due to the influence of bilateral realtions, China's imports and exports with major trading partners such as ASEAN countries, the European Union and the United States have all increased.

- According to China Customs Statistics, in the first four months of 2021, the total trade value of China imports and exports was US$1.79 trillion, a year-on-year increase of 38.2% and an increase of 27.4% compared with 2019. Among them, exports were US$973.7 billion, a year-on-year increase of 44%, and an increase of 30.7% compared with 2019; imports were US$815.79 billion, a year-on-year increase of 31.9%, and an increase of 23.7% compared with 2019; the trade surplus was US$157.91 billion, a year-on-year increase of 174%.
- ASEAN countries are China's largest trading partners. The total trade value between China and ASEAN countries is 1.72 trillion yuan, an increase of 27.6%, accounting for 14.8% of China's total foreign trade. Among them, exports to ASEAN were 950.58 billion yuan, an increase of 29%; imports from ASEAN were 765.05 billion yuan, an increase of 25.9%; the trade surplus with ASEAN was 185.53 billion yuan, an increase of 43.6%.
- The EU is the second largest trading partner of China, with a total trade value of 1.63 trillion yuan with the EU, an increase of 32.1%, accounting for 14%. Among them, exports to the EU were 974.69 billion RMB, an increase of 36.1%; imports from the EU were 650.42 billion RMB, an increase of 26.4%; the trade surplus with the EU was 324.27 billion yuan, an increase of 60.9%.
- The United States is only China's third largest trading partner. The total value of China-US trade is 1.44 trillion yuan, an increase of 50.3%, accounting for 12.4%. Among them, exports to the United States were 1.05 trillion yuan, an increase of 49.3%; imports from the United States were 393.05 billion yuan, an increase of 53.3%; the trade surplus with the United States was 653.89 billion yuan, an increase of 47%.
- Japan is the fourth largest trading partner. The total trade value between China and Japan is 770.64 billion yuan, an increase of 16.2%, accounting for 6.6%. Among them, exports to Japan were 340.74 billion yuan, an increase of 12.6%;

imports from Japan were 429.9 billion yuan, an increase of 19.2%; the trade deficit with Japan was 89.16 billion yuan, an increase of 53.6%.

- During the same period, China's total imports and exports to countries along the "Belt and Road" was 3.43 trillion yuan, an increase of 24.8%. Among them, exports were 1.95 trillion yuan, an increase of 29.5%; imports were 1.48 trillion yuan, an increase of 19.3%.

3.1.3 Foreign Trade Under China-US Conflicts

Influence on China

Based on the two tariff implementation lists announced by China and the United States in April and June in 2018, Lu et al. (2019) used the COMTRADE and TRAINS database with the WITS-SMART model. Through simulation of trade reduction effects, welfare effects and trade diversion effects the study found that: from the perspective of trade impact, the United States' imports from China and China's imports from the United States will be greatly reduced, and the reduction of the former far exceeds the latter. From the perspective of industrial damage, mechanical and electrical products are the most damaged industry in the United States. China is most affected by the soybean and automobile industries. From the perspective of trade transfer, US imports will be transferred from China to markets such as Mexico, Japan and Germany, and Chinese imports will be mainly transferred to markets such as Brazil, Germany and Japan. Based on the SMART model, Tu et al. (2020) simulated the reduction effect, welfare effect, and trade diversion effect from the product level based on the three rounds of additional tariff lists imposed on Chinese products in accordance with the provisions of the US "301 Investigation" in 2018 and the corresponding tariff lists issued by China on the United States. According to the simulation results, China's imports from the United States will be reduced by 36.71 billion U.S. dollars, and China's imports from the United States will be mainly transferred to Brazil, Germany, Japan, Argentina, the United Kingdom and Canada. However, due to the inability to achieve complete transfer of trade between China and the United States, tariffs have reduced the total imports and welfare levels of the two

countries. The most severely affected industries in China are the soybean and automobile industries, whose welfare losses are much higher than other industries. There are also a few scholars who believe that the negative impact of tariffs on China may be lower than that of the United States. For example, Zhang and Du (2018) used multi-regional input-output models and international input-output tables to conduct related research and found that under the China-US trade friction, the negative impact on China's export trade interests was lower than that of the US. Ni et al. (2018) established a global input-output price benefit model and found that the impact of tariffs on the price level and welfare loss of the United States are generally greater than that of China.

Influence on USA

Consistent with the research on the employment impact of tariff increases, the research conclusions show that tariff increases will not help protect domestic industries and solve the problem of US external imbalances. The trade diversion effect caused by tariff increases may further worsen the size of the US current account deficit. First of all, the effect of the US tariff increase on the effective protection of its domestic industries is limited (Duan Yuwan et al., 2018; Bouët and Laborde, 2018).

At the same time, imposing tariffs on each other will greatly reduce the bilateral trade volume between China and the United States, and the decline in US trade with China is expected to be even more significant. In view of the significant proportion of China and the United States in the trade of specific products, the additional tariffs imposed by the two countries will inevitably have a fundamental impact on the international trade pattern of these products (Cui et al., 2018; Lu et al., 2019; Tu et al., 2020).

Among them, Cui et al. (2018) used a multi-regional CGE model to simulate the trade diversion effect of China-US trade frictions. The results showed that direct trade between China and the United States would be greatly reduced, but indirect trade would increase significantly. The U.S. trade sanctions cannot effectively solve its trade imbalance. The reduction of the U.S. trade deficit with China will be replaced by other countries. Tu et al. (2020) used the SMART model to simulate trade

creation/reduction effects, welfare effects, and trade diversion effects from the product level. The additional tariffs caused the United States to reduce imports from China by approximately $9.1 billion, and some imports were transferred to Mexico, Japan and Germany. Second, imposing tariffs will not help alleviate the current US external imbalances (Adler et al., 2019; Makin, 2019; Zhu, 2019; Zhou, 2020). The main reasons for the US trade imbalance are the differences in the comparative advantages of China and the United States and the changes in the industrial competitiveness of China and the United States.

IMF chief economist Gita Gopinath and other scholars have pointed out that increasing bilateral tariffs will not reduce overall trade imbalances, because its main effect is to transfer trade to other countries. Conversely, higher bilateral tariffs may weaken business confidence and investment, disrupt global supply chains, and increase costs for producers and consumers, thereby damaging the economies of China and the United States and global growth prospects (Adler et al., 2019). Handley et al. (2020) pointed out that the increase in USA import tariffs from 2018 to 2019 significantly inhibited USA export growth. Nearly a quarter of USA exporters' imported products were affected by the new tariffs. The export scale accounts for more than 80% of the total US exports.

3.2 Development of Trade Protectionism

Since the outbreak of the new crown epidemic, countries have adopted a large number of trade protection measures in response to the spread of the epidemic and the new changes in the global economy brought about by it. Global trade protection in the current and post-epidemic era will present many new features and development trends:

3.2.1 Increasing Quantities

From the perspective of the number of trade protection measures implemented, there were 2418 new trade barriers (harmful interventions) implemented globally in 2020, which has exceeded the number implemented in 2019 and increased by 48.43%. The

trade protection measures are further divided into goods, investment, immigration and services. The number of implementations in 2020 will be 1328, 71, 7 and 507 respectively, an increase of 19.3%, 144.8%, 16.67% and 110.4%. It can be seen that trade protection in goods are still the hardest hit areas, while trade protection in service trade is increasing rapidly.

In addition, not only has the number of trade protections increased, but the country-specific targets have also become more universal, that is, most countries have suffered more frequent trade protections. According to the Global Trade Alert Database (GTA), China will suffer from 675 new trade protection measures in 2020, ranking first in the world. Second only to China are Germany and the United States, with 591 and 569 items respectively. France and Italy, which ranked fourth and fifth, also suffered as many as 534 and 532 items. However, from the perspective of countries that implement trade protection, they are relatively concentrated. The United States and Germany have implemented 250 and 209 respectively. The third country that implements most trade protection is the United Kingdom (169), which is only 67.6% of the United States. The “asymmetry” between the number of trade protections suffered and the number of trade protection implementations shows that every current trade protection implementation has a large country coverage, and it also shows from the side that trade protection is universal in the objectives of implementation.

Table 2 The Number of New Trade Barriers (2009-2020)

Year	Harmful Interventions	Growth Rate	Goods Trade	Investment	Migration	Service Trade
2009	1477		1248	35	19	145
2010	1404	-4.94%	1207	58	19	107
2011	1429	1.78%	1234	39	22	112
2012	1713	19.87%	1507	46	32	109
2013	1799	5.02%	1520	45	44	147
2014	1759	-2.22%	1519	34	22	150
2015	1758	-0.06%	1483	44	23	164
2016	1625	-7.57%	1349	31	6	186
2017	1845	13.54%	1429	27	14	267
2018	2388	29.43%	1722	46	11	375

2019	1629	-31.78%	1113	29	6	241
2020	2418	48.43%	1328	71	7	507

Source: Global Trade Alert Database (GTA)

3.2.2 Major Reason: Maintaining Fair Trade

In the post-epidemic era, countries are paying more and more attention to the realization of fair trade. Maintaining fair trade will become the "new banner" for countries to implement trade protection. Trade protection under the pretext of "fair trade" has a long history. During the Obama era, the United States advocated TPP with the concept of "fair trade" and built high-standard trade rules to implement "exclusive" trade protection. Since Trump took office, it is clearly stated that reducing the trade deficit with China and guaranteeing "fair trade" is essentially an act of "U.S. priority" trade protection. In 2018, USA initiated a "301 investigation" on the pretext that China "infringed" US intellectual property rights and caused unfair trade. Thus, USA implemented large-scale trade protection against China. Globalization has brought about a widening gap in the income distribution of various classes in the United States, and class divisions have become more pronounced under the impact of the epidemic. Wind database statistics show that the average unemployment rate in the United States in April 2020 is 14.7%, but the more serious ones are blacks or Africans, Hispanics(18.9%), construction and maintenance occupations (27.1%), production, transportation occupations (16.3%) and handling occupations (18.2%). The populist ideology triggered by the mass unemployment of low and middle-income people will inevitably point the root of the problem to unfair trade. Trade protection under the pretext of fair trade will be more serious in the epidemic and post-epidemic era. For example, on June 2, 2020, the United States began to open the "301 investigation" on digital service tax in 10 countries (regions) including the European Union and India. At the same time, through trade protection, huge gains in the transatlantic digital trade of goods and services are obtained.

3.2.3 Increased Trade Protections for Safeguarding National safety

Under the influence of the epidemic, countries have paid more attention to the safety of countries, industries, and value chains. In the post-epidemic era, trade protection for the purpose of ensuring national and industrial safety has increased. The first is trade protection based on medical and public safety considerations. The outbreak of the new crown epidemic has led to a surge in demand for medical drugs and public health supplies, highlighting the possible risks of relying on foreign supply chains. In March 2020, the United States has studied or reviewed a number of measures during the epidemic, including requiring federal funding to support the localization of drug production and supply, and vigorously developing "Made in the United States" to get rid of the United States' dependence on foreign-made medical supplies. During the epidemic, friction on medical supplies has increased rapidly.

In 2020, nearly 7% of trade protection occurred on medical products. The second is trade protection based on security considerations for high-tech industries. For example, in June 2020, the U.S. Department of Commerce initiated the "232 investigation" on whether the quantity and status of rare metal vanadium imports harm U.S. national security. The reason for the investigation pointed out that vanadium, as a strategically critical material, plays an important role in defense and critical infrastructure. USA was worried that the advantages in some areas will be overtaken. The United States issued new export control regulations on Huawei on May 15, 2020, restricting foreign companies that use US chip manufacturing equipment to supply some chips to related companies such as Huawei or HiSilicon. The last is trade protection based on security considerations such as finance and investment. For example, Trump pointed out at a press conference on May 30, 2020 that he would instruct the Financial Working Group to study the listing of Chinese companies in the US capital market. During the epidemic and in the post-epidemic era, countries have begun to increase their efforts to "recall" multinational companies out of consideration of stable domestic employment, economic recovery, and national security.

Table 3 The Number of Products Most Affected (2016-2020)

Year	No	Products	Case Number	Proportion
2020	1	Pharmaceutical products	168	6.95%
	2	Other fabricated metal products	109	4.51%
	3	Motor vehicles, trailers & semi-trailers; parts	104	4.30%
2019	1	Products of iron or steel	136	8.35%
	2	Other fabricated metal products	108	6.63%
	3	Basic iron & steel	88	5.40%
2018	1	Products of iron or steel	213	8.92%
	2	Other fabricated metal products	183	7.66%
	3	Basic iron & steel	150	6.28%
2017	1	Motor vehicles, trailers & semi-trailers; parts	164	8.89%
	2	Products of iron or steel	114	6.18%
	3	Machinery for mining, quarrying & construction; parts	93	5.04%
2016	1	Products of iron or steel	159	9.78%
	2	Motor vehicles, trailers & semi-trailers; parts	134	8.25%
	3	Other fabricated metal products	90	5.54%

Source: Global Trade Alert Database (GTA)

3.2.4 Regional Trade Protection Being More Important

The epidemic and the post-epidemic era have had an impact on important carriers of the global value chain, such as the flow of intermediate goods, international investment flows, and international personnel flows. The global value chain system is shrinking to the regional value chain or the domestic value chain, resulting in regionalization and new features of globalization. In fact, the hindrance of reforms of

WTO and other multilateral trading systems which aimed at safeguarding global trade liberalization and the large-scale withdrawal of the United States since 2017 have proved the evolution from globalization to regionalization. Since Trump took office as President of the United States, he has successively announced his withdrawal from more than ten world organizations and multi-party agreements, including the Paris Climate Change Agreement, UNESCO, the Trans-Pacific Partnership Agreement, the Iranian Nuclear Agreement, the Intermediate-Range Nuclear Forces Treaty, and the World Health Organization. On the contrary, regional free trade agreements have developed rapidly in recent years. According to data from the WTO Regional Trade Agreement Information System (RTA-IS), as of January 2020, there are 496 bilateral and multilateral free regional trade agreements that have been notified to the WTO and are currently being implemented. In 2000, the total number of FTAs was only 98. Among them, 2018 and 2019 are the two years with the largest number of regional trade agreements (Liu, 2020). The conclusion of a regional trade agreement will form a set of "internal freedom and external protection" rules and programs, which will become a new form of trade protection. On one hand, the "three zeros" (zero tariffs, zero barriers, and zero subsidies) rules are becoming an important part of the negotiation of regional free trade agreements. On the other hand, the "exclusive" rules of free trade zones are building trade barriers. In July 2020, the new US-Canada-Mexico Agreement (USMCA) entered into force and mentioned that "Entry by a Party into a free trade agreement with a non-market country will allow the other Parties to terminate this Agreement on six months' notice and replace this Agreement with an agreement as between them (bilateral agreement)." (Chapter 32, Article 10). With regard to the trade protection features, it intended to "isolate China". In terms of rules of origin, USMCA's rules of origin for automobiles also reflect the characteristics of regional trade protectionism compared to the North American Free Trade Area Agreement (NAFTA).

3.2.5 Future High-Incidence Areas: Digitalization and Intelligence

Digitization and intelligence are important characteristics of development in the

post-epidemic era. Therefore, all-round trade protection will be developed around intelligence and digitization. The first is the trade protection implemented on the pretext of intellectual property protection of new technologies because of concerns that emerging countries will surpass in the new round of digital technology revolution. Such protective measures are mainly based on the establishment of technical trade barriers and the implementation of export restrictions. For example, the United States uses the protection of intellectual property rights as an excuse to implement the "301 Investigation" against China, it actually intends to curb China's "Made in China 2025" strategy. The United States frequently imposed restrictions on China Huawei chips. In the context of the epidemic, global trade in high-tech fields is rapidly decreasing. From January to June 2020, US exports to China in biotechnology and aerospace technology fell by 71.2% and 68.2% respectively. Secondly, digital trade barriers that restrict the free transmission of digital flows and traffic will increase rapidly. Restricting the flow of data and information based on national security concerns will have an adverse effect on cross-border data flow and digital trade. Digital trade barriers mainly include three aspects: (1) Digital localization requirements, that is, require, stipulate or encourage the use of a certain proportion of domestic services, technologies, and inputs, and provide preferential purchases for domestic digital-intensive enterprises (Sheng Bin et al., 2020); (2) The cross-border flow of data is restricted, and the business conducts trading activities are not based on the agreement with the other party, which violates the principle of free trade; (3) Mandatory disclosure of source code and encryption keys, which means that investors are required to enter the domestic market has previously provided its commercial source code or encryption key as a prerequisite for foreign investors to enter the market. Finally, the differences in the digital trade rules of various regional organizations may form hidden trade barriers. Global multilateral digital trade rules have not yet been formed, and regional agreements such as the USMCA Agreement, the Comprehensive and Progressive Trans-Pacific Partnership Agreement (CPTTP), the EU's General Data Protection Regulation (GDPR), etc. have taken the lead in addressing digital mobility and electronics. Business rules were negotiated. Regional

digital trade rules also show different focuses: CPTPP's digital trade rules follow the terms of the original TPP "e-commerce" chapter; USMCA emphasizes higher standards and open digital trade rules on the basis of CPTPP: one is deleted The "exception clauses" for data flow rules such as "free flow of cross-border data" and "non-compulsory localization of data storage" stipulated in the CPTPP clauses. The second is to add new cooperation clauses to promote the fight against cyber security challenges. GDPR pays more attention to balance Protect citizens' personal information and encourage and support the development of the data economy. The differentiated rules of regional trade agreements may build regional and exclusive digital trade barriers.

3.3 Specific Industries

3.3.1 Overview

Bouët and Laborde (2018) conducted a comparative analysis of different tax increase scenarios, and concluded that the overall increase in tariffs is not conducive to the development of the US industry. Although a small number of industries will benefit from the increase in tariffs, the US chemical, rubber and plastic products, agriculture, meat and dairy products, motor vehicles and parts, and transportation equipment will suffer losses. Zhou and Shi (2019) used the dynamic GTAP model to simulate the specific impacts of tariff increases on different industries. The results showed that the tariffs imposed by China and the United States will help promote the production of U.S. sectors such as meat, mining, food, textiles, heavy industry, and service industries. Although the increase in tariffs will help the U.S. communications industry to increase output in the short-term, it is not conducive to the growth of the industry in the long run. Wang (2019) estimated the trade substitution elasticity of various industries and simulated the industry heterogeneity of the economic effects of China-US trade frictions. If the dual effects of the Regional Comprehensive Economic Partnership Agreement (RCEP) and China's tariff countermeasures are further considered, the decline in exports of various industries in the United States will

increase significantly. In the energy industry, Ma and Yuan (2020) believe that China-US trade friction may cause the United States to lose China, the most important energy consumption market, and the impact of the natural gas and solar industries is more significant than that of the traditional oil industry. In exploring the causes of differences in the impact of tariffs on the industry, Flaaen et al. (2020) took washing machine products as an example to study and pointed out that the particularity of capital goods, the structure of product production networks, and the degree of product competition determine how domestic producers in the United States should respond to additional tariffs.

In addition to welfare and trade, many Chinese scholars have also analyzed the possible impact of China-US trade friction on China's capital market from different perspectives. For example, Fang et al. (2019) used the event analysis method to quantitatively analyze the spillover effects of China-US trade frictions on China's stock market, bond market, and foreign exchange market risk and cross-market risk contagion. The results show that trade friction will cause potential risks in various financial markets in China to rise in the short term, and there is a phenomenon of "market rotation" among various markets. Furthermore, He et al. (2019) based on the improved event analysis method pointed out that China-US trade frictions will lead to inertial expectations of financial institutions regarding trade frictions, and the long-lasting trend effect will increase systemic financial risks. In addition, Zhang and Sun (2019) examined the actual impact of real estate prices on the transmission effect of tariffs from the perspective of the actual market prices of commodities. The research results show that in areas with higher housing prices. In view of the low elasticity of residential commodity demand, the actual price is less affected by tariffs. So the tariff transmission mechanism is hindered, that is, rising housing prices will offset the impact of tariff declines on the domestic consumer market.

Actual	Previous	Highest	Lowest	Dates	Unit	Frequency
6.00	6.20	14.80	2.50	1948 - 2021	percent	Monthly

Figure 6 Unemployment Rate in USA (2012-2020)

Source: https://tradingeconomics.com/united-states/unemployment-rate

Actual	Previous	Highest	Lowest	Dates	Unit	Frequency
5.30	5.50	6.20	3.90	2002 - 2021	percent	Monthly

Figure 7 Unemployment Rate of China (2012-2020)

Source: https://tradingeconomics.com/china/unemployment-rate

3.3.2 Case Study - Huawei

For a long time, foreign social media and Internet companies (such as Google,

Facebook, etc.) are completely excluded from China due to the great power of Chinese firewalls. This allows companies such as WeChat and Alipay to prosper within China. Until US President Donald Trump changed the status quo, this wall (or “iron curtain”) has always been one-sided. On May 15, 2019, President Trump signed an executive order banning communications equipment that may pose a potential risk to U.S. national security. While issuing an executive order to sanction potentially dangerous telecommunications equipment, President Trump declared a national security emergency due to these same products. These products have been added to the list of entities and will prohibit US companies from providing electronic chips and other parts or other technologies to Chinese companies without the approval of the US government's export management regulations. This may mean the physical chip used in the phone and the interface and operating system that the phone runs. President Trump stated that the reason for the order is only a national security measure, even though the order directly targets Chinese products. In the trade war, this seems to directly prevent China from sending products to the United States and cooperating with American companies to develop new products and software, such as 5G networks.

Huawei is developing a new 5G network, and despite the incredible speed, it is believed to have been used by the Chinese government for surveillance. This has been a topic in many countries in 2019, including EU countries, Australia and so on. Even though the Trump administration affirms that these devices have been used in espionage activities, the US government still cannot provide any evidence that Huawei equipment has been used in espionage activities. Huawei has also repeatedly stated that these allegations are false. Although President Trump’s 2019 executive order did not directly mention Huawei, it is clear that the executive order occurred after the arrest of Huawei chief financial officer Meng Wanzhou in 2018. The arrest occurred after the United States accused Wanzhou of “helping Huawei cover up its infringements against Huawei”. The executive order not only affected the international trade of these communications equipment, but also changed U.S. products and services. Ways to interact with prohibited products. President Trump

specifically added Huawei to the list of companies, which means that companies and companies headquartered in the United States cannot trade with Huawei without proper permission.

After executing the executive order and adding Huawei to the list, Google stated that they would limit the software services it provides to Huawei in order to comply with government orders. Huawei is one of China's most popular mobile phone brands and runs on Google's operating system. This means that if the sanctions continue, new Huawei phones (and possibly older Huawei phones) will have to stop running Google services and other applications. Although the use of Google services by Chinese customers is extremely limited due to Internet censorship, other foreign customers (mainly European customers) have to adapt to Huawei instead of Google. Even if Google provides Huawei and other smartphone brands with free versions of their operating systems, they will still lose profits from apps and other services. This could mean millions of dollars in lost profits. This change may also prevent many potential customers from buying Huawei phones through another Android phone with full access to the Google Play store. Although this seems to be a minor change, Li Yuan of the New York Times believes that this may be the beginning of the "digital iron curtain".

Although these sanctions mainly affect Huawei, many other US companies are affected by President Trump's executive order. Although Google has obvious reasons to be angry at losing Huawei as a partner, FedEx is also reportedly frustrated. The U.S. Department of Commerce has asked FedEx to support them in restricting Huawei products from entering the United States and delivering them to American consumers. After making this request, FedEx sued the U.S. District Court, claiming that "FedEx is a transportation company, not a law enforcement agency." FedEx is one of many companies indirectly affected by the sudden change in Huawei's ability to trade with US companies. Song Liuping, Huawei chief legal officer, said that Huawei's ban would harm more than 1,200 US companies. American companies such as Broadcom, Qualcomm, and Intel provide one-third of Huawei's chips (even though most of these chips are produced in China). If these large companies can no longer continue to

produce chips for Huawei, thousands of American jobs will be affected. Under President Trump's sanctions, these companies must apply for and obtain permits to continue doing business with Huawei.

Although many Americans view Huawei as a threat to national security or believe that Chinese technology surpasses American-made products, many Chinese view it as hostile sentiment towards the United States. Many Chinese sources said that the Chinese government is still willing to find a satisfactory ending for the ongoing trade war, but since the start of the "Huawei War", the overall concept of US-China relations has begun to change. The Huawei issue has also begun to show Beijing that they must rely on their own technology instead of using US-based technologies such as Google software. This means that Chinese technology companies will have to adapt to the needs of creating and using different operating systems. On the other hand, Huawei has many patents needed for 5G network development. This will not only enable Huawei to continue to develop its 5G network, but it will also hinder other technology companies from developing its 5G network.

Many Chinese scholars have been thinking about ways to reduce Sino-US relations. This includes China's interest in clean energy. Although China can certainly find other clean energy sources, the United States will lose the funding China provided for these projects. If these changes are realized, it will mean that the entire world will be more affected by the trade war. If the United States continues to lose its trade agreement with China, other countries will have to make deals with China. This may strengthen the economies of many other countries while weakening the economy of the United States.[5]

3.4 Spillover Effects on Trading Partners

As the world's largest and second largest economy, and the world's most important consumer and producer, the uncertainty brought about by the increasing economic and trade friction between China and the United States will inevitably affect the prospects for global economic growth. At the same time, trade diversion caused by the mutual

[5] https://irpj.euclid.int/articles/the-us-china-trade-war-the-huawei-battle-and-its-effects-on-the-world/

tariffs imposed by China and the United States will also have spillover effects on third countries other than China and the United States. The specific direction of the spillover impact depends on the trade structure of the affected country and its competitive relationship with China and the US in specific industries.

On the one hand, imposing tariffs will cause China and the United States to reduce their demand for each other's imports, and the reduction in USA imports from China and China's imports from the United States will be partially transferred to other countries. Existing research shows that the tariffs imposed by China and the United States will help countries such as the Eurozone, Japan, and Southeast Asia to absorb the transfer of manufacturing orders from China, and some countries will benefit from the tariffs imposed by China and the United States.

On the other hand, the additional two-year purchase list of US$200 billion by China determined by the China-US agreement will generate trade transfer benefits, squeeze other countries' exports of certain Chinese products, and thus have a negative impact on other countries.

In summary, those countries that have a competitive relationship with United States will suffer losses when export to China. Those countries that have a competitive relationship with China may have profited by imposing tariffs. In addition, the increased tariffs imposed by China and the United States have reduced economic and trade activities between China and the United States, and at the same time reduced the greenhouse gas emissions of the two countries correspondingly, which has a positive effect on global greenhouse gas emission reduction.

3.4.1 Impact on Global Economic Growth Prospects and Global trade

The additional tariffs imposed by China and the United States have an adverse impact on the prospects of global economic growth and global trade. According to the White Paper "Facts about China-US Economic and Trade Frictions and China's Position" published by the Information Office of the State Council of China on September 24, 2018, many international organizations and major central banks have imposed tariffs on China and the United States on global trade disputes at the beginning of the trade

dispute. A warning of negative shocks caused by economic growth prospects. For example, the World Trade Organization stated that if tariffs return to the level before the General Agreement on Tariffs/WTO, the global economy will immediately shrink by 2.5%, and global trade is expected to be reduced by more than 60%. The International Monetary Fund pointed out that measures to increase tariffs will Leading to a decline in global economic growth by about 0.5%. Barclays Capital predicts that global economic growth is expected to drop by 0.6%, and global inflation is expected to rise by 0.7%. Standard & Poor's research shows that trade friction will lead to a 1% decline in global economic growth. The Bank of England warned that if the tariffs of the United States and all trading partners are raised by 10%, the gross domestic product (GDP) of the United States may be reduced by 2.5%, and the global economy may be reduced by 1%. The Bank of France believes that if a country imposes an additional 10% on imports Tariffs will cause the exports of its trading partners to fall by 13% to 25%.

In addition to international organizations and international financial institutions, academic research also generally supports that China and the United States will impose tariffs on global economic growth. Among them, Bekkers and Schroeter (2020) analyzed China-US trade disputes based on ex-post empirical analysis and pre-simulation analysis. The results showed that trade disputes will generate 0.1% and 0.6% of global gross domestic product (GDP) and global trade of minor impact. However, trade frictions have led to a significant reduction in trade between China and the United States in 2019, accompanied by a large number of trade transfers, which in turn will lead to the reconstruction of the (East) Asian value chain. In addition, the uncertainty of trade policy reduces investment activities and has an adverse impact on global economic growth (Caldara et al., 2019; Hanson et al., 2019).

3.4.2 Impact on Major Countries in Europe, Asia and America

The trade diversion effect caused by the mutual tariffs imposed by China and the United States will benefit major countries in Europe, Asia and Latin America. In Europe, Bolt et al. (2019) used a general equilibrium method to analyze the euro area

and the world and other regions. The results showed that the trade war caused the price of Chinese exports to the United States to rise, which not only increased the competition of similar European products in the United States market. At the same time, it also reduces the export price of such products from China to Europe, which helps Europe to obtain trade transfer benefits from the China-US trade war. In Asia, Wang (2019) believes that the implementation of China-US trade frictions and the Regional Comprehensive Economic Partnership Agreement (RCEP) may benefit the development of related manufacturing industries in Japan, India, Australia and other countries. Ajami (2020) believes that the spillover effects of the China-US trade war are having a knock-on effect across Asian economies, especially Japan and India. The China-US Trade Post not only led to the adjustment of the trade structure between the two countries, but also reconstructed the trade ties between Japan and other Asian partners, which is generally conducive to Japan's economic growth. At the same time, the trade war is also conducive to further strengthening trade and direct investment between China and Japan. In the American area, Carter and Steinbach (2020) studied the impact of the 2018 trade war on agricultural and food trade. The results show that the US has lost more than 15.6 billion U.S. dollars in trade with countries that implement retaliatory tariffs. Products such as soybeans, pork, and coarse grains will be the most affected. Trade losses will be transferred to South American countries such as Argentina, Brazil and Chile.

3.4.3 Impact on Major Trading Partners of China and the USA

Although tariff increases will help promote trade transfer and increase exports from China and the USA's major trading partners, the first phase of the China-US economic and trade agreement will generate "managed" trade and harm the interests of major trading partners. Chowdhry and Felbermayr (2020) believe that the first phase of the Sino-US economic and trade agreement is a highly asymmetric and discriminatory agreement in the field of commodity trade. Its "managed" trade deviates from the WTO's multilateral trading system and violates the WTO's most-favored nation. Principle of treatment. The simulation results show that the EU may suffer losses of

more than 11 billion U.S. dollars in the next two years, of which airplanes, automobiles, industrial machinery, optical and medical machinery, pharmaceuticals and other agricultural products will be more affected. In terms of countries, Chowdhry and Felbermayr (2020) research shows that if China implements the first phase of the trade agreement, it will diversify its imports to US suppliers, which will squeeze German and many developing countries' exports to China. Among them, many industries such as German automobiles (-12.8 billion U.S. dollars), aircraft (-15.9 billion U.S. dollars), and industrial machinery (-720 million U.S. dollars) will be affected by trade diversion. Brazil's soybean exports to China are also expected to decrease by 4.95 billion U.S. dollars in 2021. Bown (2020) compared the distribution of the procurement industries involved in the first phase of the China-US agreement and China's import structure in these industries and pointed out that China may use "managed" trade to implement purchases from the United States by transferring imports. protocol. For example, China can buy more U.S. soybeans by reducing imports of oilseeds from Brazil.

4. CHALLENGES AND OPPORTUNITIES IN THE NEW ERA

4.1 Challenges

4.1.1 To China

First, the uncertainty of the epidemic is still large. The current global epidemic situation is still severe, and China has also seen multiple sporadic cases and local clusters of epidemics in many places. Therefore, the pressure of "external defense input, internal defense rebound" is still there. This will have a new impact on the economy. For example, in December 2020, total retail sales of consumer goods (hereinafter referred to as total retail sales) in China dropped 0.4% year-on-year, which is directly related to the prevention and control of the epidemic. The global spread of the epidemic has forced European and American countries to adopt closure and isolation measures. North America and Europe have long been China's main export markets. The pandemic has led to a sharp decline in demand in these regions, and the real economy is facing a greater impact of shrinking external demand.

Second, the world economic situation is still complicated and severe. Developed economies rebounded strongly in the third quarter of 2020, but fell back into contraction in the fourth quarter. The global output gap is difficult to fill in the short term, and the economic recovery may be lengthier and more tortuous. If the vaccine cannot be effectively covered, the world economy will still be shrouded in the epidemic in the first half of 2021. The epidemic prevention and control quarantine measures in many countries are tightened, and the risk of industrial chain and supply chain rupture will still increase. In response to the impact of the epidemic, major economies have introduced unprecedented financial and monetary policies, and their debt levels have broken through historical highs. According to data from the International Finance Association, (the level of debt) is 370% of global GDP, which also lays down hidden dangers for later financial risks.

Third, the contradiction of insufficient domestic effective demand in China has emerged. The most prominent is that the recovery of consumption is still lagging behind. In 2020, total retail sales will fall by 3.9% year-on-year, consumption is 6.8 percentage points lower than investment growth. Under the impact of the epidemic, the income growth of residents has slowed down and the propensity to consume has dropped significantly. This has also caused final consumption to pull down economic growth by 0.5 percentage points throughout the year. In terms of investment, manufacturing investment is down 2.2% from 2020. Private investment has turned positive, but it is still lower than expected. More than 70% of the manufacturing investment market is private investment. The downturn in manufacturing investment also reflects that the scale of private investment has not fully recovered.

Fourth, employment and enterprises still face more difficulties. Small and medium-sized enterprises and individual businesses have been more severely affected by the epidemic, and service industries such as catering, tourism, and transportation have not yet fully recovered. These industries are the main body of employment, so the employment pressure is still relatively high. Especially in 2021, the number of employed college students will reach a new high, which is expected to reach 9.09 million. There are also a handful of countries with more than 9 million people in the world. Sweden (total population) is 9 million, Norway is 6 million, Denmark is 6 million, and Finland is 6 million, which means that our graduates in one year exceed the total population of Finland. Coupled with the increase in the number of overseas students returning, the employment pressure of college students will increase significantly in 2021. Due to insufficient effective demand, the pressure on corporate inventory and accounts receivable is also increasing. The inventory of finished products is increasing, and accounts receivable have also been increasing for several consecutive months. The loss of small and micro enterprises is still relatively high which is mainly due to insufficient market demand, high raw material costs, and rising labor costs.

Fifth, the balance between stable growth and risk prevention is still under pressure. The contradiction between local grassroots fiscal revenues and expenditures

is more prominent, the debt pressure of local governments has increased significantly, and corporate bond defaults are still emerging. Loans for small and medium-sized enterprises affected by the epidemic have been extended until the end of March 2021 to repay the principal and interest. The risk of credit default also exists. Now banks are increasing their provisions, and the NPL ratio of commercial banks may rebound.

Sixth, the quantitative easing policies of developed countries will continue, and they will continue to maintain a relatively large level of interest rate differentials with China. This has led to a significant increase in short-term capital inflow pressure and the pressure of exchange rate appreciation. If this kind of capital inflow pressure continues, the pressure of rising exchange rates will still exist, which will also increase the risk of asset bubbles in China. Also the pressure from western media which always deliberately use wrong information to guide public opinion could also be a big obstacle.

4.1.2 To the USA

First, tariff policies and large-scale unemployment will curb consumption growth. According to the data, resident consumption accounts for about 70% of USA GDP. In the next few years, the resilience of the US economy will mainly depend on consumption. At present, the unemployment rate in the United States is as high as 14.7%. The imposition of tariffs on imported products from China will undoubtedly increase consumer spending. In March 2020, US personal consumption expenditure fell by 7.5% month-on-month, the largest drop in history.

Second, non-financial companies are at a high debt level, which will restrict investment. The corporate leverage ratio is higher than the historical level, the return on investment is falling, and the willingness to invest is shrinking, which will restrict the growth of corporate investment. In 2019, the year-on-year growth rate of domestic private fixed asset investment in the United States was only 1.3%, the lowest growth rate since 2010, and future growth will continue to be under pressure. If the business environment continues to deteriorate, the occurrence of capital chain breaks and debt risks cannot be ruled out.

Third, economic and trade frictions continue, and net exports and economic growth will be affected. The trade protectionism implemented by the United States and countermeasures from trading partners have severely hurt the US export sector. At present, the United States is also considering transferring part of the industrial value chain back to China. Considering the increase in the price of imported intermediate products and the difficulty in adjusting the production chain, the United States will suffer even greater long-term losses.

Fourth, government debt remains high, which will restrict fiscal space. Under the tax reform of the US President Trump administration and the super-fiscal stimulus plan for the epidemic, the current US public debt has reached 25.5 trillion US dollars. The government debt burden will continue to increase in the future, and the government's ability to deal with unexpected economic problems has declined. At present, the situation of the new crown pneumonia epidemic in the United States is still severe, and the domestic economic recovery is facing numerous challenges. In addition to the Fed's continuous quantitative easing policy to inject liquidity into the market to boost market confidence and support the economy, whether the US federal government will continue to launch a large-scale fiscal stimulus policy is also worthy of attention. According to foreign media reports, the scale of the next round of the US fiscal stimulus plan may not exceed $1 trillion.

Actual	Previous	Highest	Lowest	Dates	Unit	Frequency	
28132570.00	27902364.00	28132570.00	60000.00	1942 - 2021	USD Million	Monthly	Current prices, NSA

Figure 8 USA Government Debt (2012-2020)

Source: https://tradingeconomics.com/united-states/government-debt

4.2 Opportunities for China

4.2.1 Rise of Domestic Market and Consumption in China

In the past ten years, China has been pushing the economy from export and investment dominance to domestic demand and consumption driven, and it has achieved some progress. The proportion of consumer and service industries in China's GDP has continued to increase. The size of the overall consumer market has increased from US$2.6 trillion in 2009 to US$8 trillion in 2019, slightly surpassing that of the United States. The growth of the middle class is expected to bring more consumer demand to companies serving the Chinese market. Although official data show that in 2019, about 600 million people in China have monthly disposable income of no more than 1,000 RMB, but the number of people with annual disposable income of more than US$5,000 has increased from 130 million in 2009 to 620 million in 2019. It is estimated that by 2030, this number will further increase to 900 million. At the same time, we expect the number of people with annual disposable income of US$10,000 or more to increase from 280 million in 2018 to 680 million. Some consumer trends have accelerated and new trends have emerged. The latest UBS Evidence Lab survey of Chinese consumers shows that: 1) Consumers are more willing to increase service consumption, especially services related to health, self-improvement (such as sports and fitness, education) and experience; 2) Even if the epidemic affects, the trend of consumption upgrading continues; 3) Digitalization is accelerating, and consumption of online shopping, online entertainment and other services has increased substantially. In addition, China is also facing a "new retail" revolution. Chinese Internet giants are using big data, artificial intelligence and other means to expand their offline ecology, while traditional offline retail businesses are also accelerating digital transformation. In order to improve its own operating efficiency in a highly competitive market.

4.2.2 Digitization and Technological Upgrading

China digitalization process is speeding up. Survey shows that consumption of online

goods and services in China has increased significantly since the outbreak of the new crown pneumonia epidemic. This trend has continued even after the epidemic has been brought under control and travel restrictions have been relaxed. The UBS Internet team predicts that China's online retail sales and online consumption penetration rate will further increase. In 2022, online retail sales are expected to reach 17.9 trillion RMB, accounting for 33.5% of the total retail sales of consumer goods. The online consumption penetration rate may further increase in 2024. To about 40%.

As consumer behavior evolves, companies are also transforming their business models with digital services-such as new retail, smart education, automated restaurants, and biometric payments. In the process of China’s technological upgrading, automation, capacity upgrading and product refinement can be said to be particularly important. In the past 20 years, China has gradually upgraded its manufacturing value chain by accumulating capital, attracting foreign direct investment, and integrating into global market competition. Affected by this, China's production capacity continues to expand, and the share of high-end manufacturing exports has also increased. In terms of automation, China is also catching up, and it is very important that China’s huge market size makes these technological advances and innovations easier to commercialize. It is believed that these factors can support continued technological upgrading and innovation for China in the future.

4.2.3 Macro Policies and Reform & Opening-up

Compared with most other major economies, China still has sufficient policy tools to deal with possible future shocks. Fearing that excessive stimulus will bring side effects, the government has learned from the past experience and lessons since the epidemic, and has focused its policy on epidemic prevention and control and helping companies resume work and production as soon as possible. The scale of fiscal and monetary policy stimulus is relatively moderate, especially in Japan. This time the United States’ policy easing is compared with China’s large-scale stimulus during the financial crisis. Despite the continuous increase in recent years, the overall government sector debt accounted for 73% of GDP in 2019. In 2020, the government

has introduced a series of fiscal easing measures in response to the impact of the epidemic. However, we expect the overall government sector leverage ratio to be only slightly higher than 80% this year, which is still basically controllable. In terms of monetary policy, compared with other major economies, the expansion of the balance sheet of the People's Bank of China is also more moderate, and there is still room for further reductions. Given that the level of domestic interest rates is still a considerable distance from zero interest rates, the central bank can still ensure reasonable ample liquidity through RRR cuts and other liquidity operations, and it can also encourage banks to increase credit supply through window guidance and other methods. We believe Currently, there is no need for China to implement quantitative easing or directly monetize its fiscal deficit.

4.3 Other Part of the World——EU

First of all, the China-US trade war limits global growth prospects and may plunge fragile economies (especially the European Union) into recession. The economic recession is likely to rekindle economic and political tensions among EU member states and complicate the reform projects of the incoming committee.

The trade war has put considerable pressure on the World Trade Organization (WTO) and rule-based global economic governance. The actions of the United States and China are indeed inconsistent with WTO laws. In the next few years, the exertion of political power and bargaining may become more and more important in global economic governance. However, the EU is accustomed to achieving its goals through legalist and technocratic negotiations in multilateral and regional forums, and is very effective in this process. The European Union-especially the European Commission-may have to adjust and learn how to operate in a different logic and context in which geopolitics play a greater role.

The trade war and wider tensions between China and the United States may exacerbate the geopolitical situation in the Middle East. The United States has imported a large amount of oil and natural gas from this region in the past, so it has established a strong military and political presence in this part of the world. However,

due to the discovery of shale gas and oil, the United States has become a net energy exporter in recent years and is now independent of the energy reserves of the Middle East. On the other hand, China is already highly dependent on energy in the Middle East, but currently has no significant political or military role in the region. The United States may use its influence in the Middle East to put further pressure on China. In turn, the growing geopolitical tensions in the Middle East may have an important impact on European politics, especially in terms of security and international migration.[6]

4.4 Competitiveness Analysis of China Digital Trade

As a new form of trade, the concept of digital trade has not been widely recognized and disseminated, and people's knowledge and understanding of digital trade are mostly at the initial stage. The United States put forward the preliminary concept of "digital trade" in the *Digital Trade in the U.S. and Global Economies* report released in 2013: the use of Internet transmission for commercial activities of products and services, not only domestic commercial activities carried out through Internet transmission, It also includes its international trade activities. It can be seen that digital trade is different from traditional trade methods. The content provided includes both digital products and digital services.

China and the United States are leaders in digital trade and have been in the leading position in global digital trade for many years. The United States has the world's most developed digital technology and a mature digital industry, which has also driven the rapid development of its digital trade. Global Internet giants such as Microsoft, Facebook, Google, and Amazon have extensive industrial networks around the world. For China, China's digital trade started late compared with developed countries, but it has developed rapidly. At present, the main content of China digital trade is digital goods trade, digital service trade, and data trading.

4.4.1 Factor Conditions

[6] https://blogs.lse.ac.uk/europpblog/2019/10/17/the-us-china-trade-war-risks-and-opportunities-for-the-eu-and-the-united-kingdom/

Porter divides production factors into primary production factors and advanced production factors. Primary factors mainly include non-technology-intensive labor factors, capital factors, natural resources, geographical location, etc., while advanced production factors are mainly communication infrastructure, knowledge-intensive labor factors, and technological factors. Infrastructure is the foundation for the development of China's digital trade. At present, China has made great achievements in infrastructure construction. The fixed investment rate in various regions in the country has been rising, but overall, it has not yet been able to meet the needs of economic development. Technological factors are the core factors to improve the international competitiveness of China digital trade. The capital element is an important guarantee for digital trade to improve its national competitiveness, and talent is the fundamental element of digital trade competitiveness.

4.4.2 Demand Conditions

The demand conditions mainly refer to the product and service demand faced by the enterprise at home and abroad. According to data from the National Bureau of Statistics, China's Engel coefficient was 28.2% in 2019, a decrease of 0.2% compared to 2018. The quality of life of residents has improved year by year, and consumption has been upgraded year by year. In 2019, the national per capita service-oriented consumption expenditure increased, accounting for 45.9% of the national per capita total consumption, and the proportion of the national per capita expenditure on education, culture and entertainment also increased significantly. These data means that domestic consumer demand has increased and consumption power has increased, especially in the areas of services, education, and digital. The consumption demand has increased significantly, which has promoted the increase in the scale of digital products and their trade, and has increased the competitiveness of trade.

4.4.3 Related and Supporting Industries

Related and supporting industries refer to upstream and downstream enterprises related to this industry. In terms of related companies, the industrial cluster

phenomenon of digital trade is a key factor affecting their competitiveness. In recent years, the country has paid great attention to the phenomenon of industrial clusters in digital trade, and encouraged such clusters. From the perspective of the electronic information industry, China's electronic information industry is developing strongly, and industrial clusters are conducive to strengthening the cooperation of digital trading companies. Regarding the related secondary and tertiary industries, the development of the production service industry has also driven the increase in labor productivity in the tertiary industry, which will further increase the productivity of the digital industry.

A large number of emerging digital cultural industries represented by digital music, online literature, animation, film and television, games, live broadcasts, etc. have risen rapidly, and a number of explosive industrial development hotspots have emerged. These typical industries have an average annual growth rate of over 20%. In 2017, the scale of China's digital music market reached 18 billion RMB, with an average annual growth rate of 32.3% from 2016 to 2017; as of the end of 2017, the number of online literature users in China had reached 368 million, accounting for 45.6% of the total Internet users, which is a relatively large scale. At the end of the Twelfth Five-Year Plan, the growth rate was 23.9%; in 2017, the domestic game market reached 20.61 billion yuan, with an average annual growth rate of 20.3% from 2016 to 2017; in 2017, the overall revenue scale of China online performance (live broadcast) market reached 30.45 billion Yuan, an average annual growth rate of 83.9% from 2016 to 2017.[7]

4.4.4 Strategy, Structure and Rivalry

Corporate strategy, structure, and competition in the same industry mean that the competitiveness of the same industry in China will affect the competitive advantage of a company. The improvement of the competitiveness of digital trade requires the establishment of a scientific organizational structure of the digital industry and the formulation of a comprehensive and thoughtful corporate strategy. China digital trade

[7] https://baijiahao.baidu.com/s?id=1617526861385674706&wfr=spider&for=pc

lacks systematic and scientific planning in terms of digital enterprise strategy and structure. Compared with Western countries, there is a certain gap, and it is impossible to establish a strong advantage in this regard.

4.4.5 Government and Opportunities

Government and opportunities also have varying degrees of impact on digital trade. The government indirectly affects the competitiveness of digital trade through the formulation of digital trade rules. The report of the 19th National Congress of the Communist Party of China emphasized the need to build a network power and develop a digital economy. This shows that China digital trade development has great potential. At present, China is actively participating in the formulation of international rules for digital trade, but the rule system is not perfect, there is a certain lag, and it faces many obstacles and barriers.

In 2019, China digital trade surplus was 187.39 billion RMB, a year-on-year increase of 46.1%. Among them, telecommunications, computer and information services have the largest trade surplus, reaching 190.48 billion RMB, making China the digital service industry with the most overseas advantages. At the same time, with the expansion of the service industry and the high-quality development of digital trade, policy dividends have further emerged. Compared with 2018, the trade surplus in telecommunications, computers and information services has increased by 17.5%. Competitiveness in the international market is steadily improving.[8]

[8] http://www.gov.cn/xinwen/2020-10/28/content_5555222.htm

5. CONCLUSION

5.1 Suggestions for China

5.1.1 Overview

Stiglitz (2018) put forward ten principles for China to respond to the trade war. The core point is that China should take long-term interests as a consideration, adopt a method that conforms to international law and trade rules to respond to the United States, actively promote the consolidation of the multilateral trading system and cooperation framework, and calm down in the crisis. Respond and look for development opportunities. Other scholars have also discussed this issue in depth. One is that China needs to maintain the WTO order and promote economic cooperation. Urata (2020) believes that China needs to persist in resolving disputes within the WTO framework, make good use of the dispute settlement mechanism to respond to the United States, and at the same time actively build a multilateral trading system, strengthen economic and trade cooperation in East Asia, and promote economic growth.

The second is that China needs to adjust its mentality and implement appropriate development strategies. Zhao (2019) emphasized that at the beginning of the establishment of diplomatic relations between China and the United States, there were far more conflicts between the two sides than they are now. Now the two sides still need to cooperate, and China should avoid prematurely activating forces against itself. China should choose the right time to reach an agreement with the United States, make appropriate concessions and better open the market, while adapting to the further opening of the market and the entry of foreign products (Xing, 2018). Appropriate adjustment does not mean abandoning the established strategic goals.

The third is that China must solve the problem of intellectual property protection and forced technology transfer. Bergsten (2018) proposed that China

should realize the transparency and openness of market operations, reduce state intervention in the market, ensure the freedom of international trade, capital circulation, and investment, and protect the inviolability of private property. China not only has trade frictions with the United States, but also has similar problems with other countries. China can follow the example of the United Kingdom in the 1840s by opening its domestic market more vigorously to promote the export of domestic products.

5.1.2 Taking Innovation as the Basis

In response to the multi-faceted pressure from the United States, China should speed up innovation in both technological and institutional dimensions. On the one hand, by increasing investment in personnel training, basic scientific research, cutting-edge engineering technology and other fields, improving technological innovation capabilities, cultivating mature high-tech industrial clusters, and reducing the technological dependence on the United States; on the other hand, it is necessary to speed up the system The pace of innovation, especially in terms of financial system construction, in areas with relatively mature conditions such as the Guangdong-Hong Kong-Macao Greater Bay Area and Hainan Free Trade Port, explore capital account opening, RMB foreign bond market construction, and financial technology innovation to accelerate the regionalization of RMB And the process of internationalization, to weaken the dependence on the US dollar system, to minimize the impact of financial sanctions that the United States may escalate at any time on China.

5.1.3 Deepening Regional Cooperation

n order to crack the multilateral alliance system that the United States has built to contain China in the fields of economy, diplomacy, and geopolitics, it is necessary for China to make appropriate adjustments to the “Belt and Road” initiative: further deepen regional economic cooperation with Japan, South Korea, and ASEAN countries, especially Accelerate the pace of opening up the domestic market and form a closer regional economic community within East Asia. This is of vital importance to

better hedge against the US "Indo-Pacific strategy." At the same time, we should continue to strengthen bilateral economic and trade cooperation with EU countries, especially in direct investment, to do a good job in "stabilizing foreign investment", and continue to deepen economic and trade relations with major EU countries such as Germany, France, and Italy.

5.1.4 Promoting Win-Win Strategies

At this stage, China's comprehensive national power and global influence are still difficult to directly compete with the United States. China's complete infrastructure, complete talent echelon, and huge domestic market should be leveraged through its comparative advantages, through preferential policies and comprehensive supporting services. To build mutually beneficial and win-win bilateral and multilateral economic relations as the starting point, continuously intensify China's trade and investment relations with other countries in the world, and continue to deepen the interest pattern with more countries including the United States, and enhance the "de-sinicization" of the world economy. the cost of. From a strategic perspective, only by further integrating into the global economy can China fundamentally avoid the risk of being marginalized by the United States.

5.2 Suggestions for the USA

5.2.1 Overview

The China-US trade war was provoked by the United States and has seriously affected the normal relations between the two countries and the world trade order. Therefore, scholars believe that it is necessary for the US government to stop its current behavior and take into account its own interests and the interests of the world as a whole. First, safeguard the world trading system and stop negative behaviors. Whether the RMB is undervalued or not, trade measures can no longer change the economic reality of China and the United States (Murthy, 2019). The United States should continue to launch and complete investment and trade negotiations with China that will help the US economy, and promote China's integration into the world economy (Ahmed,

2019). The United States should focus on consolidating trade alliances and addressing WTO rulemaking, dispute resolution and other issues to protect the rules of the trading system (Malawer, 2018).

Second, pay attention to domestic development, restore self-confidence in its own development model, and maintain an inclusive and open attitude. The United States must maintain confidence in free democracy and free enterprise systems, rebuild its effective, inclusive and open national reputation, support domestic democracy and capitalist systems, and focus on improving competitiveness and innovation (Zhao, 2019). The United States needs to regain its self-confidence and continue to assume the leadership responsibilities of the global economy (Bergsten, 2018). Lawrence (2018) proposed that the United States can appropriately limit the power of the president, strengthen cooperation with allies, consolidate the rules-based trading system, and reshape its image as a world economic leader.

5.2.2 Peaceful Coexistence with China

Without political premises, economic and trade relations can hardly be handled and resolved correctly. The biggest issue between China and the United States is whether the United States can coexist peacefully with China with different social systems. The first theme of the resumption of dialogue between China and the United States should be that both countries recognize and abide by the UN Charter, recognize the sovereign equality of China and the United States and coexist peacefully on this basis. Both China and the United States recognize that industrial policies and economic and technological development are the internal affairs of each country and respect them without violating the WTO's non-discrimination principles. The two sides deal with economic and trade issues as equals, not unilaterally taking restrictive actions; achieving mutual benefit in economic and trade relations. If China and the United States can reach consensus in these areas and abide by them, the United States will not interfere in China's internal affairs even though it opposes China in terms of democratic values and ideology, and suppressing China will also lose the premise. It is thus possible for the two parties to maintain a dialogue, state their concerns but

manage their differences. This is very important to the stability of bilateral relations, and only on this basis can economic and trade cooperation be discussed.

5.2.3 Returning to the Multilateral System of Global Free Trade

Both China and the United States are equal members of the WTO. The negotiations between China and the United States involving trade rules should be incorporated into the WTO's multilateral framework, and China and the United States should be reviewed on an equal basis in accordance with relevant WTO rules. Finally reached an agreement on the scope and conditions of national security use. Both China and the United States shall comply. At the same time, China and the United States conduct bilateral negotiations and sign certain agreements, but the results of WTO multilateral or plurilateral negotiations are the final basis. Regarding cyber security, China and the United States should further negotiate and sign agreements based on the consensus reached by President Xi and President Obama. China and the United States should also join international agreements on cyber security. China and the United States should negotiate a broader two-way trade agreement and include expected goals.

5.2.4 Completion of China-US Bilateral Agreement Negotiations

On the basis of multilateral rules, the practical way for China and the United States to formulate institutional and comprehensive rules and arrangements for bilateral economic and trade is to complete most of the bilateral investment agreement negotiations that have been completed during the Obama era. Both sides should resume negotiations as soon as possible, update the content, and fully respond to the basic concerns of both sides. Do everything possible to promote cooperation, expand the scale of economic and trade between the two countries, and strengthen cooperation in the industrial chain between the two countries. In this way, it is entirely possible to take a difficult step to reshape the economic and trade relations between the two countries, which will not only benefit the two peoples, but also bring new opportunities for stability and development to the world.

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