The Impact of China-US Goods Trade Fluctuations in the View of GVC

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Abstract—With the rapid growth of China's total economic output and the unceasing deepening of opening to the outside world, the impact of goods trade fluctuations between the United States on China's economy development has become increasingly significant. It is significant for China’s economy development that we make comprehensive and dialectical analysis of the influence and take reasonable measures. In order to solve this problem, firstly, this paper make qualitative research on the economic correlation between the United States and China. Secondly, this paper uses the comparative analysis method and the historical analysis method to make qualitative analysis of the trade transit path, using data of the goods trade between China and the United States. This paper draws the following conclusions based on the analysis: The goods trade between China and the United States are important transit path. Chinese government should take positive and rational response. Finally, on the basis of the above analysis and conclusion, this paper puts forward some countermeasures and suggestions for Chinese government.

Key words—The goods trade, fluctuations, “One Belt One Road”, The United States, China

I. INTRODUCTION

In the world economic fluctuations, compared with the big economies such as the EU and Japan, the US economy performed better. The United States was the first country to break away from the financial crisis and continue to strengthen since then. The United States is China's second largest trading partner and the second largest export market. The bilateral trade between the two countries is close. The volatility of the US economy has had an impact on the Chinese economy through the transmission of international trade. From the point of view of the phenomenon, the United States is the biggest factor affecting China's economy. This paper studies the impact of trade changes between China and the United States on China's economy.

II. THE STATUS OF GOODS TRADE BETWEEN THE UNITED STATE AND CHINA

A. China-US Trade in Goods is Fiercely Competitive, and Bilateral trade Imbalances are Prominent

According to the WTO's 2015 World Trade Report, China and the United States account for 15.8% and 12.6% of global trade respectively, of which China and the United States are among the world's top exporters, but compared with 2014, the main export value of goods has declined. In terms of agricultural exports, US agricultural exports rank second in the world, and China ranks fourth in the world. In terms of energy and mineral exports, both China and the United States have experienced a significant decline in exports. Among them, the United States exports the world's energy and mineral products rank fourth in the world, while China ranks the world's tenth; in terms of steel exports, China's exports are higher than the United States, second only to the EU, and the United States ranks fourth in the world; in office and telecommunications In terms of equipment, textiles and clothing exports, China’s exports rank first in the world.

In addition to the increasingly fierce competition between the exporting enterprises of similar products in China and the United States in the global market, China's long-term trade surplus with the United States has a large surplus and a large surplus, which has aggravated the current imbalance of trade in goods between China and the United States. Since 1994, China has become the largest source of trade deficit in the United States, and its products have penetrated the US market. In 2015, China exported US$409.65 billion to the United States, up 3.4% year-on-year. China imported US$148.74 billion from the United States, down 6.5% year-on-year. China's trade surplus was US$260.91 billion, an increase of 10.1% year-on-year. Table 1 shows China's trade deficit with the United States in 2006-2016 and China's exports to the United States as a percentage of total imports and exports.

Although China has maintained a trade deficit with the United States for a long time, this does not mean that China’s trade in goods is stronger than that of the United States. First, compared with the US export commodity structure, China’s exports are still at a lower level, and the exported goods are of lower technical content. Second, China's industrial manufactured goods still have a large gap with the United States, and the proportion of capital-intensive and technology-intensive products is relatively low. Third, the export costs of Chinese companies have gradually increased, and the cost advantage brought about by the demographic dividend has been gradually lost. China's labor-intensive products are technology-intensive in the United States, and the similar products produced in the United States are of higher quality and lower cost. Chinese products gradually lose their comparative advantage. In addition, compared with the United States, China's high-tech trade is developing slowly, and the export categories of high-tech products are relatively simple, mainly in the fields of general-purpose equipment, computers, and electronic products.
### TABLE I. CHINA-US TRADE DEFICIT AND EXPORT SHARE

<table>
<thead>
<tr>
<th>Year</th>
<th>Trade Deficit</th>
<th>Export Share</th>
</tr>
</thead>
<tbody>
<tr>
<td>2006</td>
<td>1442.37</td>
<td>81%</td>
</tr>
<tr>
<td>2007</td>
<td>1632.86</td>
<td>77%</td>
</tr>
<tr>
<td>2008</td>
<td>1710.24</td>
<td>76%</td>
</tr>
<tr>
<td>2009</td>
<td>1433.42</td>
<td>74%</td>
</tr>
<tr>
<td>2010</td>
<td>1811.88</td>
<td>74%</td>
</tr>
<tr>
<td>2011</td>
<td>2188.80</td>
<td>73%</td>
</tr>
<tr>
<td>2013</td>
<td>2160.64</td>
<td>71%</td>
</tr>
<tr>
<td>2014</td>
<td>2370.02</td>
<td>71%</td>
</tr>
<tr>
<td>2015</td>
<td>2614.05</td>
<td>73%</td>
</tr>
<tr>
<td>2016</td>
<td>2508.26</td>
<td>74%</td>
</tr>
</tbody>
</table>

Source: China Statistics Bureau Annual Data

### B. The United States Takes Various Measures to Protect Trade

Due to the fierce competition between the export enterprises of the two countries in the international market and China's long-term trade surplus with US exports, the adverse effects of US manufacturing hollowing on US employment and economic development are increasing.

Anti-dumping is one of the trade remedies allowed by the WTO. The United States has increasingly proposed anti-dumping against Chinese exports. The number of anti-dumping investigations conducted by the United States on Chinese exports is much higher than that of other countries, and it has the characteristics of a high degree of affirmative ruling and concentrated industry distribution. According to WTO anti-dumping statistics, between 1990 and 2011, the number of US foreign anti-dumping cases was 760, and 146 anti-dumping cases against Chinese export enterprises were initiated, accounting for 19.21%. Among them, 125 cases were judged as affirmative rulings, and 552 cases of US foreign anti-dumping rulings in the same period, accounting for 22.66% of the total rulings. Therefore, China not only suffers the most anti-dumping orders from the United States, but also bears the highest proportion of affirmative decisions.

### III. IMPACT ON THE CHINESE ECONOMY

The frequent use of anti-dumping in the United States has not only greatly reduced the quantity and amount of Chinese goods exports, but also caused damage to the quality transformation and upgrading of export products. First, the scale of the export products market of anti-dumping enterprises has been reduced, and the profits of enterprises have been reduced. Therefore, enterprises will reduce the investment in research and development of export products, which is not conducive to the improvement of the quality of export products. Second, most Chinese companies will choose to export or export cheaper products to the United States. Most of the export products subject to anti-dumping investigations are resource-intensive and labor-intensive products with low technical content and low prices. Such export products have less room for upgrading and upgrading. Export enterprises that export such export products are subject to anti-dumping investigations. It will be more inclined to choose trade transfer, that is, increase exports to other countries to reduce the export damage caused by US anti-dumping on export products. Third, anti-dumping may lead to difficulties in improving the quality of resource-intensive and labor-intensive export products. In order to improve the quality of resource-intensive and labor-intensive products, companies need to increase R&D investment and increase production efficiency in the early stage of production, which requires more time and capital investment. This is not an easy task. And such products have strong substitutability, the profits obtained by enterprises are thin, and the expected returns of R&D are low. Therefore, when faced with anti-dumping lawsuits initiated by the United States and facing negative competitive pressures, companies can choose other alternative measures, such as export transfer, selling products to the Chinese market, setting up factories in the United States to avoid trade barriers, and Adjusting the structure of export products, responding to price agreements, and even exiting the US market are easier than improving the quality of export products. Therefore, when Chinese export enterprises face US anti-dumping complaints, the preferred response measures are not to increase R&D investment and improve product quality. Instead, they are likely to choose to export other non-litigation low-quality products, so that the quality of export products is difficult to obtain. Substantial improvement.

The impact of anti-dumping on specific product and specific industries is not limited to products and industries that encounter anti-dumping. Anti-dumping has a significant export-suppressing effect on the products and industries involved, and it also passes through the input-output correlation between industries. The ripple effect causes damage to the upstream and downstream industries. The anti-dumping of steel rolling processing industry has the greatest impact on upstream and downstream industries, followed by anti-dumping of general equipment manufacturing and rubber products industry. The frequent use of anti-dumping by the United States and the increase in the price of export products through the imposition of high anti-dumping duties have not only produced significant trade restrictions, but also caused great damage to the domestic industries in which the products are exported. Investment in the industry will transfer to third countries.
IV. SUGGESTIONS

A. Strengthen the Government's Control and Transform the Trade Development Model

Since the accession to the WTO, the export-oriented foreign exchange earning and the extensive export growth model relying on price competition have been unable to meet the needs of China's long-term development of international trade. We should adhere to the principle of "priority of domestic demand". When considering exports, we must first meet domestic demand and avoid competition for resources. While transforming the export model, we should also pay attention to the development of export diversification. China's exports have serious imbalances in geographical distribution. The annual export of goods is mainly concentrated in Europe, America and East Asia. In Latin America, Oceania, Africa, and West Asia, China's exports account for a relatively small proportion. The export development strategy should be adjusted. Diversify the export territory. Among them, China's open economy is increasingly dependent on the United States. The volatility of the US economy has a strong influence on China's international trade and macroeconomics. China should attach importance to the influence of the US factor, adjust trade policies, increase international trade with other countries, diversify trading partners, and reduce the negative impact of the United States on the Chinese economy.

B. Promote the Development of the Belt and Road

There are two important trade axes in the current global trade pattern. One is the Atlantic trade axis, which is mainly composed of developed countries in Europe and America, and the Pacific trade axis, which is mainly composed of the Americas, East Asia and Australia. The United States is the core country of the global trade pattern. But after the 2008 financial crisis, the traditional global trade governance structure dominated by big powers faced the challenges of emerging economies. China should promote the formulation of new investment and trade rules that are consistent with the characteristics of the global value chain and in line with the common interests of all countries, and promote the establishment of a new international order that is in line with China's economic development.

China's "One Belt, One Road" initiation has received positive responses from countries along the route. The "Belt and Road" initiative integrates the resources of countries along the route and promotes the liberalization of investment and trade between countries along the route. The economic cooperation between China and the countries along the route has also created new impetus for the development of the world economy. By linking the Asia-Pacific economic circle in the east, the European economic circle in the west, and China and the Asian economic circle in the central region, the "Belt and Road" can promote the formation of the third largest trade axis with Asia and Europe as the core. It is conducive to giving full play to China's leadership in world economic development, creating more opportunities for international cooperation and promoting the restructuring of the world's economic and trade structure.

C. Establish a Redundant Production Capacity withdrawal Mechanism

The problem of overcapacity in China has existed for a long time. The Chinese government has issued documents several times, but the effect is not satisfactory, and the problem of overcapacity is becoming more and more serious. It turns out that without a reasonable exit guarantee mechanism, the low-end excess capacity will take more time and resources to exit the market. Many companies are still maintaining production in the face of serious losses due to concerns about bank loans and employee employment. Therefore, the government should establish an effective excess capacity withdrawal mechanism, encourage enterprises to automatically withdraw, and assist enterprises to solve debt and staff placement problems, and provide an effective exit channel for the resolution of excess capacity. High-quality enterprises with research and development capabilities and market competitiveness will become the main driving force for the quality upgrade of overcapacity industries. The Chinese government should encourage these enterprises to position their production in the high-end product market to enhance the economic efficiency of enterprises and promote the upgrading of industrial structure.

REFERENCES