Analysis of the Impact of Sino-US Trade War on Manufacturing Industry

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Abstract. The essay explains the situation between Sino and U.S. It demonstrates how trade war begins. Actually, there are several reasons which make the trade war happen. Clearly, from the U.S .aspect, the bad performance of economic development is one of the most important reasons. Besides that, the influence of the society structure and the political structure is another reason which will be discussed in the essay. Another aspect is from China. Because the quick progress has happened in China, it asks for more rights and more progress space globally. China is a big country, it has the biggest population in the world. However, the law in China is not well prepared for quick progress. When doing business with the U.S., the law in China has never considered the U.S .company's interest. It pushes Chinese law to change to consider more about the opposite sides benefits. In the last part, the essay analyses to the manufacturing industry in the trade war environment in China. Demonstrate that the price would rise, the global policy should be changed in China , the skills which need to be improved would be limited and the innovation would be effected.

Keywords: conflict influence; trade war; Sino-U.S.; manufacturing industry.

1. Introduction

Since 2018, Sino-U.S. have been engaged into a new trade war. We know that both of these two countries are very important to the world, so trade war would definitely affects not only the economies between American and China, but also influence the whole world.

Although many studies have shown the impact of this influence in Asia especially the mainland China. The trade war should not let us forget which between another areas for example Russia and U.S. Many other articles also analysis how the stock of conflicts influence the trade networks and firm values. However seldom research put the focus on the manufacturing industry which is affected by the conflicts.

In this article, we would analysis the reason of the trade war between Sino-U.S. How the trade war begins. When we take a deep research into the reason, both of the U.S. and China themselves have the inner reasons. Besides that, some outer respects also lead to this trade war. The time we come into when higher tariffs are announced, U.S. firms that depend on exports and imports from China experienced larger declines in the market value [1]. Also, this paper will study the consequences of the Sino-U.S .trade war which would result on the China's manufacturing firms and gives us some thoughts about the trade war.

2. The Reasons which make the Trade War arise

The history shows to us that that the trade wars have no winners. When we consider about the GDP and export scale of U.S .and China, which would definitely affect the economic of the world and it would also cool down the global production and international trade. In this part, we would know that why the trade war would happened. If there were some wrong in the American's aspect, or in the Chinese's side. After the analysis, both of the two countries have its factors which created the trade.

2.1. The U.S .Aspect

2.1.1 The bad performance of economic development in the U.S.

Bad performance of economic development is the first reason lead to the trade war. According to the analysis, during the past years, the U.S. economic have been cooled down. Many people lose their jobs. The economic development no more again in the high level. Especially after the pandemic of Covid-19.

America begin to lose the leadership status in economic among the world. However, in the past, the core of the U.S. achievement achieve its low inflation according in the presence of a decline in the unemployment rate in three decades. But as the other countries has improve their industry power , more and more big economic entity appear.

2.1.2 The influence of the society structure

The society structure is another reason in U.S. which leads to the trade war. Because the population in society is aging in recent years, there are less young labor in the working market. In such situation, it would definitely slow the U.S .economic growth. Then the older have no choice but to stay in their working place for a long time, some of the younger labor could not find their acceptable job. It would make the unemployment rate rise.

Sino-U.S. trade war, which arise in two countries has aroused concern about trade-related environmental impacts. Because the society structure has changed, which lead to the trade war. Then trade war will also lead to a global economic downturn happened.

2.1.3 The political influence of the trade war

The political in America is another reason make the trade war arise. In the U.S., the politician focus on their party's interest. Because different democracies pursue different public policies. Politician always hope to protects their rights which represent their party, which they would tend to make more laws to protect the company which would help their party make more interest.

Compare to the political structure , it concerns about whether China's trade market would weakens the U.S. domestic security. We know that in the American trade policy, it always including the domestic security [2]. Since when leading to trade war with China, the U.S. trade policy has grown substantially [3].

Besides that, the U.S. considers that any countries would be the activists and anti-globalization proponents. So many of the politician in U.S. have given too much weight into the contribution of global market. And they think that in order to make their international trade business into a balance, any movement need to be made.

2.2. The Reason from China

Technology development have make a great progress in recent years in China. Because it could increase China's gross output and the GDP. Especially for increasing the payment of skillful labors, which is the basement for China's essential economic. Under these situation, it also need to reduce China's over savings. Because the government of China has made many useful policies to help advance the modern firms. It needs to aware that technology in China advancement will likely to be an aim of trade war. From more observed in China, quick progress in recent years and the law which is no suitable to the latest economic environment are the main reason which also cause the trade war.

2.2.1 Quick Progress in China

After reform and opening up, China has been in a fast track in the economic progress. Because of the stable economic and political structure which has been maintained for decade years, which has been in the rise trend after the reform and opening up policy have been establish. China as one of the biggest developing countries, has completed the economic and political reproduction, which help China become one of the biggest developing countries only in several decades.

At the beginning of the twentieth century, however, China also face the same problem. Population growth rate decline and life expectancy increase, the aging of people has become a same phenomenon

over the world. China need to keep the fast developing process in the economic progress, and need the keep the technology and business in the fast path. In order to maintain that, besides enlarge the domestic demand, it also need to enlarge the export abroad.

China has achieved a noticeable achievements. Most of the products are widely used and fully developed. The products are even shipped to overseas. Even more, China's government established many laws, policies and gave financial support to help firms make progress. With the rapid development, China's industry and business are expected to advance toward the orientation of socialization.

2.2.2 The Law in China is not Well Prepared

The law has not well prepared in the fast progress situation, which is another reason lead to the trade war in the China's aspect. Many Chinese companies and firms hope to enlarge their interest, and begin to focus on the oversea market. They sell their products and probably have not aware the business movement may hurt the local firms interest in the other countries. For example the America.

America as for China, is one of the target destination of the export country. In the mean while, if the product could export to U.S., the companies and firms could make much more interest, because most of the products made in China are handed made. Such products could sell in high price in the U.S., however, actually, the cost of such handed made products in China are low. Then it could bring a large sum of interest for the Chinese companies. It could always help the local economic progress in China.

But the local companies and firms in China probably have not aware that it might affect the rights of U.S.firms. When the offence takes place, the trade war begins. Actually, the trade war is not good for any sides of the countries. Including the economy, trade, diplomacy and other fields. It would definitely put more harms to the trade war countries than earn benefits. The bottom lines and signals are need to be accurately communicate and interpret by Sino-U.S [4].

The U.S .companies, in order to protect their interest, would likely to use any tools and any efforts, for example to use the law. More and more evidence show that the China government should consider about to change the law and let the domestic companies have title and suitable rules to followed. Through we also know that this process which change the law is very long, The Chinese government need to collect more evidence to show that the rule of law should be changed. Then help the pace of the law could keep up with the progress of economic.

3. Analysis of the Manufacturing Industry under the Trade War Environment in China.

It is achieved the common view that trade wars have no winners [5]. A great impact on the regular operation of global companies are made because of the trade war to the manufacturing industry, especially for the Chinese companies. When Chinese exports are noteworthy reduced by U.S. tariffs, the total export also be affected to the world [6].

China' s policy is make the maintain of the economic progress and plan to keep it in a fast growing path. As the trade war has happened for years, some data show that the structure in China's business market, including the circuit market, supply and demand in the market has changed. They could not import and export their product from overseas market freely, especially the U.S. market.

Many problem may happened under such situation. It may rise the price of manufacturing materials, because companies could not compare to the lowest price and buy the latest new products from the U.S.market. In the phenomenon, more and more local companies may ask the international policy to be changed in China. Because they need to survive in fierce situation.

Besides, if the Chinese companies intend to keep their products in the latest progress, they need to learn more skills , innovative and revise the product are needed. However, the trade war would limited such activities. Engineers in China could not access to the cutting edge in the world like before, the innovation movement be affected definitely.

3.1. The Price Would Rise

One of the harmful to the manufacturing industry in China is that the price of goods and products would rise. Because in the past, the Chinese company could ship products to U.S. freely with low tariffs and imports other goods back to China. They are in low price. But since 2018, the trade war began, U.S. trade policy imposed additional tariffs and make quotas to Chinese company. It is harmful to the manufacturing industry.

In retaliation, China has imposed extra tariffs on U.S. products [6]. Then when the U.S. goods export to China, it means more price that consumers should paid. Compared to the past, people would feel that it is not so convenient than before. In the mean while, resident who live in U.S. might face to the same situation. So to the people who live in both trade war countries, their living expense would rise.

3.2. The Global Policy Would be Changed in China.

The trade war would force the Chinese government changing the global policy. Over the last forty years, China has announced the reform and opening up policy as the basic state policies. It helps China become one of the premier economic powers globally. However, China is still consider as the developing country in the worldwide. At the beginning of 21st century, the economy rise in China would be a central topic for Asia or even U.S. when they make their foreign policies [7].

In the situation, more and more countries might change their attitude to China. They consider that China has made great progress and should be serve as a developed country. Then many benefits which have been enjoyed by Chinese companies might be deleted. It would harm the fast pave development for China's future. Then China would also change the global policy to the other countries. Such policies not only affect the manufacturing industry but also had a significant impact on the Chinese economics.

3.3. The Manufacturing Skills which Need to be Improved Would be Limited.

The manufacturing industry need to improve their skills. Because they need to keep up with the pace to the world. Every progress are made in the basement of improving the manufacturing skills day by day. However, the trade war would break the link to the world. Improving manufacturing skills need engineers keep the touch with the latest outcomes. But trade war happened, many innovation in the U.S. companies might be forbade to share to the Chinese companies.

We need to consider about how to minimize the influence of the Sino-U.S. trade war although we have limited materials [8]. The engineers in domestic China just think out how to improve the skills by themselves, the ties which they could share their ideas before are break. There is an old saying that, work behind closed doors is harmful. It is not only harmful to the engineers or the companies themselves, but also harmful to the economic progress in the country.

3.4. The Innovation Would be Affected

Last but not the least influence to the manufacturing industry in China is that the innovation would be affected. These days , we know that innovation is a very important elements to the company or even to the country. Every country or the company hope to make progress. The innovation is the key. Talented people, advanced technology and machines, they could not be produced without open minded environment. So the peaceful and open environment seem very important to innovation.

In the past years, the communication and talent exchange with U.S. and China are frequently, both of the two countries have make benefits from each other. But when trade war happened, the tie is broken. In a society network, innovation is often influence by the structure of the network. Then, the structure of society network should be put into research on the new product's growth as well as into making decisions. When considering about the Sino-U.S. GDP scale and export volumes, both of the two countries will come a slowdown in the global production and international trade [9,10].

4. Conclusion

The Sino-U.S. trade war have make a great impact. Especially the manufacturing industry in China. It bring harmful influence to both countries. China has loose as one of the international competitiveness in manufacturing industries. There are reasons including the rising price of raw materials and the manufacturing skills are limited. Besides that, innovation in the country could be affected and international policy of China also need to be changed too.

In order to react to the situation, China also imposed tariffs on the U.S. import products, which would lead the U.S. companies lose one of the biggest market in the world. Many of the products need to to find new markets to be consumed. Besides that, Sino-U.S trade war not only affects the economic in China and America, but also influence global economic progress. In order to aware about the problem, more and more analysis and efforts should be put into it. We hope that the trade war would be end soon and the economic of the world could come back to the formal track.

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