

The Eurasia Proceedings of Science, Technology, Engineering & Mathematics (EPSTEM), 2023

Volume 32, Pages 1-7

**IConMEB 2023: International Conference on Management Economics and Business**

## **The US-China Trade War: A Constructive Analysis of the Causes and Methods of De-Escalation**

**Albert Molnar**  
Obuda University

**Patrik Viktor**  
Obuda University

**Abstract:** A Global Perspective on the US-China Trade War: Causes, Consequences, and Implications. The US-China trade war, ignited by the protectionist rhetoric of former President Donald Trump, has had profound implications for global economic relations. This paper seeks to examine the chronological development of the trade war, its underlying causes, and the far-reaching consequences it has had on the relationship between the two superpowers. Additionally, it explores the potential ramifications for the Indo-Pacific region and the dynamics of the US-Russia relationship. The trade war has emerged as a complex issue, with both the US and China resorting to retaliatory measures, resulting in a vicious cycle of tariffs and sanctions. Through a thorough investigation, this paper aims to shed light on the impact of these measures on the competitive advantage of American companies compared to their Chinese counterparts. Furthermore, it delves into China's countermeasures and their effects on the country's economy and industrial development. To ensure a comprehensive analysis, the paper draws on a thorough literature review, referencing various studies that explore the root causes and economic impact of the trade war. It places the trade war within its historical context, drawing parallels with past conflicts such as the US-Japan trade war, and examines the political motivations behind the current tension between the US and China. The analysis incorporates relevant statistical data, including trade deficit figures and the composition of imports and exports between the two nations. By doing so, it aims to paint a clear picture of the economic ramifications of the trade war on both countries and the global economy. In conclusion, the paper underscores the necessity of adopting a pragmatic and rational approach to address the US-China trade war. It advocates for both nations to seek common ground while setting aside their differences to achieve mutually beneficial cooperation. Moreover, it emphasizes the significance of innovation, industrial upgrading, and international collaborations for China's economic development amid the ongoing trade war. By presenting a comprehensive examination of the US-China trade war and its implications, this paper contributes to a deeper understanding of the global economic landscape and the critical need for constructive engagement between major economies.

**Keywords:** Trade, US-china relations, Exchange rate policy, Pegged exchange rate, Chinese Yuan, Exports, Imports, Trade deficit.

### **Introduction**

The US-China trade war has been a result of a nearly 4-year constant rhetoric of the 45th president of the United States Donald Trump on the importance of protection of US industry, particularly heavy industry. The populist policy of Mr. Trump has left the US economy in a worse shape than before the trade war. All signs point to an increasing degree of de-globalization. This had started with the trade wars, continued with the COVID-19 lockdowns and culminated in 2021-2022 with supply chain disruptions (Pató et al, 2020; 2022). The 2008 crisis created additional pressures that national economies are still facing today (Csiszárík-Kocsir, 2011a; 2011b; Csiszárík-Kocsir – Medve, 2012a; 2012b; Csiszárík-Kocsir – Fodor, 2013; Csiszárík-Kocsir et al, 2013).

---

- This is an Open Access article distributed under the terms of the Creative Commons Attribution-Noncommercial 4.0 Unported License, permitting all non-commercial use, distribution, and reproduction in any medium, provided the original work is properly cited.

- Selection and peer-review under responsibility of the Organizing Committee of the Conference

© 2023 Published by ISRES Publishing: [www.isres.org](http://www.isres.org)

US-China tensions are escalating not only from an economic standpoint, but also from a military standpoint. The question is, which superpower will dominate the indo-pacific for the next century. The US should consider two possible fronts – the indo-pacific theatre, with a fierce trade and tech war with China, and a northern theatre with a possible confrontation with Russia. (Klitgaard & Schiele,1997) The Russia-Ukraine war had prompted US policy makers to supply military and funds to Ukraine. The loss of Ukraine would render the US incapable of containing China.

The trade war sets the stage for a new form of confrontation (Garai-Fodor et al, 2022a; Pervez et al, 2022). Such a confrontation can be regarded as a double-edged sword, since the nation which raises tariffs will be met with retaliation from the nation it raised the tariffs against (Garai-Fodor et al.,2022b; Garai-Fodor,2023) This retaliation might be in the form of sanctions or a counter increase in tariffs. When China joined the WTO in 2001 under the pressure from the Clinton administration the world was under a unipolar world order. The US made China a very strong economically advanced country (Foldi,2015a, 2015b; Fajgelbaum & Kandelwal, 2022).

This paper is concerned with the question: do trade deficits truly decrease the competitive advantage of American companies over Chinese ones. We also show the chronology of the trade war, its reasons and China's countermeasures.

## **The Beginning and Present Situation of China-US Trade War**

It is widely believed that the symbol of the starting point of the CN-US trade war is that Trump signed a declaration announcing that tariffs on 60 billion US dollars of goods imported from China will be levied. (Baranyai et al., 2023) The Ministry of Commerce of China then immediately announced a countermeasure intending to impose tariffs on commodities imported from the United States. (Garai et al.,2023; Foldi & Medveczky, 2015)

But the outbreak of the CN-US trade war has a longer brewing period. Frankly speaking, after the United States provided China a PNTR in 2000, US-China trade entered a new era (Wang,2020; Shea, 2018; Sachs,2018). In 2001, China's entry into the WTO further promoted US-China trade relations (Lincicome, 2020; Foldi, 2015a; Chang et al.,2021)

At the same time, American businessmen complaining about Chinese regulations and intervention have gradually increased, and consecutive US governments have continuously received cases of Chinese protectionist laws and policies such as investment restrictions, import quotas, and forced transfers of technology by foreign companies (Groenwold i& He, 2007; Loblin et al.,2017) The United States' long-standing huge trade deficit with China has also repeatedly caused controversy between the two countries (Lau, 2019; Pervez et al.,2022)

In order to break China's trade barriers, President Obama has tried to isolate China and force it to change unfair trade practices through the Trans-Pacific Partnership Agreement (TPP).(Csapó et al.,2018;Bozsik et al.,2023) But as soon as Trump took office, as one of his campaign promises, Trump quickly announced the withdrawal of the United States from the TPP and in 2017 directed the Office of the United States Trade Representative to launch a trade investigation into China (Narine, 2018; Goboly & Foldi,2022; Fodor,2022). Before Trump announced tariffs on commodities imported from China on March 22, the US government successively announced punitive or additional tariffs on imports of mechanics, electronic devices and natural resources (Garai,2022; Garai et al., 2022; Bozsik, 2022).

## **Method**

### **An Analysis of the Reasons for the China-US Trade War**

The reason why US launched the trade war is that there is a trade deficit of 200 billion US dollars between the two countries. How did the \$200 billion trade deficit come about? Is it really scientific and objective for the United States to calculate this trade deficit unilaterally?

According to the pictures, the US trade deficit with China in 2016 reached 347 billion US dollars, nearly 47.3% of the total US trade deficit in goods. Japan and Germany are the second largest countries with 9.4 percent and 8.9 percent, respectively.



Figure 1. Total imports and exports of the US during recent years. Source: World Bank

Since China became a member of WTO, the trade deficit of the United States with China has gradually increased from 20.2% in 2001 to nearly 50%. However, the fact is that the deficit is overestimated under the US statistical method because of the statistical differences between the United States and China. China uses raw materials from European and American countries to process and assemble products, and then sells them to European and American countries. But the United States neglected this point when calculating the trade balance, which led to such a huge trade deficit between The United States and China. Therefore, although the trade surplus between the United States and China is in China, the interest surplus is in the United States. To sum up, it seems untenable to wage a trade war based on trade deficit alone. Moreover, Trump has a commercial background and cannot fail to understand the importance of it. Historical experience has proved that the contest between major powers, especially between the first and second powers, is not more an economic performance, but an international political act.

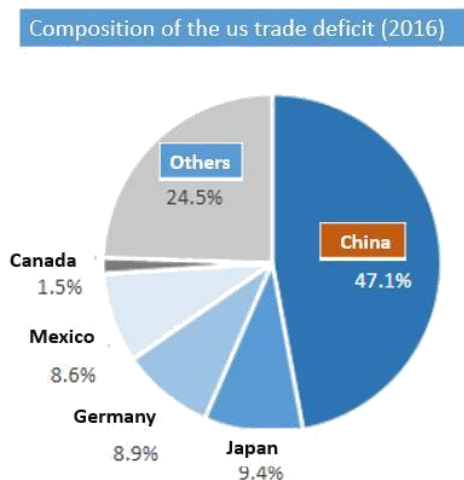


Figure 2. Composition of the US trade deficit. Source: World Bank

As is shown in Figure 3, the types of goods imported by the United States from all over the world are relatively average. The top three types of goods imported by the United States are mechanical, electronic and chemical and health products. Chinese goods make up 11%, 41% and 9% of the total imports of these three types of goods respectively. In addition, China's clothing and living and office supplies account for 41% and 32% of

America's imports, respectively. Therefore, electronics, clothing and living and office supplies are the most important three types of China's exports in the CN American trade structure.

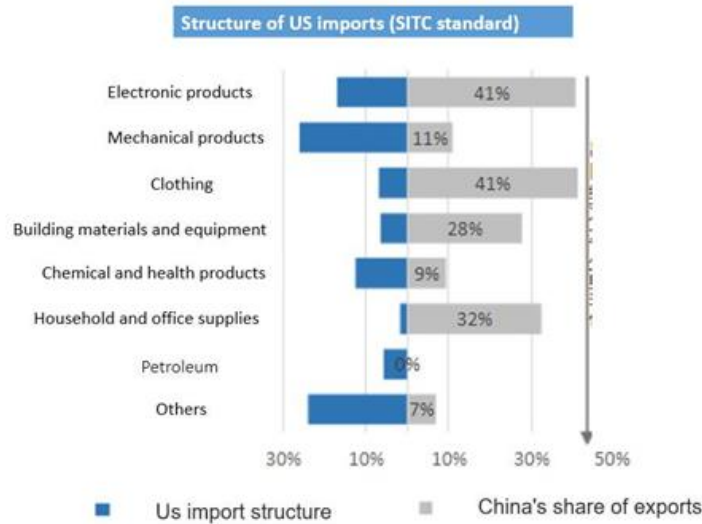


Figure 3. Structure of US imports. Source: World Bank

In Figure 4 we can see that the import of American goods in China, since the 2009 and 2012, the United States after some relax restriction on China's high-tech products exports, China's high-tech technology products imported from the United States have different degree of rebound, and high-tech products imported in 2016 fall also dragged down the growth. Thus, American restrictions on Chinese technology exports are an even more important obstacle to CN American trade.

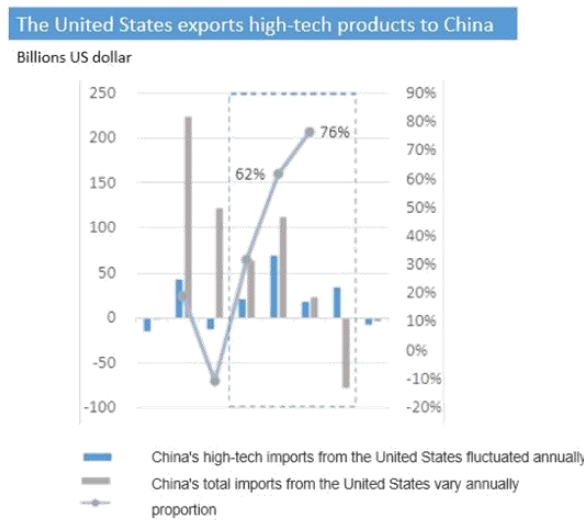


Figure 4. The US exports high-tech products to China. Source: World Bank

Back in the 1960s, the United States also launched a trade war against Japan on the basis of its trade deficit. During the 30 years from 1960 to 1990, the United States and Japan had played seven rounds of games on textiles, color TV, steel, automobiles, exchange rates, semiconductors and structural trade, which led to a 20-year downturn in Japan's economy. At the same time, there is another factor that cannot be ignored, namely, the impending mid-term elections in the United States. Looking back on history, we can easily find that almost all presidential candidates have attacked China in the campaign since China's rise. For example, during his presidential campaign, Trump made a lot of comments complaining about the US trade deficit against China, accusing China of manipulating its exchange rate, and even threatening to impose a 45% tariff on Chinese imports. In the face of the mid-term elections, it is not difficult to understand Trump's initiation of a trade war with China. Although campaign slogans do not imply a real policy toward China after election, they are a campaign strategy for candidates. Therefore, the CN-US trade war is not a sudden occurrence, more is the deep concern of the United States about China's rise.

## **China's Countermeasure**

While the trade war brings challenges to China's economy, it also provides opportunities for China's industrial upgrading and optimization. First of all, China implements an innovation-driven development strategy, promotes the optimization and upgrading of the manufacturing industry, and accelerates the deep integration of its application with industrialization. Since the beginning of reform and opening, China's manufacturing industry has maintained rapid growth and established an independent and integrated industrial system covering a wide range of sectors. At the same time, it has promoted industrialization and modernization and significantly enhanced China's overall national strength. There are obvious gaps in the capacity of independent innovation, efficiency of resource utilization, level of industrial structure, degree of informatization, quality and efficiency, environmental protection, and other aspects. China's task of transformation, upgrading and leapfrog development is still urgent and arduous. Premier of China government said on the 2016 Asian BBS that the focus of the made in China 2025 breakthrough should be mainly on the integrated development with the Internet and accelerating the development of China's industry (Hosain & Hossain, 2019). The core of made in China 2025 is to realize intelligent upgrading of manufacturing. The combination of the Internet, mass entrepreneurship and innovation, and made in China 2025 will lead to a new industrial revolution. Secondly, the Trump administration should be aware of the possible costs of starting a trade war, such as the rising cost of living and inflation of American residents, the trade deficit will not decrease if China reduces imports, and the decline of support in mid-term elections. There will be no winner in a trade war, and relevant industries in China will suffer from it. The government should do a good job in subsidizing the relevant losses to ensure the normal operation of relevant industries and minimize the losses. Third, China should take the One Belt and One Road initiative as an opportunity to unite with the Asia, Africa and Europe. China can make use of the good opportunity of "One Belt and One Road" and the achievements of "One Belt And One Road" strategy to unite the countries along the belt and road, promote the complementary advantages between China and the countries along the road, giving the promotion of the structural transformation, upgrading and optimization of the manufacturing industry, and achieve a win-win situation. Although developing countries account for the majority of the "Belt and Road" countries, as national support is strengthened, opportunities in the "Belt and Road" direction will not be ruled out in the future.

## **Conclusion**

With the rise of the core competitiveness game among global powers, the protectionist color of the high-tech field will only become stronger and frictions will become more frequent in the future. The CN-US trade conflict may be inevitable, which will force China to accelerate its industrialization High-end chain promotion layout. We should learn from other countries in product design, pack the products as a whole, improve the quality of the products, use modern marketing methods and other brand wars, and strive to create international famous brands. When undertaking industries, China should choose high value-added or high-tech industries and abandon those industries with high pollution and high energy consumption. In addition, China should enhance and improve the service industry and tertiary sector, actively expand emerging markets, and tap new products with comparative advantage in export. China should also transfer some products with low added value to other countries for production through foreign direct investment, encourage enterprises to go to the world, so as to optimize the industrial structure. CN-US economic and trade issues have accumulated over time and space in the course of decades of development. Responsibility cannot simply be attributed to the Chinese side, nor can it be resolved overnight by "forced twisting". Recognizing this reality, we can really find the starting point for solving the problem. You know, the accumulation of thousands of miles, the accumulation of small streams into rivers and seas. Now, The United States and China agree to go step by step, which is the embodiment of seeking common ground while shelving differences and adopting a pragmatic and rational approach to constructive action. The United States and China should make every effort to ensure that bilateral relations develop along the right track. The economic and trade friction over the past year has fully proved that the comparison of the strengths of the United States and China has determined that neither party has the ability to "roll over" the other. The truth that "the trade war has no winner" is getting more and more popular. The factors of win-win cooperation are converging, and the more they gather, the stronger

## **Scientific Ethics Declaration**

The authors declare that the scientific ethical and legal responsibility of this article published in EPESS journal belongs to the authors.

## Acknowledgments or Notes

\* This article was presented as an oral presentation at the International Conference on Management Economics and Business ([www.iconmeb.net](http://www.iconmeb.net)) held in Antalya/Turkey on November 16-19, 2023.

## References

- Bozsik, N. (2022). Kis- és közepes méretű napelemes erőművek teljesítményoptimalizálása és Rendszerfelügyelete. *Biztonságtudományi Szemle*, 4(2), 75–85.
- Bozsik, N., & Szeberényi, A. (2023). Examination of the Hungarian electricity industry structure with special regard to renewables. *Energies*, 16(9), 3826.
- Chang, P.-L., Yao, K., & Zheng, F. (2021). *The response of the Chinese economy to the US-China Trade War: 2018-2019*. Singapore Management University.
- Csapó, L. A., Czikkely, M., & Foldi, P. (2018). Az információ menedzsment szerepe az okos városok vállalatfejlesztésében és kontrollingjában. *Controller Info*, 6(4), 27–35.
- Csiszárík-Kocsir, Á. (2011a). A gazdasági válság hatásainak vizsgálata életkor szerint egy primer kutatás eredményeinek tükrében. In A. Ferencz (Ed.), Erdei ferenc VI. *Tudományos Konferencia : Válságkezelés a tudomány eszközeivel* (pp. 203-207, Vol. 1-3). Kecskemét, Magyarország : Kecskeméti Főiskola, Kertészeti Főiskolai Kar
- Csiszárík-Kocsir, Á. (2011b). A gazdasági válság hatásai az iskolai végzettség alapján képzett csoportokban egy kvantitatív kutatás eredményeinek tükrében. In A. Ferencz (Ed.), Erdei ferenc VI. *Tudományos Konferencia : Válságkezelés a tudomány eszközeivel* (pp. 208-207, Vol. 1-3). Kecskemét, Magyarország : Kecskeméti Főiskola, Kertészeti Főiskolai Kar
- Csiszárík-Kocsir, Á., Fodor, M. (2013). Mennyire befolyásolták a makrogazdasági mutatószámok a költségvetési helyzetképet a válság előtt és után?: Eredmények a Visegrádi négyek országcsoporthoz adatai alapján. In I. Z. Nagy (Ed.), *Vállalkozásfejlesztés a XXI. században III. : tanulmánykötet*, Budapest, Magyarország: Óbudai Egyetem
- Csiszárík-Kocsir, Á., Fodor, M., & Medve, A. (2013). The context of the macro data and the characteristics of the general government in central Europe. *International Proceedings of Economics Development and Research*, 59, 195-199.
- Csiszárík-Kocsir, Á., & Medve, A. (2012a). The perception of the recession due to the effects of the economic crisis in view of the questionnaire-based research results. In K. Gy (Ed.), *Proceedings of the MEB 2012 10th International Conference on Management, Enterprise and Benchmarking* (pp. 263-272).
- Csiszárík-Kocsir, Á., & Medve, A. (2012b). Életünk mindennapjai a válság után – avagy a válság hatásainak személyes észlelése kutatási adatok alapján. In I. Z. Nagy (Ed.) *Vállalkozásfejlesztés a XXI. században II* (pp. 135-145).
- Fajgelbaum, P. D., & Khandelwal, A. K. (2022). The economic impacts of the US–China trade war. *Annual Review of Economics*, 14, 205-228.
- Fodor, M. (2022). Constructing Hungarian American ethnic identity in intergenerational memory narratives. *Hungarian Conferences*.
- Foldi, P. (2015a). A kisvállalkozások tökeszerkezeti problémáinak gyakorlati modellezése. *Controller Info*, 3(1), 8–15.
- Foldi, P. (2015b). Relation of the capital structure and profitability based on literature. *Studia Mundi - Economica*, 2(2), 61–69.
- Foldi, P., & Medveczky, B. (2015). Tökeszerkezet és jövedelmezőség összefüggéseinek elméleti bemutatása és értelmezése a KKV szektorban. *Controller Info*, 3(1), 52–57.
- Garai-Fodor, M. (2022a). The impact of the coronavirus on competence, from a generation-specific perspective. *Acta Polytechnica Hungarica*, 19(8), 111-125.
- Garai-Fodor, M., Szemere, T. P., & Csiszárík-Kocsir, Á. (2022b). Investor segments by perceived project risk and their characteristics based on primary research results. *Risks*, 10(8), 159.
- Garai-Fodor, M., Vasa, L., & Jäckel, K. (2023). Characteristics of segments according to the preference system for job selection, opportunities for effective incentives in each employee group. *Decision Making: Applications in Management and Engineering*, 6(2), 557-580.
- Göbölly, B. M., & Földi, P. (2022). Volkswagen group marketing, economic and financial analysis. In XVII. *FIKUSZ 2022 International Conference* (pp. 603–621).
- Groenewold, N., & He, L. (2007). The US–China trade imbalance: Will revaluing the RMB help (much)?. *Economics Letters*, 96(1), 127-132.
- Hosain, S., & Hossain, S. (2019). US-China trade war: Was it really necessary? *International Journal of Business and Economics*, 4(1), 21-32.

- Klitgaard, T., & Schiele, K. (1997). The growing US trade imbalance with China. *Current Issues in Economics and Finance*, 3(7), 6.
- Lincicome, S. (2020). Testing the 'China shock': Was normalizing trade with China a mistake? *Cato Institute, Policy Analysis*, (895).
- Löblin, J., Foldi, P., & Széphegyi-Jónás, A. (2017). Examination of economic indicators influencing export performance of selected countries between 2006-2016. In *FIKUSZ 2017 - Symposium for Young Researchers: Proceedings* (pp. 223–233).
- Narine, S. (2018). US domestic politics and America's withdrawal from the trans-pacific partnership: implications for Southeast Asia. *Contemporary Southeast Asia*, 40(1), 50-76.
- Pató, G. Sz. B., Csiszárík-Kocsir, Á., Varga, I., Herczeg, M., Dominek, Á., Pató, B., Kiss, F. (2020). Short supply chains from an intermediary's point of view. *On-Line Journal Modelling the New Europe*, 11(34), 168-183.
- Pató, G. S., Herczeg, B., M., & Csiszárík-Kocsir, Á. (2022). The covid-19 impact on supply chains, focusing on the automotive segment during the second and third wave of the pandemic. *Risks*, 10(10), 189.
- Pervez, H., Ali, Y., Pamucar, D., Garai-Fodor, M., & Csiszárík-Kocsir, Á. (2022). Evaluation of critical risk factors in the implementation of modular construction. *Plos one*, 17(8), e0272448.
- Sachs, J. D. (2018). *The war on Huawei project syndicate*. Retrieved from <https://www.project-syndicate.org/commentary/trump-war-on-huaweimeng-wanzhou-arrest-by-jeffrey-d-sachs-2018-12?barrier=accesspaylog>
- Shea, D. (2018). Ambassador Shea: China's trade-disruptive economic model and implications for the WTO. Statement delivered at the WTO general council, Geneva. Retrieved from <https://geneva.usmission.gov/2018/07/27/55299/>
- Wang, Y. (2020). Causes of US-China trade imbalances: a review. *Journal of Chinese Economic and Foreign Trade Studies*, 13(1), 37-44.

---

#### Author Information

---

**Albert Molnar**

Obuda University, Keleti Karoly Faculty  
1084 Budapest Tavazsmezo street 15-17,  
Hungary

**Patrik Viktor**

Obuda University, Keleti Karoly Faculty  
1084 Budapest Tavazsmezo street 15-17,  
Hungary  
Contact e-mail: [viktor.patrik@uni-obuda.hu](mailto:viktor.patrik@uni-obuda.hu)

---

**To cite this article:**

Molnar, A., & Viktor, P. (2023). The US-China trade war: A constructive analysis of the causes and methods of de-escalation. *The Eurasia Proceedings of Educational & Social Sciences (EPESS)*, 32, 1-7.