



Analysis of Main Problems and Countermeasures about Sino-US Trade Frictions

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Abstract

China and the United States as the world's largest developing country and largest developed country, Trade relations between the two countries have been the focus of worldwide attention. This paper describes the current Sino-US trade relations, put forward the main problems of the Sino-US trade friction, and analysis the specific measures for China dealing with trade friction between China and the United States. Facing the future, the way ahead will be a lot of problems, but the base of Sino-US economic and trade development is solid. As long as both sides work together by strengthening high-level bilateral dialogue and effectively consultative mechanisms to promote mutual understanding and trust, Sino-US trade prospects are bright.

Keywords: Sino-US trade friction, U.S. trade deficit, Anti-dumping, Labor and environmental standards

1. The present situation of Sino-US trade relations

China and the United States as the world's largest developing country and largest developed country, Trade relations between the two countries has been the focus of worldwide attention. Since 1979 the diplomatic relations between the two countries had been established, Sino-US trade had been developing rapidly and comprehensively. By 2002, with China's accession to the WTO, Sino-US economic and trade relations are entering a rapid growth phase. In the past two years, the complementary nature in term of the trade structure of China and the United States continued to strengthening, Sino-US bilateral trade volume had achieved a growth rate of above 20% every year. The United States has become China's the second largest trade partner, the largest export market and the sixth largest source of imports; China has become the third largest U.S. trade partner, the second largest source of imports and the 4th largest export market. Such a high degree of dependence on trade shows that bilateral economic and trade cooperation between China and the United States has been a qualitative change, Trade content has expand from its traditionally advantageous import and export products to various areas of economic co-operation. However, the rapid development of Sino-US trade, at the same time, attendant trade friction has been growing. As a result, in theory trade cooperation between the two countries should have a wide space, however, the trade relations between the two countries are often hung over by dark clouds.

2. Main problems of Sino-US trade friction

2.1 U.S. trade deficit with China continue to be the focus of contradictions

At present, except of Hong Kong, the United States has become China's largest source of trade surplus. In theory and in practice, U.S. trade deficit will help optimize the industrial structure in the United States and help the phasing out of domestic products which had lost the comparative advantage. At the same time, inexpensive Chinese exports reduced the inflation pressure of the United States and raised the lower-middle class purchasing power in real terms. However, many economists of the United States think that the U.S. trade deficit with China is China's faults, they also believe that the Chinese government manipulate currency artificially to promote export growth. Therefore, U.S. Government has been laid constant pressure to force RMB to appreciate as a means of cutting down the U.S. trade deficit. However, facts have proven that the revaluation of RMB do not help alleviate the pressure on the dollar to weaken and reduce the U.S. trade deficit substantially. As a result, both the Chinese exchange rate system to adjust and the value of the RMB to reevaluate do not have a major impact on the trade deficit with China and the United States, the problem still exists.

2.2 Anti-dumping fights between China and the United States come back

U.S. always deny the fact that China have established and improved socialist marketing economic system, in the past years, U.S. always adhere discriminately to China's "non-market economy" and adopt an alternative method to calculate dumping margins. On objective, the method obliterate advantages of China's cheap labor, low wages and benefits, the interests of Chinese enterprises and products have seriously damaged. This anti-dumping "protection" means which WTO allowed put openly discriminatory policy on China's export enterprises, resulting in disadvantage of China's foreign trade in the international competition.

2.3 Pressures of labor and environmental standards sharp

Environmental protection and labor standards are the important contents of the United States trade policy in the 21st century. The main performances of environmental criteria are trade barriers which caused by environmental laws and label-certification program, commonly known as "green barriers". The main performances of labor standards embody some strict rules and standards in the production process involved in human rights, production conditions, fire prevention measures, as well as employee benefits, often referred to as "social barriers". Although these regulations and standards on the objective promote the level of environmental protection technology and production standards form exports enterprise of every country further to move closer to international standards. But in term of situation of China's relatively backward technology, the United States setting standards and the various measures accordingly no doubt is a new type of export barriers.

3. Analysis of countermeasures about Sino-US trade friction

3.1 How to reduce U.S. trade deficit with China

U.S. trade deficit with China mainly derived from the difference of the consumption structure and trade structure between the two countries, if the underlying economic structures are not adjusted, then the U.S. trade deficit with China which continued for 34 years will continue to exist. First of all, as far as people's consumption habits between the two countries, U.S. residents' consumption and investment rates are far higher than savings rates; But the Chinese people's propensity to save is very strong, which lead to little achievements of our government policy of expanding domestic demand several times. What's more, as far as the structure of export trade between the two countries, the China exports to the United States are mainly labor-intensive products and manufactured goods which are part of low-end market; The United States exports to China focused on the resources, high-tech products and services which are part of high-end market. The great differences of consumption concept and export levels between the two countries led to the obvious difference in the relative capacity of the consumer market, the strong spending power of the United States provide a broad export market for China, China imports from the United States are concentrated in energy and technology-intensive products, which are a huge amount but a substantial increase in the small space, so Sino-US trade surplus has been not to ease. To truly smooth friction and disputes the Sino-US trade surplus brought about, China must start with adjusting the industrial structure and speed up economic restructuring. China's foreign trade had spent the primary stage of growth, so we have to reduce export dependence of low-value-added manufactured goods and promote technology innovation and equipment upgrades, make "demand-driven product differentiation" instead of "the price war derived from homogeneous products" and make "higher prices for better quality" instead of "small profits but quick turnover", improve the ability to resist risks, join up to the high-end products to compete with developed countries.

3.2 How to hold back Anti-dumping lawsuit

Anti-dumping cases from the United States China has been faced with are concentrated in low-end products, including cold-rolled carbon steel, apple juice concentrate, brush, aspirin, paper clips, etc. The amount of China exports to the United States each year accounted for only 8% of the total, while the U.S. anti-dumping cases to China are accounted for more than 20% of the total, much higher than other countries and regions. From this point of view, the U.S. anti-dumping action is a way of protecting a domestic industry against China. In addition, the issue of Sino-US trade friction is also focused on the exchange rate, the United States claimed that the RMB is seriously undervalued, China maintain stability of currency in order to promote export growth. With the higher class of the Sino-US trade disputes and the constant pressure from the U.S. government, RMB was forced to revalue in 2007. RMB appreciation makes Chinese exports products, relative to other countries, become more expensive, which has been weakened competitive advantage of a low-cost, China exports situation further deteriorated. However, China's government has not taken the way of export subsidies to maintain the export growth rate, while serve the appreciation of the RMB as an opportunity to guide China's exporters achieving the transition. At the beginning of 2008, in line with the restructuring of domestic exports, China's government further expand the area of domestic exports tax rebate. The cancellation of the export tax rebate in some fields means that many of exporters in these fields will have to face the bankruptcy, also means that surviving export enterprises must choose a new way to go. Our export enterprises must be based on scientific and technological progress to achieve industrial upgrading and structural optimization, pay attention to product quality and enhance the value-added, no longer blind pursuit the low-cost which brought about by economies of scale, Gradually

change “the expansion mode of export number” to “the enhancement model of the export effectiveness”. The ultimate realization of the “knowledge-intensive products” substituting for “labor-intensive products” fundamentally put an end to the struggle of anti-dumping lawsuit.

3.3 How to remove pressures of labor and environmental standard

In recent years, the rapid growth of China's fixed asset investment has led to the great contradictions between increased production capacity and constraints of resource and environment. Resources and the environment carrying capacity have reached its limit, to achieve industrial upgrading and transform the measure of industry growth no longer to delay. Otherwise, the green barriers form developed countries like the nightmare of China's exports trade in general winding and lingering. Although we know very well that the U.S. green barriers, to some extent, are man-made cards. However, we protest the inequality of the international competitive environment, we should more make Soul-searching and find out ourselves' crux. In term of the unit energy consumption and emissions, China is much higher than the United States. As a result, in accordance with the requirements of environmental protection, both the implementation of energy-saving and emission reduction and the achievement of saving water and energy and reducing consumption is the first step for China to defeat the green trade barriers. At present, the most authoritative environmental management standard all over world is ISO14000, which has developed a series of comprehensive standards collecting advanced environmental management experience and offers a suit of prevention-oriented management measures to reduce environmental pollution. Now many countries around the world serve ISO14000 as a market access certification and refuse import products which do not meet the criteria. Therefore, to obtain certification will help break the green barriers. In the future, in order to bypass a “green barriers” the United States set up, China's foreign trade companies should strive to achieve not only through ISO9000 quality system but also through ISO14000 environmental quality System, produce qualified products provided with quality assurance and environmental quality assurance.

4. The outlook of Sino-US trade relations

In the case of Sino-US trade friction to sustain, we should not hold a dispute between two sides and should seek more common interests between two sides. The divergence of economic structure between China and the United States make their import and export trade oppose highly complementary. China has a huge advantage in labor cost and unique comparative advantages in economies of scale, which provide a solid expansion space for the expansion of any industry. With the next phase of our economic growth, the domestic market will further develop and grow. The huge potential capacity of domestic consumptive market in the next few years will absorb a large number of products, which provides a potential opportunity for the United States' export trade. The essence of Sino-US economic relationship is mutual benefit and interdependence. This relationship between China and the United States not only has brought great benefits for the two countries' peoples, but also promoted the growth of the world economy. Although the way ahead will be a lot of problems, but the foundation of Sino-US economic and trade development is solid. As long as both sides work together by strengthening high-level bilateral dialogue and effectively consultative mechanisms and promote mutual understanding and trust, Sino-US trade prospects are bright.

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