

The Trade War Between the United States and China: Public Policy Implications

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ABSTRACT. *The continuing trade war between the United States and China threatens to destabilize economies across the globe. When examining the trade war, it is critical to understand both sides and the arguments they have offered regarding reasons for the trade dispute. The purpose of this paper is to examine the global trade issues that are creating stresses, challenges, and a breakdown of global financial order. Both the origins and solutions to the trade war involve public policy concerns. Only through an analysis of the reasoning of both sides can a public policy solution be researched and offered.*

KEYWORDS: *Trade War, China, United States, Public Policy*

1. Introduction

The purpose of this paper is to examine the global trade issues that are creating stresses, challenges, and a breakdown of global financial order. There will also be a brief analysis of both the US and China interest and how those goals may coexist. Last, policy recommendations will be given on how to develop the necessary tools of productive statecraft that can help the World move forward in place of this ongoing trade war. The goal is to discuss ways to improve public policy concerning trade. Also, we will discuss how we might redesign the architecture of global trade to consider the citizens as well as the businesses of the World.

2. China's Issues

The decision-making level of China is progressing rapidly and aggressively toward achieving some of China's goals, which include:

- A. Increasing Chinese influence in the oceans of the Western Pacific ;

- B. Increasing economic agreements and leverage over the countries of the region, thus increasing the level of China's soft power in the region ;
- C. Seeking reunification with Hong Kong and Taiwan, thus asserting Chinese territorial claims ;
- D. Strengthening and improving China's military and its military's reach ;
- E. Facilitating economic policies within the region to increase interconnectivity within Asia, allowing China to play a more significant role in existing multilateral systems ;
- F. Maintaining positive relationships with global trading partners ;

Although much has been said of late concerning China's reaction to both the changing climate of global trade and American tariffs, much can be learned from what China has not done. China is not seeking drastic changes to the worldwide order. There have been no military forces deployed, especially against Hong Kong or Taiwan. No islands in the South or the East China Sea have been attacked, and there has been no direct aggression against its chief economic rival, the United States. China appears willing and ready to work and make necessary changes.

One must also take into consideration the positive actions and results that have occurred regarding China's policy actions. China has risen to the position of largest trade and investment partner in both East and Southeast Asia. It has become a respected trading partner of the US with a relationship that rivals what the US has with Canada. They have offered substantial bilateral economic aid to Asian, African, and Latina American countries and the IMF will soon include RMB in the global reserve currency basket. China has come a long way on the worldwide stage in a short time, a fact that has not gone unnoticed by its chief trading partner, the United States.

3. United States Issues

The United States has argued that there are specific economic and public policies that must be addressed before China can move forward in its desire to become even more of a global superpower. There are six chief concerns raised by the United States. The first of which is cybersecurity, and cyber innovation. No country wants to be vulnerable to their networks being hacked or valuable information being stolen. The United States and China are the World's largest and most advanced cyber powers, and both fear cyber incursion from each other and rogue states who may be seeking global advantage (Jinghua, 2019). Since both countries have this concern, they should approach these concerns together as a joint effort to avoid misunderstanding.

The second policy concern regards the protection of foreign investor rights. Even with the disturbance taking place regarding the trade war and protest in Hong Kong,

Chinese Mainland investors are still clamoring to do business in the United States. As Eric Landau, a partner and chair of real estate department at Paul Hastings describes, “The combination of increased enforcement on the restriction of money outflows, as well as some of the uncertainties that have come with China’s tariffs and government intrusion, if they have an issue with a company, have had a little chilling effect on Chinese investment in the US (Chan, 2019). China, on the other hand, is facing a problem with outside investors. Amid the trade war turmoil, visitation to China by US citizens is down by three percent, many American companies are remapping their supply chain out of China, and there is increased scrutiny on Chinese investment by the Committee for Foreign Investment in the United States (Rapoza, 2019).

The third Chinese policy that the US feels needs increased attention is the adoption of the standards of the Foreign Corrupt Practices Act. The Foreign Corrupt Practices Act of 1977 is a US federal law that addresses accounting transparency requirements under the Securities Exchange Act of 1934 and issues of bribery of foreign officials. Currently, Chinese companies are in the “Bull’s Eye,” when it comes to the United States Department of Justice’s search for violations of United States National Security concerns (Pang, 2019). China has a history of maintaining loose standards concerning bribery and payoffs to foreign officials. Although Xi Jinping has engaged in many high profile and celebrated campaigns against Chinese based corruption, the World at large, especially the United States, remains skeptical. Until consistently enforced rules against corruption in China are ratified, this issue will continue to be a point of contention in the US. Sino trade relations.

The fourth major issue is Central Bank coordination. While facing a time of global market instability, more coordination should exist among the G-7 central banks and the Chinese finance ministry. Recently, China’s central bank called for more coordination between the country’s monetary policy, fiscal policy, and other policies (Reuters, 2019). To gain more global trust and goodwill, the Central Bank of China will need to seek a balance among interest rates, currency exchange rates, and international payments.

The fifth issue concerns treaties involving fisheries and conservation. China is considered the largest fish-catching and consuming nation on the globe and is frequently accused of overfishing its own and neighboring waters. This has caused concerns worldwide concerning fish and other seafood populations worldwide. Although China is seeking to remedy the problem by releasing hundreds of thousands of fish seedlings into local bodies of water on “Fish Release Day,” it must do more to be taken seriously by international organizations devoted to the conservation of wildlife and environmental resources (Godfrey, 2019).

The final issue of concern that will be discussed in this paper is probably the stickiest issue and the one requiring the most significant shift in Chinese public policy. Protection of intellectual property rights is a massive issue for major companies like Apple, Huawei, and many others. The president of the United States continues to accuse China of

outright theft of American intellectual property, and American agencies continue to cite “harm caused by China’s unreasonable technology transfer policies” as a primary reason for trade tariffs against China (Volodzko, 2019). There seems to be no resolution in sight to this issue. Jane Cai (2019) of the South China Morning Post goes as far as to claim that the two sides are “speaking different languages” about laws regarding intellectual property rights. Donald Trump claims damages as significant as US\$600 billion per year, while Beijing claims that “all the accusations of forced technology transfer and IP theft are groundless.” This issue will remain a heated point of contention between the two superpowers until mutual definitions of critical terms like property rights and theft can be determined.

4. What Should be Done

As issues continue to develop in international trade relations concerning China, attention must be paid to the public policies that affect and are affected by the current trade war. For example, trade agreements can change public policy through labor clauses. Agreements may harm employment relations to the detriment of health and health inequalities (McNamara and Labonté, 2017). They also affect the living conditions and socioeconomic determinants of health that public policy aims to address (McNamara, 2017). Trade agreements have been linked with higher income inequality, poverty, and economic insecurity (Labonté et al., 2017). One cannot deny the effects of international trade policy on both macro and microeconomic factors, which in turn affect public factors. One cannot consider public policy without considering economic policy. That being said, it is crucial to consistently find the interest of both China and the United States when viewing the policy change as we have done in this paper. Both sides have blame to carry, and both parties must agree to balanced approaches to disagreements. Continuing to pursue individual agendas without taking into account each other's concerns, and the interests of the rest of the globe who also have a stake in the outcomes of this war would be a mistake. Shots heard around the World will continue to have an impact, even if the ones firing the shots refuse to see or hear those impacts.

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