Thesis Work

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A Trade War between China and the United States?
Sino-US Trade Disputes Analysis

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1. Introduction

The United States is the only super power in the world nowadays, and its economic development determines the economic trend of the world to a great extent. As to China, it is the biggest developing country, and it has developed dominant trade relations with major economic entities in the world. Especially after the financial crisis in 2008, China has played a critical role in the stabilization and growth of the world economy. Although the total volume of trade between China and the US is surprisingly rising and the interdependence continuously deepens, trade disputes and frictions become extremely drastic. In 2016, trade between China and the United States reached $519.6 billion, and bilateral trade in services exceeded US $100 billion.\(^1\) The cumulative investment between China and the United States has exceeded $170 billion. However, according to China’s Ministry of Commerce (MOC) (2017), the United States conducted 140 trade remedy measures in 2016, and anti-dumping measures are 102. The amount of money involved has increased by 131% over 2015, reaching 3.7 billion US dollars.\(^2\) China-US trade relation is not only vital to their own development, but also has a significant impact on the world economy. Once a trade conflict, even a trade war between China and the United States breaks out, the result will not only influence the development pace and prospects for the two countries, and it is possible to cause some degree of shock to the global economy. Moreover, trade disputes and frictions are not simply economic issues. Government regulations, domestic and foreign policies are also involved. Furthermore, under the combination of these factors, the trade relationship between the two parties can be variable.

Generally, the Bush administration set the tone of China-US trade relation. At his first term in office, he supported China entering the WTO, and granted China Permanent Normal Trade Relations (PNTR). As to US-China trade, the United States became

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2. [http://europe.chinadaily.com.cn/business/2017-02/10/content_28160533.htm](http://europe.chinadaily.com.cn/business/2017-02/10/content_28160533.htm) <2017/11/21>
China's second largest trading partner and the largest export market in 2001. Meanwhile, China became the largest trading partner outside the North American Free Trade Area and the fourth-largest export market. China-US trade grew by an average of 27.3% per year from 2002 to 2006 (Wang and Li, 2010). However, with the rapid development of trade relations, the American trade deficit with China has increased rapidly. China replaced Japan in 2000 as the country's largest source of trade deficits. Trade between China and the United States passed the 200 billion mark in 2005, and the US trade deficit with China exceeded 100 billion US dollars (Wang and Li, 2010). President Bush changed his trade strategy with China in his second term, and trade disputes emerged and grew fast. Meanwhile, academic research on trade frictions between China and the United States increased enormously during this period. During the 2016 election, many media outlets were speculating about the possibility of a trade war between China and the US, as well as its implications, because of Mr Trump's unorthodox campaign and manifesto. After Trump took office, his words and deeds also add a lot of uncertainties to China-US relations, especially in terms of trade. The trade conflict between China and the United States has once again become a hot topic in academia.

The Sino-US trade disputes last for nearly two decades, and China has become the second largest economy in the globe, but the reasons for the trade dispute between China and the United States are still those several factors that were commonplace a decade ago: trade deficits, exchange rates, and some other market issues. It may not help to allay trade conflicts. This is my original intention of writing this essay. Those articles are quite well-structured and convincing, but they do not consider the situation of China. If both countries can think in terms of the position of each other, then perhaps the confrontation will not intensify. Therefore, this thesis will review opinions of both sides on the same issue: trade disputes between China and the United States. Then this paper will analyze whether there are underlying reasons to explain the conflict between the two sides. In this case, we can make a judgement about the question: will trade disputes increasingly intensify and finally trigger a trade war between China and the United States?
My hypothesis is that the Sino-US trade disputes may not decrease in the next 10 years, but it is either not likely to break out a trade war between China and the US. Generally speaking, the possibility of a trade war between China and the United States is small, because it is absolutely not accordance with future national interests and the need of development for both countries and the entire world. They cannot afford the impact of the trade war. Taking Trump administration as an example, after Trump took office, his comments took a dramatic turn, trying to ease relations and promoting cooperation with China. Therefore, it is more realistic to explore whether trade conflicts between China and the United States will increase, and how to deal with them. If we want to truly understand China-US trade conflicts, we should study the situation of China and the United States and the views on bilateral trade starting with the root cause to find a solution to the problem.

In order to make a convincing argument, and to provide a new perspective on the issue, this thesis will give a thorough analysis. The first section will, from a historical perspective, introduce the trade relation between the two countries, including trade volume, sectors and products. The second section will analyze their trade disputes, and the next section is about trade dispute settlements. Trade conflicts between China and the United States mainly focus on textiles, steel, integrated circuits, patents and trade policies of both sides. According to WTO records, trade conflicts between China and the United States are more intense than other countries, and the number of conflicts and amount of trade are larger. The dispute settlements include multilateral and bilateral methods, such as the Dispute Settlement Mechanism (DSM) of the WTO as an effective way of multilateral method and US-China Strategic and Economic Dialogue (SED) as a bilateral method. The fourth section will discuss the cause behind trade frictions, combining Chinese and American scholars point of views, rather than support one side and blame the other. More importantly, their economic development strategies and the changing environment of international community, like the financial crisis, are taken into consideration in this part of paper. The fifth, also the last section of analysis will be the effect of trade disputes. Mainly, it separates into three parts: the effect on the two
sides of the trade, on the whole world, and on the third parties of the trade. Countries’ reactions, especially China’s, will be a part of the discussion. Moreover, the effect, generally, is negative on those parties, but in some special cases, it may have some positive impacts. At the end of the article, I will draw my conclusion.

2. Literature Review

2.1 Literature about Sino-US trade disputes

In this part, both Chinese and American scholars made the same statement. Firstly, considering the future of Sino-US trade, conflicts may become more intense (Wang, 2017; Hufbauer, Wong & Sheth, 2006). Secondly, in terms of the scope of the conflict, it is mainly labor intensive and low value added products, like textile and steel product. Auto parts and intellectual property frictions also gradually increased (Morrison, 2011; Mou, Zuo & You, 2012).

Both Hsieh (2009) and Hufbauer & Woollacott (2010) analyze Sino-US trade conflicts from the perspective of the WTO. They use the WTO Dispute Settlement Mechanism (DSM) to specify the trading product and methods used in the conflict. For example, countervailing and anti-dumping measures are the most common approaches for the United States to restrict imports from China. This statement is consistent with the findings of Chinese scholars (Zou & Fan, 2013). Zhao (2001) also uses a new perspective to analyze the issue, the change of conflicting types. To some extent, he reveals that trade conflicts will change with the stages of economic development of both trade parties.

It is noteworthy that many of those, especially American scholars treat the Chinese exchange rate issue as one part of trade disputes, which is reasonable. However, in this paper, it is expressed as one reason for the trade deficit of the United States. Therefore, it is classified as a cause for trade disputes.

2.2 Literature about disputes settlements
Both foreign and Chinese scholars agree that the WTO framework plays an essential role in the dispute settlement (Seshadri, 2016; Otor, 2015; Davey, 2014; Tian, 2006). The WTO and its DSM provide China and the United States a rule-based platform to solve their trade issues. They prevented the deterioration of the bilateral trade relation. However, Tian (2006) and Lin (2017) questioned the effectiveness of the WTO mechanism. Gao (2011) claims China is challenging the WTO rules.

The SED between China and the United States remains to be a “talk shop” (Hsieh, 2009; Yan & Xu, 2016). On the one hand, the scope of the issue is too large to address the solution. On the other hand, the two sides do not have enough executive power. The only result is that the United States has tangible benefits from China, such as government procurement. China “quiets” the United States for a while, reducing its accusations to China and easing its pressure.

Taking literature together, the current settlement methods are too passive and ineffective in handling Sino-US trade conflicts. The DSM of the WTO only solves the case singly so that the scale of the conflicts between the two parties can be controlled. Although the SED is of a very high standard, it has failed to effectively solve problems in the actual operation.

2.3 Literature about the cause of trade disputes

Chinese and American scholars diversify in this part. In the American academia, many mainstream scholars have attributed the trade disputes to trade imbalance, involving China's monetary policies, investment policies and intellectual property policies (Bergsten, 2010). Morrison (2011) also discussed above several aspects. Chinese academia illustrates their points, vindicating China. For example, one reason for the trade deficit of US is that the American government limits the exportation of high-tech products to China, which is against the free trade principle (Ma, 2015; Zhou, 2015; Lv, 2014). Another reason is the different statistical methods of China and the United States worsen the trade imbalance (Yang, 2013; Chen, 2010).
Among scholars and views, there are also outliers. For example, Miao (2004) and Fang (2016) use more words to analyze China's own weaknesses instead of fighting back to the US theory. Some US scholars, like Bown, Crowley, McCulloch, & Nakajima, (2005) and Woo (2008), also examine the causes. They claim the appreciation of RMB cannot rebuild American economy, or bring back the jobs.


I refer more to the opinions of Chinese scholars in this part. On the one hand, the analysis mode of American scholars is relatively fixed, and it can be easily summed up. On the other hand, I think Chinese scholars have not only analyzed the phenomenon, but also discussed in depth the economic development trend of industrial transfer and restructuring in China. China's economy has changed rapidly while the U.S. economy has changed relatively slowly, which is also the reason for the friction.

In the process of compiling information, I found that few people mentioned the impact of the economic crisis. I think the deterioration of the international economic environment has made the issue of Sino-US trade more prominent and the disputes between the two sides even more fierce. By comparing time points, I found that many policies in China and the United States have changed after the economic crisis. China's RMB reform and the United States trade protectionism can be taken as examples. I have reasons to believe that the changes in these policies are one of the reasons for the conflict.

2.4 Literature about effects of trade disputes

Generally, it is certain that trade dispute will have negative effects on China, the United
States and the whole world (Petersen et al., 2017; Jung, 2017; Bryan & Holodny, 2016; Wang, 2015). Scholars and experts analyze the economic implication for trade partners and the world. GDP declining is a direct result. Moreover, Lee (2013) conducts a detailed analysis of the impact of the conflict on the system and framework. The dispute between China and the United States is very likely to change the current system of the international community. This change will affect third parties. Lou & Zhang (2015) also analyze the impact from the perspective of political economics.

Yin (2006) and Lee (2013) also list some positive effects, like pushing China restructuring its industry and “educating” other countries to implement domestic policies. However, in my opinion, these are just “side effects” of the trade disputes.

One interesting thing I found is that When Chinese scholars analyze the issue, such as disputes, causes, effects and so on, they also talk about China’s response at the end of the article. I may be affected by this structure, so that I add China’s reaction when analyzing the influence of trade disputes on China. I write down my ideas based on the impression after I finish these readings.

3. Methodology

3.1 Literature research

This paper has collected domestic and foreign literature on the status quo and conflicts of Sino-US trade and the causes and consequences of trade disputes. Literature includes periodicals, papers, books and research reports. In addition, the newspaper is also an important way to obtain the latest trade information between China and the United States and the development of Sino-US relations. Literature research provides a good guide for the content and the method for this article. Online databases such as WTO, trade map, USTR and the website of China Statistics Bureau are the main sources of data for this paper.

3.2 The combination of empirical analysis and comparative analysis
This paper uses comparative analysis and empirical analysis. When introducing the causes of trade friction, it compares different views of China and the United States. By analyzing of the reasonable and unreasonable of these views, the article draws a more comprehensive conclusion. Examples are used to prove the point of view in the introduction of trade disputes. At the same time, the Sino-US trade conflict will be put in the global background to analyze the intensity of the trade conflicts.

3.3 A combination of qualitative analysis and quantitative analysis

Using qualitative analysis methods, it analyzes the types of trade conflicts between China and the United States such as macroeconomic level and microeconomic level. Using quantitative analysis, it explains the characteristics of the economic and trade relations between China and the United States, as well as the connection between such relations and conflicts.

3.4 Traditional economics theory combined with political economy theory

Traditional economics theories are used in the analysis of trade relations. In analyzing the impact of trade conflicts, it uses knowledge of political economics, except for the traditional economics theory.

4. China and the United States: the largest trade bilateral relation in the world

The trade relation between the US and China is the relation between the largest developed country and the largest developing country. As they are the two largest economies across the world, Sino-US economic outputs account for about forty percent of the world; exports of goods account for one quarter, and thirty percent for both foreign capital introduction and investment. The two countries have developed a close relation in economy and trade, which keeps growing. China is America's largest trading partner, and the United States is China's second largest trading partner. According to the data of CENSUS, the US trade in goods with China has reached 578 billion dollars in
2016. The Research Report on China-US Economic and Trade Relations, which is written by the Ministry of Commerce of the People’s Republic of China, proclaims:

“Since China joined the WTO, the United States exports to China has increased by 500%, much higher than the 90% increase in US global exports. China is an important overseas market for many US products. As to the US exports, 62% of the soybeans, 14% of cotton, 17% of automobiles and 15% of integrated circuits are sold to China; and 25% of the aircraft delivered by Boeing company are to China.”

4.1 The trade history between China and the United States

The history of trade between China and the United States can be traced back more than 200 years ago. China and the United States indirectly traded with each other through the British East India Company in the 1770s, before the American War of Independence. In order to get rid of the economic dependence of the United Kingdom, and to develop their own economy, the newborn America started trade with China after its independence in 1785. The American merchant ship "Queen of China" arrived in Guangzhou in 1884, which opened the first page of Sino-US trade. Between 1786 and 1833, there were 1104 boats from the US coming to China, almost 44 percent of the total number of merchant ships of the UK, and more than four times the total number of which in other European countries (Lin, 2003). In 1833, the total value of imports of goods in China reached 320.79 million US dollars, increasing more than 21 times, compared to 1792 (Lin, 2003). Interestingly, China was basically in an economic stage named autarky, so China's demand for US products was not high. On the other hand, China's tea, porcelain and silk were very popular with the American society. This led the US to a deficit position in the initial Sino-US trade.

According to China's economic history, Western countries, in order to reverse the trade deficit, began to ship opium to China which eventually led to the Opium War. After the

3 https://www.census.gov/foreign-trade/balance/c5700.html
4 http://www.gov.cn/xinwen/2017-05/25/5196803/files/8183d06f0cad4b319ab230859bec1226.pdf
war, Chinese government signed an unequal treaty with Britain and the United States. In addition to indemnity and tenancy, countries, including the United Kingdom and the United States, also received many political and economic privileges, such as reducing tariffs, enjoying Most Favored Nation (MFN) status, and extraterritoriality, etc. The Sino-US trade was developing rapidly in a short time. US exports to China increased by three times, and China's exports to the United States doubled (Lin, 2003). The trade development slowed down during the US Civil War and the Trail of Tears. The US industrial output in value became the number one around the world in 1900, and bilateral trade between China and the United States also reached 300 million US dollars. Japan dominated the Chinese market, excluding the US, therefore, Sino-US trade declined sharply. According to Lin (2003), Sino-US trade volume was around 400 million US dollars from 1946 to 1948.

From the founding of the People's Republic of China in 1949 to the reform and opening up in 1978, Sino-US trade depends on the political and diplomatic strategies of both China and the United States. Communism and capitalism became two great hostile camps in the period of the Cold War. The United States imposed economic sanctions against China and implemented a comprehensive cargo embargo. The trade between China and the United States was almost in stagnation from 1949 to 1970. From the late 1960s to the early 1970s, the world’s political framework changed dramatically. The United States was deeply in the quagmire of the Vietnam War; national power was damaged, and the domestic society was unstable. Meanwhile, Sino-Soviet relations continued to deteriorate. Changes in the international situation provided the conditions for the relaxation of Sino-US relations. The United States gradually abolished a series of restrictions on the ban on trade with China, and ended the long-term embargo. China also approved the resumption of ambassadorial level’s talks with the US. In 1978, the

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5 The original Cherokee Nation were forced by the American government, giving up their own land to migrate to Indian Territory in the early 1800's. 4,000 died from hunger, exposure and disease. That is why it is called the Trail of Tears. [http://www.cherokee.org/About-The-Nation/History/Trail-of-Tears/A-Brief-History-of-the-Trail-of-Tears](http://www.cherokee.org/About-The-Nation/History/Trail-of-Tears/A-Brief-History-of-the-Trail-of-Tears) <2017/11/20>
total trade volume reached 1.1 billion US dollars, which exceeded any trade scale of the past (Lin, 2003). In the 1980s, the United States relaxed policy restrictions, distinguishing China from the Soviet and Central European countries in trade policy, and adopted policies that were consistent with non-communist countries such as Western Europe, the Middle East, Africa and Asia. Sino-US economic and trade stepped in a stage of rapid growth. As of the end of 1989, the two sides signed 27 technical cooperation protocols, more than 500 scientific and technological cooperation projects, and the two sides exchanged more than 5,000 people for scientific study (Lin, 2003).

According to China’s Customs statistics (2017), Sino-US bilateral trade volume expanded from 990 million US dollars in 1978 to 14.2 billion in 1999, which means that the average annual growth rate was near 23 percent. From 1992 to 2001, Sino-US economic and trade had some structural changes, and still maintained the momentum of rapid development. Sino-US bilateral trade volume increased 63 billion US dollars, from 17.5 billion to 80.5 billion, in the decade (Liu and Wang, 1995). Simultaneously, US direct investment in China expanded from 500 million to 4.3 billion (Liu and Wang, 1995). Multinational companies increased the intensity of investment, and gradually achieved the goal of “production and sales in China”. It can be seen that multinational companies not only for the cheap labor, but also valued the potential of the Chinese market.

The overall strategic goal of the US trade policy with China is to support it towards a market economy. The long-term goal is to create a solid framework to make legal principles the basis for China's trade practices and to allow US companies to enter the Chinese market with the same rights as Chinese companies export and invest in the United States. In the short run, it is to promote China's opening up to US markets for products and services and to achieve faster growth in exports to China. Under this instruction, the US supported China to enter the WTO, making China to accelerate integration into the global economic system.

4.2 Current trade structure
Today, Sino-US trade has become the largest bilateral trade in the world. China and the United State have different economic structures, resource endowments and development stages, thus their own comparative advantages are formed.

On the importing side, the US imports goods from low value-added and labor-intensive products, mainly in the machinery and equipment industry and light industry and consumer goods industry (See Table 1 in Appendix). US import in goods is 462.8 billion dollars in 2016, among which "electrical, electrical, audio-visual equipment and its accessories" takes 27.9 percent and "nuclear reactors, boilers, machinery and parts" takes 21.1 percent (Country Report, 2017). The two categories of goods constitute 50 percent of total import. On the exporting side, US exports high value-added, technology-intensive and capital-intensive products from industries of machinery, aviation, optical equipment and automotive industry. US export in goods is 115.8 billion dollars in 2016, including “oil seed; sub-kernel; industrial or medicinal plants”(12.9%), “aircraft, spacecraft and its parts”(12.6%), “electrical, electrical, audio and video equipment and its accessories”(10.7%), “nuclear reactors, boilers, machinery and parts”(9.8%), “vehicles and their spare parts, except for railway vehicles”(9.5%), and “optics, photography, medical and other equipment and accessories”(7.1%) (Country Report, 2017). The composition of export is more balanced than import, and these six industries altogether account for 62.6 percent.

4.3 Five characteristics of Sino-US trade

Through the study of Sino-US economic and trade history, we can find that the Sino-US trade has the following characteristics:

Firstly, Sino-US economic and trade relations have always been affected by bilateral politics. The ups and downs in the development of Sino-US economic and trade relations are closely related to political relations. When Sino-US political relations are good, economic and trade relations are developing smoothly and when political relations are retrogressing, economic and trade relations are bound to be negatively affected. In the 1980s, the US government was inclined to develop Sino-US economic
and trade relations and to expand bilateral common interests for the purpose of safeguarding the strategic cooperation between China and the United States. Therefore, the trade relation between China and the US was stable. However, this economic and trade relationship has often become a bargaining chip for US political negotiations with China, such as human right issues, Taiwan and Tibet issues. For instance, after the political turmoil in 1989, the Western developed countries headed by the United States imposed economic sanctions on China, and Sino-US relations fell into a low tide, which greatly affected the trade between the two countries.

Secondly, *Sino-US economic and trade exchanges show a strong complementary*. The complementary of bilateral trade can be reflected in the import and export differences of different categories of goods. On one hand, the cross and overlapping parts are relatively few among the types of import and export commodities. On the other hand, in the same categories, China imports high end products from, and exports low end products to the US and the US are to the contrary. From the perspective of optimal allocation of resources, China has provided the United States with a large number of general commodities that cannot be produced, or are no longer produced in the United States due to resource and labor cost factors. From the United States China has also obtained capital which cannot be supplied by the country. This is not only one inevitable reflection of the needs of both sides of the market, but also a typical embodiment of the economic complementary.

The third is *the asymmetry of trade status between the US and China*. In the history of Sino-American trade, China is at a disadvantage in the position of international trade in the long run. China's commodity which is imported from the United States, is mostly in electrical and mechanical equipment and other technical products, which are necessary for China's modernization. Chemical and grain products are also important to the stability of China's economy. On the contrary, the US imports are mostly low-grade and labor-intensive products that the U.S. is more likely to find substitutes for them in international markets, or even produce domestically. If considering trade-to-GDP ratio,\(^6\)

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\(^6\) The trade-to-GDP ratio, also called trade openness ratio, is to measure the importance of
from 2003 until the 2008 economic crisis, it has been more than 50%, up to 64% (2006), and in the period of 2009-2014, it has been more than 40% (See Graph 1 in Appendix). In contrast, the United States has remained at around 20%, and the highest is only 24.2% (2011). If analyzing the co-relationship of supply and demand between US and China, China's export to the US market is about 20% of China's total exports by 2008, while China's export accounts for only about 10% of US total imports from all over the world (See Graph 2 in Appendix).

Fourth, *indirect trade played an important role in Sino-US trade*. Indirect trade between China and the United States is achieved through Hong Kong's entrepot trade. Due to the delicate political status of Hong Kong and the relaxed institutional environment, Hong Kong has always played an important intermediary role in bilateral trade between China and the United States in the course of Sino-US economic and trade development history.

Finally, *Sino-US economic and trade friction continue to intensify and upgrade*. Owning to the different national conditions, different social systems, and different policies, the starting points of economic and trade cooperation between the two countries have a big difference. It is inevitable to create some contradictions and conflicts. In addition, trade frictions and disputes will continue to intensify and upgrade, along with the expansion of Sino-US economic and trade cooperation.

### 5. Trade disputes between China and the United States

In the period of the accelerating globalization, the trade relation between US and China is becoming increasingly interdependent, but a growing number of trade frictions between the two countries also attract attentions. The Sino-US trade is the largest bilateral trade relation in the world, while the bilateral trade friction is one of the most intensive trade conflicts. Trade frictions have begun to expand from the traditional trade in goods to trade in services and other fields, such as FDI policies and intellectual property rights; it refers to trade frictions, from enterprise individuals, gradually evolve international trade to a country. It is calculated by the total value of import and export over the GDP at the same period of a country. It represents as percentage.
into the level of China's macroeconomic system. In recent years, the United States has conducted a series of trade remedy investigations on China’s exports of textiles, solar panels, white appliances, furniture, steel pipe and many other products. Meanwhile, the US government starts anti-dumping and countervailing investigations and imposing high punitive tariffs. The United States also accuses Chinese government’s policies, like currency policy, investment policy, intellectual property rights policy and labour policy. As to China, the government claims the accusation against China is groundless, and China also condemns the unfair trading environment created by the US, its trade protectionism and the non-market economy.

5.1 Economic friction theory

According to Zhao’s economic friction theory (2001), the trade friction normally will expand as the following order:

Microeconomic friction is the friction that is triggered by the surge of exportation or importing restrictions of one country to its trade partners. Macroeconomic friction is caused by a country having a huge trade surplus or deficit in the trade with another country. Investment friction will happen when the government adopts some favoured policies or limitations during the investment inflow to or outflow from the country. Systematic friction is caused by different systems between two countries, for example, different institutions and different law and regulations. Technical trade friction is a friction caused by technical barriers. When the microeconomic friction intensifies between two countries, like leading to a huge trade deficit or surplus, it will rise to the macroeconomic friction, which has a huge impact on the government’s decisions of macroeconomic policies, further on their economic growth.

5.2 The microeconomic friction

The Microeconomic friction mainly is involved in the trade of agricultural products,
textiles, automobiles, steel, semiconductors and other goods, and it reflects the conflicts of interest between different industries in two countries. For instance, in 2008, the US government initiated anti-dumping investigation against China on oil country tubular goods, PC strand, steel grating, wire decking, woven electric blankets and other low-value added, labour intensive, industrial products. It is worth noting that the US had 20 anti-dumping investigations that year, involving the amount of more than 5 billion US dollars. Among them, China accounted for 12 cases with more than 4 billion US dollars.⁷

The special protectionist tariffs on the tire imports from China once had a sensation in 2009.⁸ The United Steelworkers (USW) cited, there were five US tire factories closed down and 5100 American workers were fired from 2004 to 2008. In 2009, America lost 3000 jobs due to the competition of Chinese tires (Morrison, 2011). Some industry representatives argued that the Chinese tires were low-end product and the anti-dumping duties would not help the domestic tire industry or increase employment. The Obama administration insisted to impose additional tariff on some types of Chinese tires for three years. Although the level of tariff was lower than the recommendation of the United States International Trade Commission (USITC), it still aroused strong rebound in China.⁹ The United States is the first importer of Chinese tires, and China's

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⁸ The reason why this is a sensation, firstly it is the background of the time. After the 2008 financial crisis, G-20 Leaders Summit on Financial Markets and the World Economy was held in Washington, in order to recover and maintain the global economy and international trade. National dignitaries were committed to curbing the trend of trade protection in the future in the summit, while the United States seriously violated this promise, especially that is the first and the largest tariff imposition of Obama administration. It marks the new attitude to China policy. Secondly, China, uncharacteristically, launched anti-dumping investigations on US autos and poultry immediately, which could be seen as a retaliatory move. Thirdly, China began to use the dispute settlement mechanism, solving conflicts in the WTO framework. Although China failed, the relevant departments were becoming familiar with the relevant procedures and rules, and getting the experience of confrontation. This is the starting point that China can use the WTO rules to safeguard their own interests in the international trade; it also indicates the change of role in the WTO for China, from a rule-taker to a rule-user, finally a rule-changer.

⁹ Recommendation of USITC:55% in the first year, 45% in the second, and 35% in the third; Obama administration imposition:35% in the first year, 30% in the second year, and 25% in the final year (Morrison, 2011:33).
tire exports to the US amounted to 2.58 billion US dollars, accounting for 36.6% of total tire exports in 2008 (Lu and Pan, 2011). China Rubber Industry Association estimated, 2.2 billion US dollars tires exports would be affected. The WTO adjudication of US tire special safeguard case would make China's tire and rubber industry suffered a heavy blow: about 30 tire companies would cut production; nearly 10 million workers would be affected, and the loss could exceed 10 billion US dollars in exports (Lu and Pan, 2011). China not only launched dispute settlement procedures in the WTO, but also anti-dumping investigations on US autos and poultry. In 2008, the import of these products was around 2.2 billion US dollars, close to the value of Chinese tire exportation to US.10

5.3 The macroeconomic friction

The macroeconomic friction embodies the conflict on the aspect of national fiscal policies monetary policies and other economic policies. The most controversial case is the currency policy of China, especially after the 2008 financial crisis. Many US presidents have accused China of being a currency manipulator, and Washington regards the exchange rate issue as the main reason for the trade deficit. They state the undervaluation of yuan is a de facto subsidy of Chinese exportation and a de facto tariff of Chinese importation. The consequence of this action causes the loss of thousands of American jobs, leading to many social problems. However, this kind of argument is never admitted by the government. On the contrary, the government always claims China has been carrying out the exchange rate policy reform for a long time, and the market-based mechanism of RMB exchange rate is gradually formed. It is American government that implements trade protectionist policies which hinder the normal operation of international trade; furthermore, these policies generate unnecessary factors and disputes for Sino-US trade.

5.4 The investment friction

10 http://blog.sina.com.cn/s/blog_511e97c30100f28t.html
The investment friction reflects the conflict between foreign-funded enterprises and domestic enterprises, as well as the development of foreign-funded enterprises and national economic security. Chinese enterprises increase the FDI into the US in recent years. Chinese FDI into the US exceeds 46 billion US dollars and 3 times larger than American FDI to China in 2016.\footnote{http://www.us-china-fdi.com/} However, the effect of the FDI is controversial. Some scholars believe these greenfield projects can create jobs for American workers and provide goods and services for American customers. Some criticize that these mergers and acquisitions of Chinese companies, especially the state owned enterprises, may endanger American national security. Their purpose is the transformation of advanced technologies and know-how, which is not helpful for American companies and American economy. Chinese FDI in all US industries from 1990 to 2016 is 110 billion US dollars and 92 percent of them are from M&A activities, and only two percent are greenfield.\footnote{ibid} Therefore, the Committee on Foreign Investment in the United States (CFIUS) repeatedly launches investigations on the M&A activities of Chinese enterprises on the ground of national security and independence of American mainstay industries and infrastructure from the control of foreign companies. For example, Huawei Technologies Co., Ltd, one world-famous Chinese telecommunication company, faced the interrogation of CFIUS, and its M&A activities finally failed. Likewise, the US dissatisfies with China's restrictions on FDI. FDI policies, as a part of Chinese industrial policy, guide the flow of finance, making the money flow into the manufacturing sectors and out of financial sectors and other industries related to the national economy and the people's livelihood. The government has strict requirements on the holding shares of foreign companies in many sensitive sectors, such as oil, telecommunication, banking, and electricity. Therefore, American enterprises always complain the capital control in Chinese market and require market liberalization. According to one result in China’s Business Climate Survey by American Chamber of Commerce in 2016, for the technology and R&D intensive and service sectors, market
access barriers are the primary barrier.\textsuperscript{13}

5.5 The systematic friction

The systematic friction mainly embodies in the financial, insurance, construction, circulation and other areas of trade in services, due to the differences in economic policies, trading habits, and different industries regulations. Chinese Intellectual Property Right (IPR) protection is always the Achilles' heel in the bilateral trade relation of the US and China. It leads to criticism of all countries and greatly affects China's circumstances in international trade. In fact, the intellectual property rights disputes showed up before China’s accession to the WTO (Table 2 in Appendix). After the accession, from 2001 to 2013, the United States launched a total of 420 \textit{section 337 investigations} related to the IPR worldwide, of which 146 against China.\textsuperscript{14} As of 2017, China has remained on the \textit{Section 301 Priority Watch List} for more than 10 years, and it also a regular subject of \textit{Section 306 monitoring} during the same period.\textsuperscript{15} As the


\textsuperscript{14} Section 337 investigations (Section 337 of the Tariff Act of 1930) are conducted by the International Trade Commission (ITC) in order to prevent infringing foreign goods from importing into US domestic market. It is a remedy measure in the foreign trade, with respect to the violation of intellectual property rights, including patent and trade mark infringements, and other forms of unfair competition, such as misappropriation of trade secrets, infringement of registered copyrights and false advertising. Section 337 investigations will be conducted as long as complainants are able to provide the evidence for infringements. They do not need to submit results of substantial damage or obstacle to their industries (https://www.usitc.gov/intellectual_property/about_section_337.htm); Zhou Mei, 2014, Research on Trade Friction of IPR between US and China, p20

\textsuperscript{15} The Special 301 Report is presented annually by the Office of the United States Trade Representative (USTR) under Section 301. Section 301 focuses on foreign intellectual property infringement problems, and the purpose is to ensure the US intellectual property rights in foreign countries to be fully and effectively protected in foreign markets; another is to make sure American products that rely on IPR protection, can fairly and equitably access to foreign markets. There are four classifications: Priority Foreign Country, Priority Watch List Country, Watch List country, and Section 306 Monitoring Country. If one country is identified as Priority Foreign Country by the USTR, it will be subject to sanctions. Countries on the Priority Watch List have serious problems in the protection of intellectual property rights, but are considering or have taken steps to improve the level of protection of intellectual property rights; countries on the Watch List have some violations, but not very serious. According to the Section 306 Monitoring, the Office of the United States Trade Representative may, without investigation, take direct trade sanctions, if it finds that the other party's efforts to implement a bilateral intellectual property agreement are diminishing.
estimation of USTI, the loss of American companies reached 48.2 billion US dollars in 2009 when doing business in China. Almost 76 percent of the loss is attributable to lost sales and the rest is attributable to license payments and other kinds of violations of IPR (USITC, 2011).

Normally, with the development of economy, the frictions will show a progressive process: from microeconomic frictions to macroeconomic frictions, then to investment frictions, finally the systematic and technological frictions. However, owning to the fast growth of Chinese economy, these forms of disputes coexist in the trade between China and the United States. The issue becomes more complicated for them to solve.

6. Trade dispute settlement

The trade dispute between China and the United States will not only affect their own economic development but will also determine the new trends and trends in international trade in the future. Therefore, trade settlement is essential to both sides. WTO trade dispute mechanism is one example. It is fair to say the WTO mechanism is very influential to prevent a trade war from the US and China in a long term. Moreover, strategic dialogues between the two governments and other new methods, like review mechanisms and government reports, are playing a role in the dispute settlement.

6.1 Dispute Settlement Mechanism of the WTO

The World Trade Organization (WTO) is the most influential international governmental organization for the development of international trade. The WTO is the place where member countries solve trade issues and problems they face with their trade partners. It has two main functions: negotiations on trade agreements with other governments and trade dispute settlement. Dispute settlement system of WTO functions as a multilateral approach, always remains busy. According to the WTO Annual Report of 2017, 520 trade disputes have been submitted to the WTO since 1995, the year that the system was established. The General Council convenes as the Dispute Settlement Body (DSB) to

handle trade disputes between member countries of the WTO. The DSB will found dispute settlement panels to arbitrate these matters. WTO dispute settlement generally consists of four stages.\textsuperscript{17}

1) Consultation and mediation -- 60 days.

2) Set up panels and appoint panelists -- 45 days

3) Appeals Report, is the third stage -- 90 days maximum.

4) DSB adopts the reports.

Without the appeal stage, the whole period of settlement is one year. When one country initiates the WTO dispute settlement procedure, the complaint and respondent parties have to solve the problem by consultation in the beginning. It indicates that the WTO encourages governments to solve problems out of court. As a matter of fact, most disputes are settled before setting up a panel.

If there is no agreement between the WTO member states in the consultation process, the complainant will request panelists at the DSB meeting. It is necessary to mention that the Director of the General Council will appoint the members of the panel, if the parties to the dispute cannot agree on the members of the expert group. The panelists will make the final report to the parties and the DSB will adopt reports if no party appeals.

The Appellate Body is a permanent establishment of seven members. It may support, oppose or modify the result of the panel report. If the respondent loses, then the government should correct its wrongful conduct within a reasonable period of time to match the WTO agreements. Nevertheless, respondent should provide an acceptable compensation to complaint. Otherwise, the complaint has rights to adopt retaliation policies. The country may ask the DSB for permission to impose limited trade sanctions (“suspend concessions or obligations”) against the other side. The reason is WTO

\textsuperscript{17} \url{https://www.wto.org/english/thewto_e/whatis_e/tif_e/utw_chap3_e.pdf} <2017/11/23>
agreements are self-enforcement for member countries to implement their commitments on political reform. Although the Dispute Settlement Mechanism (DSM) of the WTO has an enforcement mechanism for adjudication, it does not have measures and mechanisms with the enforcement as law does.

Except the retaliation, there are several interesting principles in the DSM of WTO. One is that the DSB has a principle named “negative consensus”. The principle of consensus is that any decision must be achieved by the unanimous approval of the members of the GATT, and if any member of the GATT opposes the decision, it cannot be passed. However, for the negative consensus, as long as there is one member agreed, then the proposed decision will be adopted. In other words, as long as one party of both sides asks to set panels, the DSB will process. The negative consensus ensures the DSM to implement fairly, rapidly and effectively. The principle transforms the system from "rights oriented" to "rule-oriented". Another is the “good faith”. According to DSU Article 3, paragraph 10 (WTO, 2017):

“it is understood that requests for conciliation and the use of the dispute settlement procedures should not be intended or considered as contentious acts and that, if a dispute arises, all Members will engage in these procedures in good faith in an effort to resolve the dispute. It is also understood that complaints and counter-complaints in regard to distinct matters should not be linked.”

Putting it simply, the complaints of unfair trade and appeals of respondents through the DSM cannot be treated as hostile actions, and the process is a part of dispute settlement, but not to create conflicts.

In a word, the DSM has an essential effect on international trade governance in the framework of WTO. It also wins confidence of WTO members in the last 20 years. It is clear that the DSM is designed in favour of developing countries. Developing countries always remain at disadvantage in the bilateral dialogue with developed countries, due to a lack of bargaining power. Agreements of DSM are conclusive for developing countries to protect their trade interest and development rights.
6.2 US- China trade dispute settlement under the WTO framework

As it was mentioned, the DSM received 520 requests from 1995 to 2016, and the US and EU are the top two members involved in disputes either as a complaint or a respondent. The US is involved in 112 cases as a complaint and 129 as a respondent. The EU has 97 complaints and 83 respondents (WTO, 2017). When we look into details, it is easy to find that the US-China trade disputes are the most intensive in the DSM. China has 17 complaining cases in total, in which 10 against the US; it also has 39 respondent cases, and 21 of them were brought by the US. Thus, the US is China’s number one trade conflict object. From the perspective of the US, China is the second largest complaining country, after 16 cases from Canada (actually, the EU has the most complaints against the US, 33 cases altogether. So if we use the term of membership of the WTO, not country, China will rank at third.). Besides, China is rating first on the US complaint list, following the EU, 19 cases. During 1995 to 2016 period, the US has requested 115 consultations with 30 WTO members (the EU is considered as one member and members in the EU are also considered in the WTO membership), an average of 3.8 consultations per respondent. It is only one fifth of US complaints against China. 27 WTO members requested 130 consultations with the US, an average of 4.8 consultations per complainant. It is less than half of occasions brought by China. As Hufbauer and Woollacott (2010) stated, the US submitted 3.2 requisitions to the DSB for every trillion dollars of bilateral merchandise trade flow with China over the period 2002 to 2009. The US, by contrast, requested just 1.2 consultations in the DSB for every trillion dollars of merchandise trade flow with the world. In the same time period, China requested 2.7 consultations for every trillion dollars of merchandise trade flow with the US and 0.5 consultations with the world, for every trillion dollars of merchandise trade (Hufbauer and Woollacott, 2010).

The following two tables show the US-China dispute settlement cases in the DSB.

<table>
<thead>
<tr>
<th>complaint</th>
<th>result</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Value-Added Tax on Integrated Circuits: March 2004</td>
<td>Mutually agreed solution, without panel established in October 2005</td>
</tr>
<tr>
<td>2. Measures Affecting Imports of</td>
<td>implementation of adopted reports of Appellate Body</td>
</tr>
<tr>
<td>Complaint</td>
<td>Result</td>
</tr>
<tr>
<td>---------------------------------------------------------------------------</td>
<td>------------------------------------------------------------------------</td>
</tr>
<tr>
<td><strong>Automobile Parts: March 2006</strong></td>
<td>September 2009</td>
</tr>
<tr>
<td><strong>3. Measures Granting Refunds, Reductions, or Exemptions from Taxes and Other Payments: February 2007</strong></td>
<td>Withdrawal/termination of the request; Agreements on memorandum of understanding (MOU) in December 2007</td>
</tr>
<tr>
<td><strong>7. Grants, Loans, and Other Incentives: December 2008</strong></td>
<td>In consultations</td>
</tr>
<tr>
<td><strong>8. Measures Related to the Exportation of Various Raw Materials: June 2009</strong></td>
<td>China had fully implemented the DSB's recommendations in January 2013</td>
</tr>
<tr>
<td><strong>9. Measures Related to the exportation of various raw materials: September 2010</strong></td>
<td>On 19 August 2013, China and the United States informed the DSB of Agreed Procedures under Articles 21 and 22 of the DSU.</td>
</tr>
<tr>
<td><strong>10. Countervailing and Anti-dumping Duties on Grain Oriented Flat-Rolled Electrical Steel from the US: September 2010</strong></td>
<td>In August 2015, China informed the DSB that the anti-dumping and countervailing duty measures on imports of “GOES” from the US expired on 10 April 2015.</td>
</tr>
</tbody>
</table>

**Table 3, US complaints against China**

Source: WTO, 2017

<table>
<thead>
<tr>
<th>Complaint</th>
<th>Result</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>1. Definitive Safeguard Duties Imposed on Imports of Certain Steel Products: March 2002</strong></td>
<td>On 4 December 2003, implementation notified by the US</td>
</tr>
<tr>
<td><strong>2. Anti-dumping Duties and Countervailing Duties Determinations on Coated Free Sheet Paper from China: September 2007</strong></td>
<td>In consultations, and no further action has been taken</td>
</tr>
<tr>
<td><strong>3. Definitive Anti-dumping and Countervailing Duties on Certain Products from China: September 2008</strong></td>
<td>On 31 August 2012, implementation notified by the US</td>
</tr>
</tbody>
</table>

18 Complete Table 3 see in Appendix
<table>
<thead>
<tr>
<th><strong>4. Certain Measures Affecting Imports of Poultry from China:</strong> April 2009</th>
<th>Panel Report(s) adopted, no further action required on 25 October 2010</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>5. Measures Affecting Imports of Certain Passenger Vehicle and Light Truck Tires from China:</strong> September 2009</td>
<td>Report(s) adopted, no further action required on 5 October 2011</td>
</tr>
<tr>
<td><strong>6. Anti-dumping Measures on Shrimp and Diamond Sawblades from China:</strong> February 2011</td>
<td>On 26 March 2013, implementation notified by the US</td>
</tr>
<tr>
<td><strong>8. Countervailing and Anti-dumping Measures on Certain Products from China:</strong> September 2012</td>
<td>On 21 August 2015, China and the United States reached a consensus</td>
</tr>
<tr>
<td><strong>9. Certain Methodologies and Their Application to Anti-dumping Proceedings Involving China:</strong> December 2013</td>
<td>On 19 June 2017, implementation notified by the US</td>
</tr>
<tr>
<td><strong>10. Measures Related to Price Comparison Methodologies:</strong> December 2016</td>
<td>In consultations on 12 December 2016</td>
</tr>
</tbody>
</table>

**Table 4. China complaints against America**[^11]

Source: WTO, 2017

In the 21 US requisitions, 11 cases have been settled, and the rest are either in consultation or not composed. In the 11 cases, 3 are solved in the process of consultation, without the panel establishment or withdrew. The other is implemented by China following the legal process of the settlement system of WTO. The subject of

[^11]: In case Number 1, 3 and 6, the United States stated that it intended to implement the DSB's recommendations and rulings, but China did not share the United States' view of its effectiveness of implementation. See detail in Appendix.
disputes covers the steel, automobile parts, tires, electronic products, agricultural products and issues on intellectual property rights. Comparing with the bilateral trade goods between America and China, it is clear that subjects of disputes match the categories of US import goods. It can be seen that Sino-US trade conflicts occur in the fields with the largest amount. For example, in 2016, America imported 129 billion US dollars worth of electronic products, accounting for 23% of total trade volume. Automobile parts and steel products took more than 6% of US import value from China, reaching 24 billion dollars in 2016 (Hufbauer and Woollacott, 2010). From this point of view, the negative impact on China’s economic development is enormous. If we look in detail:

Based on the case *Measures Related to the Exportation of Various Raw Materials: June 2009*, the US submitted a consultation request to the DSB on Chinese 32 restriction measures on exportation of various raw materials, including coke, bauxite, manganese, magnesium, silicon metal, silicon carbide, yellow phosphorus, and zinc. These measures are inconsistent with WTO agreements, like Articles VIII, X, and XI of the GATT and several paragraphs of Part I of China’s Accession Protocol. China had fully implemented the DSB's recommendations in January 2013, but the influence of the case soon appeared before it was formally documented. China exported 1.7 billion US dollars of the raw materials at issue to America, more than 46.4% of US total import of the raw materials at issue in 2008. However, it was only 0.1 billion US dollars in 2009 imported from China (Hufbauer and Woollacott, 2010). Moreover, the trade policy adopted by China is one reason that US submits requests to the WTO trade dispute settlement procedure. US government mainly opposes the export subsidy, import

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20 GATT Article VIII, “Fees and Formalities connected with Importation and Exportation,” Article X, “Publication and Administration of Trade Regulations,” and Article XI, “General Elimination of Quantitative Restrictions.”

21 GATT Article VIII, “Fees and Formalities connected with Importation and Exportation,” Article X, “Publication and Administration of Trade Regulations,” and Article XI, “General Elimination of Quantitative Restrictions.”
restrictions of China, financial support and its IPR protection.

Likewise, China’s complaints have the same feature: the closer the trade relationship in certain fields, more possibility to have disputes; and the larger the interest is, the more intensive the disputes can be. The low valued added and labour intensive manufacturing goods are the subject of disputes, like steel, tires, and textile. There is one slight difference, if measuring the issues: China always is against the safeguard measures and anti-dumping duties on Chinese export goods. According to Hufbauer and Woollacott (2010), America and China both take part in the protectionist measures against each other, while US takes defensive measures to protect their sunset industries, and China takes offensive measures to promote the infant industry.

6.3 US-China bilateral measures to decrease trade disputes

The WTO Dispute Settlement Mechanism is a very effective multilateral tool to solve trade conflicts, and what more meaningful for reducing trade conflicts between China and the United States is efforts to adjust their policies. Both China and the United States are aware of the fact that their trade activity causes the opponent to retaliate, which will harm the interest of both. Moreover, based on the characteristic of Sino-US trade relation, issues happening in trade will escalate to sensitive political issues very easily. Therefore, two countries cannot gain much but to lose a lot if a trade war would happen.

6.3.1 Chinese government procurement

In the Sino-US trade relations, the United States is facing a huge trade deficit, which will cause the US industry associations to exert pressure on the US government. In particular, before the election, the President of the United States will attach particular importance to these voices. So the US government will put pressure on China. For instance, the US Congress discusses the trade sanction on trade issues between China and America; the Fed will criticize China's monetary policy, especially the currency value; US Trade Commission will propose trade sanctions. When China faces these pressures, a common approach is large-scale government procurement of China going to
the US. On the one hand, it can ease the pressure on the US trade deficit; on the other hand, China hopes that the relevant industry lobbyists can speak for China in the US government.

In 2003, the American Manufacturing Association blamed China for its low exchange rate and accused the Chinese government of manipulating the yuan's exchange rate to bring an unfair competitive advantage to Chinese manufacturing exports, leaving American workers to lose a lot of jobs. The Fed chairman also immediately said that the yuan should be floating. In the activities of some small and medium enterprises and related interest groups, the US Congress later proposed six Sino-US trade motions. In this context and the election approaching, the Bush administration had to start making tough remarks and put pressure on China. On November 8, 2003, the Executive Committee of the US Textile Agreement decided to impose protective sanctions on knitted fabrics, bra and gowns imported from China, involving quota restrictions. According to the sanctions, the total amount of goods shipped from China to the United States increased by 7.5% or less, over the previous year (Zhang, 2003). On November 25, US Department of Commerce made a preliminary ruling on the Chinese color TV trade dumping case happening in the beginning of the year. They identified that some Chinese color TV manufacturers dumped their products to the US market, the price spreading from 27.94% to 45.87% (Zhang, 2003). China's government made a positive response to these activities, sending the first batch of large-scale purchasing groups to the United States for government procurement on November 12. China and the United States signed three large procurement contracts, respectively, in Washington and Detroit, and the total value was more than 5 billion US dollars. The first was five Chinese airlines companies signed a 1.7 billion dollar contract with the Boeing for its 737 aircraft. The second was China signed a long term supply contract with a total value of 3 billion dollars. China would use the engine made by the General Electric Company in ARJ31 civilian aircraft which was being developed by Chinese companies. The third was to buy 4,500 General Motors produced Cadillac, Buick and other brand-name cars in Detroit. General Motors would also supply auto parts to other assembly plants in
China. The total value of this contract was $1.3 billion.

In April 2006, the Deputy Prime Minister of China leading the purchase group of 111 companies, signed a large contract of $16.2 billion. Between April 3 and 11, China organized a total of 111 Chinese enterprises in 14 cities of 13 states for purchase investment activities (World Economy, 2007). In April 2007, one week before the Office of the US Trade Representative planned to sue China's intellectual property protection in the WTO, China's Ministry of Commerce organized enterprises for collective purchasing in the United States. The contract covered mobile phones and communications equipment, software, chips, and agricultural products, and the value was more than 12 billion dollars (World Economy, 2007). As Huaxi City reported (2009), China and the United States business executives signed a number of trade and investment agreements, a total of 10.6 billion US dollars, in Washington on the 27th of April 2009. They involved new energy, communications equipment, electronic components, auto parts and other fields. Besides, China's electromechanical delegation went to Chicago to discuss cooperation, in order to sign cooperation projects, exceeding 15 billion US dollars. In 2015, when China’s President Xi visited Seattle, Chinese company group agreed to buy 300 Boeing aircraft, including 250 single corridors of 737 aircraft and 50 wide-body jets, the total value of 38 billion US dollars. Moreover, according to the agreement, the Boeing Company would establish factories in China (Xinhua, 2015).

6.3.2 US-China Strategic and Economic Dialogue

Since the beginning of the 21st century, the gap between China and the United States has gradually narrowed. Meanwhile, the complexity of the contradiction between the two countries increased and the lack of strategic mutual trust made Sino-US relations become the world's most complex bilateral relations. The construction of the Sino-US dialogue mechanism is an effective measure to control Sino-US relations and to break the historical curse between the rising and hegemonic countries.\(^22\) It is also an important

\(^22\) China and the United States have been bilateral mechanisms for the re-positioning of Sino-US
way to break the dilemma of the current relations between the two countries.

In 2008, after Obama took office, China and the United States reached an agreement to promote high-level dialogue between the two countries. U.S. Secretary of State, Hillary Clinton claimed to enhance the level of Sino-US strategic dialogue, and to establish a state-led comprehensive dialogue. Hilary Clinton visited China in 2009, the two parties reached a strategic agreement on Strategic and Economic Dialogue (SED), and agreed to officially announce in April in London at the G20 summit.

Chinese President Hu Jintao and US President Barack Obama held their first meeting in London in 2009, the two heads of states made an agreement on the establishment of US-China Strategic and Economic Dialogue. The two sides agreed to combine Sino-US strategic dialogue and the Sino-US strategic economic dialogue into the SED mechanism, called “one framework, two tracks". Moreover, the dialogue held once a year, respectively, held in their capital cities - Beijing and Washington - in turn. From 2009 to 2016, the dialogue was held a total of seven rounds. Chinese Vice Premier and State Councilor of the Chinese State Council hold the dialogue with US Secretary of State and US Treasury Secretary together. They represent the head of state. Thousands of senior officials from China and US major government departments attend the annual dialogue. Economic issues between China and the US are the main content of the SED. The dialogue in macroeconomic and financial policies has played an important role in promoting economic development of both countries and global economic recovery.

RMB exchange rate and the status of China's market economy and other issues also appear in the discussion every year. The strategic dialogue not only includes traditional issues: the Taiwan issue, the nuclear issue of North Korea, but also climate change, energy security and anti-terrorism cooperation and other issues. The SED is a dialogue mechanism achieving the largest number of efforts between the two countries. After seven rounds of dialogue, the strategic track has achieved 475 results, and economic track has gotten 465 results (Zhang and Yan, 2016).

6.4 The monitoring scheme

Monitoring schemes are able to promote interactions between the United States and China and to enhance their mutual understanding of different policies and trade status. These monitoring schemes include the Trade Policy Review Mechanism (TPRM) and the Transitional Review Mechanism (TRM) under the WTO framework - multilateral monitoring mechanisms, government reports on trade barriers based on domestic legislation - unilateral monitoring schemes.

6.4.1 Unilateral Government Report

The United States Trade Representative (USTR) is responsible for the trade policy review for China. Despite of its evaluation, the USTR also takes commons from industry representatives and experts. Combined with the actual situation and comments, the USTR will provide the trade strategy for the US government towards China. The USTR also reports annually to the Congress on China’s complaints in the WTO. In addition, China’s Ministry of Commerce (MOC) has a similar function with the USTR. The MOC will assess other countries’ trade policies and check whether they make trade barriers against Chinese business. Both USTR and MOC can launch trade remedy investigations and they accept comments from the private sectors to investigate trade barriers of trading partners.

6.4.2 The Trade Policy Review Mechanism (TPRM)

The TPRM is conducted by the Trade Policy Review Body of the WTO General
Council. Member countries of the WTO are the subject of the TPRM. They will be questioned by other countries in the meeting of the TRPM. They need to give a response to every question, and then these responses will be evaluated by other members. The TRPM as a forum can help countries to identify trade regimes of other countries. According to Hsieh (2009), the US submitted more than 120 questions to China in 2008 through the TPRM.

6.4.3 The Transitional Review Mechanism (TRM)

The subject of TRM is different from the TPRM: the former contains only China and the latter includes all members of the WTO. The insist of the US makes the WTO to set the additional annual review mechanism. It can be treated as an obligation for China to accept inquiries, making sure China to fulfill its promise in the accession of the WTO. In other words, the TRM is mandatory for China, while the TPRM is not. From the perspective of China, the TRM is adverse, because other countries can inquiry into Chinese trade policies but China cannot “return fire”.

6.5 The effectiveness of these measures

6.5.1 Dispute Settlement Mechanism of the WTO

Although the consultation requested by the two sides in the WTO system should not be regarded as a conflict, based on the “good faith”, the intensity of settlements, to some extent, also reflects the intensity of conflicts. The DSM has little effort to prevent members from violation of agreements of the WTO and General Agreement on Tariffs and Trade (GATT). In recent WTO Annual Reports, the “busy year” appears frequently in the description of settlement activities, although the number of establishing panels decreased by nearly half compared to the situation 10 years ago (WTO, 2017). Furthermore, the enforcement of DSM is from the retaliation of complaining countries, not from the legislation. The international moral standard and sense of responsibility cannot regulate members’ actions effectively. Another reason for its inefficiency is the high cost of the procedure. In order to guarantee the fairness and justice of the
adjudication, the process may take one and half years, dozens of experts and hundreds of legal provisions. Taking Measures Related to the Exportation of Various Raw Materials: June 2009 as one example, China did not fully implement the DSB’s recommendations until January 2013, 2 years after the Appeal Report announced. In the case of Anti-dumping Measures on Shrimp and Diamond Sawblades from China: February 2011, China was not satisfied with the American execution of DSB’s recommendation. Apart from cases accomplished, there are many cases still pending.

6.5.2 Chinese government procurement

To a certain extent, government procurement can ease the pressure of China's appreciation of the renminbi. For example, when China announced the opening of the beef market to the United States, Present Trump reduced the accusations of China as a currency manipulator, as well as China is “stealing American jobs” announcement. However, trade friction is still unavoidable. The action is more like “embracing buddha's feet only in a crisis” - not taking action unless emergency happened, hoping every problem can be fixed. We can see that the procurement did not prevent the United States from appealing to the WTO in 2007 and 2009. This is because the amount of money cannot make up for the US trade deficit. Citing an instance, the trade deficit of the US in 2009 was 240 billion US dollars, and the procurement amount was only 10.6 billion dollars.

6.5.3 US-China Strategic and Economic Dialogue

The SED has enhanced mutual understanding between the two countries, and prevented the occurrence of strategic misunderstandings and miscarriage of justice. Especially for China, the dialogue can make the United States understand the status quo of China's economic development and its status of world trade. It has a certain impact on their trade policy and diplomatic strategy in order to reduce the conflict and prevent a trade war. In addition, the dialogue can make the two sides understand the intersection of interests, laying the foundation for future cooperation. However, the SED has some dilemmas. The negotiation of US-China Bilateral Investment Treaty (BIT) and Chinese
economic reform are deadlocked. Although a consensus can be reached in the dialogue, the outcome cannot be implemented and its agreed implementation is not binding. That is why it is called “talk shops” by some scholars.

In a word, there is no one effective method for China and the US to handle their trade disputes. Current mechanism can only prevent the deterioration of disputes, but cannot put an end to the issue.

7. Causes of trade disputes between the United States and China

The trade imbalance in the Sino-US bilateral trade is the most important reason for trade disputes. Due to the large trade deficit, the US becomes very sensitive to Chinese actions on trade. In order to reset the trade deficit, American government starts to use anti-dumping and safeguard measures to restrict Chinese exportation to its domestic market and it also accuses Chinese “unfair” trade policies, like export subsidies. The cause of trade disputes between the two countries is very complicated, and it includes the trade structure, trade policies, currency policy and development strategies of the two countries. Political factors also a part of the dispute, like the election.

7.1 The bilateral trade structure between the United States and China

There are structural differences between China and the United States in the import and export of goods, and the bilateral trade is complementary. This is the basis for Sino-US trade expansion, but it also caused some frictions. On the long run, most of China's imports into the United States are necessities of life. Meanwhile, most of the products exported from the United States belong to capital and technology-intensive high-end products. In terms of demand alone, cheap Chinese goods are highly competitive in the U.S. market and are highly welcomed by their consumers. China's demand for U.S. goods is limited during a long period. On the one hand, due to the low level of economic development of China, purchasing power of households is low, so that for the United States goods, Chinese market demand is scant. On the other hand, due to Chinese consumption habits, Chinese tend to save more than they consume, so the
purchasing power of the entire market is small. This leads to a large US import of products from China, while China's imports from the United States were less.

The trade structure between China and the United States also demonstrates that Chinese goods have a strong substitution. The international market is the buyer's market. Products, such as toys, furniture, footwear, clothing, hardware products, are also manufactured in large numbers by other developing countries, which make it easy to find an alternative to replace China. Especially in recent years, the manufacturing industries in Vietnam, Bangladesh and other developing countries have rapidly risen. They have made lower manufacturing prices with lower wage levels and resource costs, making the price advantage of Chinese products no longer competitive. Therefore, China may not maintain its position as the best choice for U.S. imports, even if in a labor-intensive industry. However, China’s imports are mostly technical and capital-intensive products, such as the aircraft, electronic products and agricultural products, which are either monopolized by the United States or not able to find alternatives due to their high technical requirements. Obviously, there is a big difference between China and the United States in mutual economic influence.

One problem behind Chinese goods is the competition mode. These products are low value added, strongly alternative and low technical content. Therefore, the low price is the main methodology to improve product competitiveness. A large number of such export to a certain region will be bound to have a strong impact on the local market, and will trigger strong rebound and protest by local manufacturers. It is very easy to trigger the suspicion of goods dumping, thus many Chinese exporters are facing anti-dumping investigations.

From a dynamic point of view, some changes happened in the status of trade development and the trade structure of products between China and the United States since 1995. In the export trade, the U.S. export trade structure has not changed much,

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23 Buyer’s market means the supply exceeds the demand in a market, which gives buyers more bargaining power on price negotiation.
mainly focusing on the export of capital and technology-intensive products. China, in the same period, gradually shifted from labor-intensive exports to capital-intensive exports, but labor-intensive products still accounted for a large proportion (Xun, Du and Zhang, 2015). American import trade structure has been relatively stable since 1995, with imports of resource-based products mainly, followed by labor-intensive products such as clothing, and capital-intensive products, like industrial products. Although China’s import trade structure is mainly dominated by the import of capital-intensive technology products, the demand for resource products has been increasing in recent years. In short, the trade structure between China and the United States is gradually converging and the competition is becoming intensified.

Using the trade similarity index, the export and import similarity between the US and China can be measured. The calculation formula for import is as follows (export calculation is the same):

\[
ISI(ij)_w = \sum_k \frac{\left(\frac{I_{ik}}{I_{iw}} + \frac{I_{jk}}{I_{jw}}\right)}{2} \left[1 - \frac{\left(\frac{I_{ik}}{I_{iw}} - \frac{I_{jk}}{I_{jw}}\right)}{\left(\frac{I_{ik}}{I_{iw}} + \frac{I_{jk}}{I_{jw}}\right)}\right] \times 100
\]

\(I_{ik}\): the import of product \(k\) in country \(i\); \(I_{jk}\): the import of product \(k\) in country \(j\)

\(I_{iw}\): country \(i\)’s import share to the world; \(I_{jw}\): country \(j\)’s import share to the world.

ISI value range is between 0 to 100, and if the ISI closer to 100, the more similar imports of goods between the two countries, and the higher the trade similarity, on the contrary, the closer ISI value to 0, indicating the smaller the trade similarity. If the similarity index rises over time, it means that the two countries have converged trade structures in the third market and the trade competition between the two countries will also be aggravated.

From 1995 to 2014, the similarity in export trade rose rapidly firstly, and then tended to fluctuate steadily after 2001. While the similarity of import trade is basically stable at
50, and rising suddenly after 2010 (See Graph 3 in Appendix). Overall, Chinese trade structure has become similar to the America’s. The trade competition between the two countries has also been intense. China's position in the international division of labor also lies in the convergence of the United States.

The trade structure also leads to a serious asymmetry in the Sino-U.S. economic and trade relations. China's dependence on the United States is high, while the dependence of the US on China is relatively low. The influence of Sino-U.S. trade turbulence on China is clearly higher than that on the United States. According to Yao and Li (2008), a 1% reduction in US GDP will reduce imports by 2% to 3%, which means that the share of imports from China will drop by 5% -10%.

The high degree of asymmetry has made the US more economically restrictive to China's foreign trade. It is more likely that the US will stir up conflicts. On the contrary, China stays in a passive state, because of the lack of appropriate counter-ability. However, with the development of China's economy and the restructuring of its economy, the degree of trade dependence between the two sides converges. The trade conflicts have intensified. The DSM of WTO can be treated as an example. In the first few settlements, they usually closed in a few months or solved by consultation. The weakness of China has somewhat lessened the intensity of the conflict. Later, it is increasingly difficult to finish that soon. This is because China has gained a bigger bargaining power, and China is learning more about confrontation and is getting more familiar with the WTO's legislation and mode of operation. China will not compromise so easily, and the intensity of conflicts increases.

7.2 Economic development strategy and industrial structure adjustment

China has been pursuing an export-oriented strategy and stimulates its growth by export earnings and government investment. In terms of macroeconomic policies, the export enterprises will be provided with relief and export duties, export tax rebates, export subsidies, credit and insurance, etc., so as to reduce their export costs and enhance their competitiveness. The government provides loans for exporters and relaxes the
restriction of import quotas. These exporting companies also get priority to imports of equipment. On the one hand, an export-oriented strategy has played a crucial role in creating a miracle of economic growth in China. On the other hand, it is exactly the culprit that China's GDP growth is highly dependent on foreign countries and foreign trade. In recent years, China has realized the seriousness of this issue and is therefore committed to economic restructuring. The government formulates policies to accelerate the transformation of economic growth mode, and continuously accelerate the pace of industrial upgrading, curb high pollution, high consumption and inefficient industries, encourage technological innovation and protect independent intellectual property rights. It results in the rapid development of high-tech industries, making China's industrial structure began to side with the United States. As a result, the convergence of industrial structure leads to fierce market competition, weakening the comparative advantages of the original pattern of complementary. Finally, it will spawn trade frictions.

In the future, with the further optimization and upgrading of industrial structure in China and the readjustment of industrial policies such as the "re-industrialization" in the United States, the level of productivity in the two countries will be closer to each other. The overlap in industrial structure will further increase, and trade disputes will be more frequent. In the field of friction, low value-added products such as shoes, textiles, clothing, toys and furniture will be transferred to high value-added products such as transportation equipment, communications equipment and new energy products, resulting in a gradual increase of trade friction from low-grade to high-grade products.

Not only is China's restructure, the United States, as one of the most mature economies in the world, also began to readjust its industrial structure and transformed from traditional industries to high-tech industries since the nineties of the last century. It is called “de-industrialization”. The continuous improvement of the manufacturing industry in the United States led to the rapid growth of the demand for the service sector. The dependence of the U.S. economy on the service industry continued to increase, and in turn, promoted the adjustment of the U.S. industrial structure and trade policy. The traditional industries, including steel and textiles, have gradually shifted to service
industries such as consulting, finance and electronics as well as high-tech industries. The United States had used its abundant capital to change its existing industrial structure through continuous R&D investment. It further promotes the overall industry moving into a high value-added field. The adjustment of industrial structure and the tilt of policies inevitably, negatively affect the development of traditional industries. Its overall industrial structure gradually from the first and the second industries, that is, traditional agriculture and manufacturing industry, transferred to service industry. Since the 1990s, the share of service industries in the US GDP has continued to rise. The service industry accounts for almost 80% of the GDP by 2015, while the primary agriculture-based industry accounts for only 1% of the GDP (WTO, 2017). In the process of “de-industrialization”, multinational corporations have accelerated the transfer of industries to some extent. Multinational corporations gradually shift labor-intensive industries to developing countries with low labor costs, such as outsourcing some factories to China and outsourcing some service offices to India. However, this has led to a reduction in employment opportunities and an increase in unemployment in the US. Thus, the “de-industrialization” triggers social and political issues. For example, the US Congress and the USTR office will step up their investigations into China. The USA’s president, especially before the election campaign, usually speaks in a high-profile manner about protecting local industries and accusing China of trade policies. These actions finally create uncertainty in the Sino-US bilateral trade.

7.3 Chinese exchange rate issue

The exchange rate issue of RMB (or yuan) is a key point in the trade imbalance between the United States and China. Based on basic macroeconomics, a depreciated currency will increase a country’s export and decrease its import. Meanwhile, due to the declining cost, it will attract more foreign direct investment. The currency depreciation or undervaluation policy is consistent with Chinese strategy of economic development. Many US policymakers, labour groups and business representatives in related industries claim the undervaluation of RMB is a de facto export subsidy for Chinese export and an
invisible import tariff on Chinese import (Morrison, 2011). The undervaluation can reach to 50 percent maximum. They accuse China as “exchange rate manipulator”: the undervalued currency benefits China in the trade, yet damages the interest of manufacturing industries in the US. According to Bergsten (2010), it costs America 150,000 to 350,000 US jobs, owing to Chinese unfair currency policy. In May 2009, Tim Ryan, a Democrat, formally introduced a bill “Currency Reform for Fair Trade Act” on the grounds that the exchange rate of the Chinese yuan to the U.S. dollar was seriously undervalued. The bill required that the US government, based on specific requirements, to address whether a foreign currency is essentially undervalued against US dollar within 18 months. In September 2010, the votes in the U.S. 111th congress passed the “Currency Reform for Fair Trade Act”, which requires the Ministry of Commerce to impose trade import tariffs on countries whose exchange rates are undervalued. Obviously, this act specifically targets to China and RMB. In addition, S. 1130 would, among other things, regard currency manipulation as a feasible subsidy under U.S. countervailing duty cases (Morrison, 2011).

7.4 2008 financial crisis

The financial crisis has brought more than just a recession. On a global scale, trade protectionism is prevalent. Countries competed to set up trade barriers to safeguard domestic industries. As for trade between China and the United States, the financial crisis not only caused the trade volume to drop, but more importantly, exposed the problems in the economic development of both China and the United States. The two sides took a series of measures to save their own economy. These actions also have had far-reaching effects on the bilateral relation.

Affected by the economic crisis, the unemployment rate in the United States remained high in a long term and it reached 10% in October 2009 (WTO, 2017). The annual growth rate of Household Final Consumption Expenditure in the United States showed a negative growth in 2008 and 2009. From 2010 to 2014, the annual growth rate was

hovering around 2%. It did not break through to 3%, returning to pre-crisis levels, until 2015. Personal consumption expenditure, on the other hand, is the largest engine driving the growth of the U.S. economy. Since 2000, it has accounted for over 67% of GDP. The economic growth in the United States has been stagnant, the purchasing power of American households has dropped and the imported goods have been declining. As a result, Chinese exports dropped rapidly, many Chinese exporters lost heavily even bankruptcy. In addition to providing financial support to these enterprises, Chinese government has to accelerate its industrial transformation. This is why the similarity of the trade structure between China and the United States rose rapidly in 2010.

The crisis also brought US dollar devaluation, declining the price advantage of China's export products. In order to keep the competitiveness, stabilize domestic economy, and prevent political uncertainty, Chinese government interrupted the currency reform. The exchange rate of RMB against US dollar appreciated by 21.1% from 2005 to 2009, changing from 8.27 to 6.83 yuan per dollar (Bergsten, 2010). However, Chinese government decided to keep the currency value relatively constant in 2009, because the effect of the financial crisis gradually appeared. From June 2010 to August 2011, the RMB appreciated by around 6 percent against US dollar, but it still incurred criticism from American government.

When the crisis broke out, the United States put forward the concept of re-industrialization in order to curb the continuous rise of unemployment and provided subsidies to some manufacturing industries. As early as September 2009, at the G20 summit, Obama put forward the "G20 Framework for Strong, Sustainable and Balanced Growth (FSSBG) ” (OECD, 2017). The United States issued a series of policies to boost economic recovery in the context of balanced growth. The most iconic issue is the “United State Manufacturing Enhancement Act of 2010”, which entered into force on August 11, 2010. The bill aims to help US manufacturing reduce production costs, enhance international competitiveness, boost physical manufacturing and create more jobs. Before and after Trump came to power, he also advocated re-industrialization as one of the goals of economic policy. Trump reduces corporate tax, and provides
subsidies to bring high-tech manufacturing industries back to the United States. He even resorted to the threat. For example, he claimed to impose a 35% tariff, if the BMW launched its factory in Mexico, but not America. Although the BMW did not change their mind, Ford abandoned the Mexican factory construction plan, and re-expanded the factory in the United States. It can be inferred that in order to support its own products, the United States will to a certain extent limit China's industrial imports.25

The causes for the trade dispute are complicated. They can be simplified as internal and external factors. For China, its export-led growth strategy is responsible for disputes. Its unsound mechanism, like IPR law and highly market restriction also incurs American dissatisfaction, further leading to disputes. In terms of the United States, the government focuses more on finance and IT service sectors and companies keep outsourcing their labour-intensive industries. This strategy makes workers facing high pressure of employment. When a financial crisis - the external factor - comes, the two models become fragile in the global economic recession. They have to terminate the original development strategy and change courses, but it will increase uncertainty in trade. Besides, political factors will also increase the possibility of a trade dispute.

8. Effect

Trade disputes between the United States and China have a broad influence. They can cause negative effects on the two parties, the whole world as well. The disputes in trade will change not only the economic relationship, but also create political intensity.

Firstly, this section will analyze whether America achieves its goal after disputes. Secondly, I will discuss the economic effect of trade disputes on China and its possible reaction. Thirdly, the worldwide influence will be covered, such as protectionism and the influence on the WTO. The last is the influence on the third party of trade in the US and China relation.

8.1 The United States

From 2001 to 2015, the U.S. trade deficit has been increasing except in 2009. It represents that U.S. trade remedy did not work effectively (See Graph 4 in Appendix). With respect to the unemployment rate in the United States, simple trade protection may not bring jobs back, but inflation may rise rapidly. Although earnings of Chinese workers increase 12% annually from 2013 to 2020, even comparing with other emerging markets, China still keeps its cost advantage in manufacturing industries in the next few years. So even if the United States restricts imports from China, the US businesses may not necessarily have the motivation to produce these goods. Of course, the government can offer support in terms of tax reduction, subsidies, and other financial support, but it is not economically viable. Purely trade protection will not necessarily bring about the return of U.S. manufacturing industry and will not give much help to employment. If China takes countermeasures, employment in the United States may even decrease. If the United States restricts the import of cheap goods from China, consumers may have to bear higher costs, thus inflation may rise in the short run. Therefore, the role of trade protection in boosting inflation in the United States is far greater than that of promoting employment.

8.2 Chinese economic reactions

The United States adopted countervailing and anti-dumping measures, mainly in the fields of steel products, miscellaneous articles, chemicals, metals and articles. On the one hand, due to the trade remedy of the United States, the growth rate of China's exports to the rest of the world, including the United States, has dropped both in the quantity product and the amount of money (Wang, 2015). On the other hand, China's exports of steel and its product to the rest of the world have been on the rise, but its share of imports in the United States has dropped. It also shows that foreign investment has been diverted from China to the third country to evade anti-dumping duties, because

of countervailing and anti-dumping measures launched by the United States.\textsuperscript{27}

Actions of countervailing an anti-dumping to China shifted the domestic demand in the United States to other partner countries such as Japan, South Korea, Canada, Brazil, Mexico and India (import transfer). According to Bryan and Holodny (2016), US would have a 0.5% decrease in annual GDP growth next year if it imposed a tariff on Chinese export 2% to 10% more, based on the current level.

### 8.3 Chinese government reactions

When the US implemented trade remedy and caused disputes with China, the government has reactions as followed.

One reaction can be called \textit{passive response}.\textsuperscript{28} Chinese government avoids direct confrontations with the United States, since China is in a relatively disadvantageous position in bilateral trade relations. Chinese government can purchase more U.S. products through official or state-owned enterprises expanding the openness of service industries such as finance and tourism. China can also increase import energy, like natural gas and petroleum. More importantly, China can negotiate with American government to reduce restrictions on exports of high-tech products to China.

The second is \textit{active adjustment}. Trade disputes have caused tremendous pressure on China. They are seriously affected China's economic stability and international image. China must complete the manufacturing transformation in order to fundamentally

\textsuperscript{27} Prusa’s trade transfer effect theory (1996): The higher the anti-dumping tax rate, the greater the amount of trade transferred from the country involved to the non-named country. The implementation of the anti-dumping law led to a substantial increase in the import prices of the named and non-named countries. The non-named countries in the areas under investigation benefit from the side effects of anti-dumping actions.

\textsuperscript{28} This part can refer to Section 3: dispute settlements 3.2 US- China trade dispute settlement under the WTO framework and 3.3 US-China bilateral measures to decrease trade dispute
reverse this situation. It will transfer labour-intensive, and low-value added industries to other countries, such as Vietnam, Thailand, Indonesia and even India. Meanwhile, the government will promote the development of technology and capital intensive industries and high-value added industries. In this case, China's exports to the United States will be diverted, and other Asian countries will share Chinese pressure in the Sino-US trade. In addition to manufacturing transformation, it is an option to open up financial markets and reduce FDI restrictions. Although China has made such commitments, its actual results are relatively small at present. In the future, although this is in line with China's financial development trend, considering the financial security of the country, the free financial market will still be a challenge for China. Furthermore, complying with the commitments it made as part of its accession to the WTO is an effective way, if China wants to decrease trade issues with the United States. However, more possibly, China will transform from a rule taker to a rule maker in the WTO (Gao, 2011). China respects the rule-based mechanism, but it does not mean that China will give up its real interests and succumb to the United States. Communist Party of China will do everything possible to ensure the steady development of the economy because this is the basis for political stability. Therefore, China will use its growing influence to change WTO rules. In fact, the status of China as a rule challenger in the WTO will not solve the problems in Sino-US trade in the short term, just as the industrial restructuring will increase the dispute intensity for the bilateral trade relation. At last, from an economic point of view, China can release excess capacity through the Asian Infrastructure Investment Bank (AIIB) and the Belt and Road Initiative. It can also promote the international settlement of RMB. It is still unknown whether or not it can play an active role in the future between China and the United States.

The third is retaliation. It is direct and aggressive responds to the US trade remedy. The worst situation might worsen the trade dispute into a trade war. A tit-for-tat in trade might start from aircraft, fuel, soy, wood and pulp, and motor vehicles. China could also extend its trade restrictions to service industries, which have a growing surplus in the United States such as tourism and education. If the Trump administration imposes a
45% tariff, China is likely to impose the same tariff on the US imports, resulting in a full-scale trade war. Secondly, China may ban the United States from exporting some strategic commodities, such as rare earths. This, however, may not be a useful threat, because China has very limited strategic supplies of monopoly in the international export markets. China imposed rare earth quotas in 2009, and abolished them in 2015 after the WTO complaint by the United States. As Lo (2015) states: China only has “a false monopoly” in rare earths. China controls more than 90 percent of the global supply of rare earths, but other countries like Australia, and Kazakhstan also have abundant rare earths.

Although I take retaliation as a response to China after the trade dispute, I do not believe China will come to this step. From the current attitude of the leaders of China and the United States, the possibility of a trade war is basically zero. During President Trump's visit to Beijing, the two parties signed a series of contracts valued at 250 billion US dollars.29 The main purpose is to re-balance the trade. It shows leaders of both sides consciously control the dispute and, if necessary, will ease the pressure between the two countries. With the exchange of visits between the leaders of the two countries, there is less smell of gunpowder between the two countries. The trade contract they signed spilled a bucket of cold water on the Sino-American conflict.

8.4 Effects on the rest of the world

Desjardins (2017) predicts that China will contribute 35.2% driving power to global GDP growth from 2017 to 2019. At the same period of time, the United States will contribute 17.9%, ranking second. As mentioned above, Sino-U.S. conflicts will cause a slowdown in the economic growth between China and the United States, which will also have a chain reaction to the global economy. The protectionism policies started by the United States will also spread. If the United States raises the tariff, it can drag the

economic growth. One concern is that it may become a signal for others to follow and it will cause market anxiety. China’s behaviour in the WTO might lead to a downward trend in legislation execution if other member countries follow suit. As a result, the possibility of trade disputes among member countries will increase. However, the countermeasures of protectionism cannot make one country a net growth in GDP (Petersen et al., 2017). Another point, when the United States practices trade protectionism and even changes its attitude towards globalization, his global leadership will decline. Nevertheless, China, Europe and other countries and regions are not prepared to stand up to fill the power vacuum, at this point in time. It is not surprising that the escalating conflict between China and the United States in trade sectors has triggered a lot issues in the globe, and is changing the global trade landscape.

8.5 Implications for the third party

In general, a negative impact on the world results from the bilateral frictions, but it has different performances with respect to different countries.

8.5.1 Negative effects

The first type is collateral damage. When the two countries, especially the United States, carry out trade remedy investigations, third parties will also be involved, apart from each other (Lee, 2013). Other import restriction measures, export quotas and manufacturing facilities re-location will be implicated in other countries. Just as the US taxation not only targets China but also Canada and Mexico. The impact of the tariff on them is even greater than that of China. Their losses are higher than average due to their heavy dependence on the U.S. market (Petersen et al., 2017). Another case is Japanese car manufacturing companies in China might face anti-dumping investigations from the United States. Even US manufacturing branches in China face the threat of trade remedy investigations on Chinese exportation. A 10% drop in China’s exports to the US cuts Korea’s GDP by 0.31 percent of South Korean GDP will be cut by a 10 percent decrease in China’s exports to the United States, and the same percentage drops in
American exports will lead to 0.04 percent GDP loss in South Korea (Jung, 2017).

Another type is that the competition between China and the United States forces the countries to choose one side. It consists of choosing between two divergent frameworks of Free Trade Agreements (FTAs) and choosing between different philosophical principles and approaches to economic policies (Lee, 2013). On the one hand, the different interests of China and the United States lead to different perspectives. They have different interpretations of the same affairs or rules. On the other hand, the world trade continues developing, and new objects, methods and issues are emerging. The rules of the WTO cannot change timely. When the organization cannot accurately address the trading issue in a case, it is not capable to effectively solve the trade dispute. If there are two approaches, the third parties’ decisions will be affected by the two giants.

When the same problem has two sets of programs, the powerful influence of the two big trading nations will inevitably result in the dilemma of choosing the third countries. The battle between the Trans-Pacific Partnership (TPP) and the Regional Comprehensive Economic Partnership (RCEP) is an example. TPP is a multinational trade agreement initiated by the United States to promote the protection of global intellectual property rights. The RCEP is based on the ASEAN+1 framework and aims to strengthen regional trade cooperation. Both FTAs include Asian countries, such as Japan, Singapore, Malaysia, and Vietnam. Although both China and the United States announced that the two organizations did not influence each other, it is generally accepted that they are wrestling with the two FTAs. The attitude and behavior of related parties are more than economic considerations by giving political significance. With Trump coming to power, the United States withdrew from the TPP. Meanwhile, the RCEP seemed to end up with nothing definite.

[https://www.eff.org/issues/tpp](https://www.eff.org/issues/tpp) <2017/11/20>
Additionally, a voice of “Beijing Consensus” appears with China’s rise. Beijing Consensus is a concept that corresponds to Washington Consensus, which advocates free trade, privatization of State Owned Enterprises (SOEs) and liberalization of financial and investment markets in developing countries, especially in Latin America (Williamson, 2004). Nowadays, some developing countries in Africa claim to learn Chinese pattern to boost economic development. Export-led growth, the combination of financial openness, exchange rate policy, and monetary independence are characteristics (Bird, Mandilaras and Popper, 2011). Yet just as the IMF caused the local economic recession when Washington Consensus was promoted in Latin America, no one can guarantee that Beijing Consensus is the right path to reduce poverty.

8.5.2 Positive effects

Although China’s rise in the WTO is challenging the framework, it respects the rule-based system. It, to some extent, indeed represents the interest of developing countries’ request for the organization. Moreover, other countries can learn from the dispute about the enforcement of “rule of law” and adapt their domestic policies and legislation. Besides, as the WTO rules are not updated, the disputes between the United States and China can be regarded as a chance to evolve the mechanism. The dispute is possible to provide a platform to solve new issues. Lee (2013) stated “the controversial bilateral disputes may in fact turn into a new platform for identifying loopholes and ultimately finding solutions to difficult questions”.

Trade disputes and potential threat of a trade war between China and the United States have downward pressure on global economic and their major trade partners, but this conclusion is conditional. There might be some exceptions when it comes to a specific country or region in a specific case. For instance, when China transferred its manufacturing industries out of the country, it is a chance for its neighbor countries, like Thailand, Vietnam, and Indonesia. The transfer can create job opportunities and these countries can speed up the pace of industrialization and urbanization.
In addition to industry transfer, trade can also transfer. Benefiting from the countervailing and anti-dumping investigation on Chinese tires, export of other the Asia-Pacific regions to the United States has risen sharply. Imports from Thailand surged 67.3%, Indonesia 44.3%, Korea 21.4%, Taiwan 18.8%, and Vietnam nearly increased by 6 times.\(^{31}\) Those exportation companies in Thailand and Indonesia are still Chinese owned, but China's tires exports to the United States have actually reduced by more than half.

In short, the effect of trade disputes is negative. The United States cannot achieve its goal: decreasing the trade deficit nor bring the jobs back to the US; and China will suffer huge loss in exportation. The trade disputes will worsen the global market, which is bad for the rest of the world. Once China chooses to confront the United States in a positive way, the consequences are unpredictable. Despite the economic loss for the third parties, the disputes in the WTO may create two standards, which lead to chaos for other countries to a certain extent. In addition to the negative effects, in some individual cases, some countries can benefit from the trade disputes. Some scholars claimed the positive effect of the disputes. Trade disputes, for instance, can generate a new framework for countries to deal with new trade issues.

9. Conclusion

First of all, we have learned five characteristics through the review of Sino-US economic and trade history. Among them, Sino-US trade has a relatively strong complementary, but China is in a more unfavorable position in this relationship. At the same time, Sino-US trade is often affected by political factors.

The trade conflicts between China and the United States can be divided into microeconomic, macroeconomic, systematic and technological frictions. A notable feature is that these conflicts do not show a progressive manner, but exist

simultaneously. It includes both countervailing and anti-dumping measures for Chinese export products, but also Section 337 investigations on other Chinese intellectual property rights. In sum, the various forms of trade remedy in the United States challenge China's existing economic systems and economic policies from many aspects and it increases the difficulty of resolving the conflicts.

Dispute settlement can be divided into multilateral framework and bilateral framework. In general, the multilateral framework is more conducive to developing countries. The DSM of the WTO is the most important approach to solve the Sino-US conflict. Its negative consensus can guarantee the fairness of this procedure to the greatest extent, but its efficiency therefore declines. Results of the DSM show that, firstly, the intensity of the conflict between China and the United States is the strongest in the world. Secondly, this mechanism does not prevent the conflict from happening in the future. Although China and the United States try to solve this problem through the establishment of a bilateral dialogue mechanism, for the time being, the symbolic significance of this mechanism is greater than the actual effect. With respect to the monitoring scheme, according to the original intention of the establishment (strengthening mutual understanding and mutual trust between the two governments), its role is limited from the practical analysis.

The reason, as the key to answering the question, is rather complicated. There are both internal and external factors for trade disputes. The internal factors are mainly the different development stages of the two countries that make them to implement different development strategies. Coupled with political considerations, the two sides broke out conflicts in the trade. For example, China adopts export-led growth strategy, while limiting FDI into the domestic capital market. The United States develops financial and IT service sectors, outsourcing labor intensive industries. In some high-tech industries, the American government sets up barriers to ban Chinese enterprises enter the market. To a certain extent, both models have their drawbacks. Once they are subjected to the impact of external factors, such as the economic crisis, the weaknesses in the system
will be magnified. The contradiction between the two sides will be intensified, then trade conflicts are inevitable. As to the RMB issue, China's IPR protection issue and China's market economy status issue are the object and the cause of a conflict. They make the problem more complicated.

The effect of disputes in the bilateral trade is far-reaching. Not only will it weaken the Sino-US economy, but it will also have a negative impact on the world economy. The confrontation, on the one hand, reduces confidence in the world market. On the other hand, other countries may follow suit and thus aggravate the economic downturn. The attitudes and tactics of China and the United States on this issue will also determine the bilateral relations as well as the trend of the world economy. In addition to the economic aspects, international politics will also be affected. The international system may be redefined. This has both advantages and disadvantages. The drawback is that the international order may appear unstable, in the process of power shifting. The benefit is that the new system can be more suitable for solving new problems.

Now, let us answer the very beginning of the question: will the trade dispute intensify and finally trigger a trade war between China and the United States? From the perspective of the future economic and trade relations between the two countries, the interdependence between China and the United States will become increasingly higher. This means that the trade war costs more, and benefits less to them. From leaders' attitudes, both parties are aware of the serious consequences of a trade war, thus are more cautious. Especially for China, words and deeds are quite restrained. From both the trade status, the United States is aggressive, and China is defensive. The two countries are the top two economies in the world. The rest of the world does not want to see two giants enter a war. In the future, if the Chinese economy still guarantees steady growth, the possibility of a trade war between the two will be further reduced. In a word, I think although Sino-US trade conflicts will intensify in the near future, there will be no trade war.
References


**Online database and official website**

**World Bank**


**Trade Map**

http://www.trademap.org/Bilateral_TS.aspx?nvpm=1|842||156||TOTAL||2|1|2|2|1|1|1|1

**WTO**

https://www.wto.org/english/tratop_e/dispu_e/dispu_maps_e.htm

https://www.wto.org/english/tratop_e/dispu_e/dispu_maps_e.htm

https://www.wto.org/english/tratop_e/dispu_e/dsu_e.htm
MOFCOM


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http://gongbei1.customs.gov.cn/publish/portal145/tab3181/module16685/page35.htm

USITC:

https://www.usitc.gov/intellectual_property/337_statistics_number_section_337_investigations.htm

https://dataweb.usitc.gov/

Bureau of Labor Statistics

https://data.bls.gov/timeseries/LNS14000000

Congress of the United States:


https://www.census.gov/foreign-trade/balance/c5700.html#1989
Appendix

Graph 1. Trade to GDP ratio of US and China

Source: WTO, 2017


Graph 2. Trade inter-dependence between US and China

Unit: 10 billion $ dollars

Source: trade map 2017

http://www.trademap.org/Bilateral_TS.aspx?nvp=1|842||156||TOTAL||2|1|2|2|1|1|1|1|1

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Graph 3. US-China trade similarity

Source: USTR database, 2017; the calculation method is from Xun, Du & Zhang, 2015

Graph 4. Trade balance between the US and China from 2001 to 2015
Unit: billion US dollar  
Source: trade map, 2017

http://www.trademap.org/Bilateral_TS.aspx?nvpm=1|842||156||TOTAL||2|1|3|2|1|1|1|

Table 1. US Import From And Export to China

Table 1.1 US exports to China: main commodity composition

Unit: million US dollar

<table>
<thead>
<tr>
<th>Commodity category</th>
<th>2016</th>
<th>2015</th>
<th>Year on year%</th>
<th>Accounting%</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Total value</strong></td>
<td>115,775</td>
<td>116,072</td>
<td>-0.3</td>
<td>100.0</td>
</tr>
<tr>
<td>Oil seed; sub-kernel; industrial or medicinal plants;</td>
<td>14,909</td>
<td>11,091</td>
<td>34.4</td>
<td>12.9</td>
</tr>
<tr>
<td>Aircraft, spacecraft and its parts</td>
<td>14,577</td>
<td>15,441</td>
<td>-5.6</td>
<td>12.6</td>
</tr>
<tr>
<td>Electrical, electrical, audio and video equipment and its accessories</td>
<td>12,360</td>
<td>12,761</td>
<td>-3.1</td>
<td>10.7</td>
</tr>
<tr>
<td>Nuclear reactors, boilers, machinery and parts</td>
<td>11,382</td>
<td>12,248</td>
<td>-7.1</td>
<td>9.8</td>
</tr>
<tr>
<td>Vehicles and their spare parts, except for railway vehicles</td>
<td>10,988</td>
<td>10,868</td>
<td>1.1</td>
<td>9.5</td>
</tr>
<tr>
<td>Optics, photography, medical and other equipment and accessories</td>
<td>8,268</td>
<td>7,923</td>
<td>4.4</td>
<td>7.1</td>
</tr>
<tr>
<td>Plastic and its products</td>
<td>4,932</td>
<td>4,910</td>
<td>0.5</td>
<td>4.3</td>
</tr>
<tr>
<td>Wood pulp and other fibrous cellulose pulp; waste paper and cardboard</td>
<td>3,481</td>
<td>3,414</td>
<td>2.0</td>
<td>3.0</td>
</tr>
<tr>
<td>Fossil fuels, mineral oils and their products;</td>
<td>2,688</td>
<td>2,218</td>
<td>21.2</td>
<td>2.3</td>
</tr>
<tr>
<td>Organic chemicals</td>
<td>2,560</td>
<td>2,464</td>
<td>3.9</td>
<td>2.2</td>
</tr>
<tr>
<td>Wood and wood products; charcoal</td>
<td>2,547</td>
<td>2,069</td>
<td>23.1</td>
<td>2.2</td>
</tr>
</tbody>
</table>
Table 1.2 The United States imports from China: the main commodities

Unit: million US dollars

<table>
<thead>
<tr>
<th>Commodity category</th>
<th>2016</th>
<th>2015</th>
<th>Year on year %</th>
<th>accounting%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total value</td>
<td>462,813</td>
<td>483,245</td>
<td>-4.2</td>
<td>100.0</td>
</tr>
<tr>
<td>Electrical, electrical, audio and video equipment and its accessories</td>
<td>129,006</td>
<td>133,163</td>
<td>-3.1</td>
<td>27.9</td>
</tr>
<tr>
<td>Nuclear reactors, boilers, machinery and parts</td>
<td>97,411</td>
<td>104,135</td>
<td>-6.5</td>
<td>21.1</td>
</tr>
<tr>
<td>Furniture, bedding, etc.; lamps;</td>
<td>29,054</td>
<td>28,100</td>
<td>3.4</td>
<td>6.3</td>
</tr>
<tr>
<td>Toys, games or sporting goods and their accessories</td>
<td>23,796</td>
<td>24,512</td>
<td>-2.9</td>
<td>5.1</td>
</tr>
<tr>
<td>Footwear, leggings and the like and their parts</td>
<td>14,820</td>
<td>17,276</td>
<td>-14.2</td>
<td>3.2</td>
</tr>
<tr>
<td>Knitted or crocheted clothing and clothing accessories</td>
<td>14,573</td>
<td>16,290</td>
<td>-10.5</td>
<td>3.2</td>
</tr>
<tr>
<td>Plastic and its products</td>
<td>14,495</td>
<td>14,327</td>
<td>1.2</td>
<td>3.1</td>
</tr>
<tr>
<td>Non-knitted or non-crocheted clothing and clothing accessories</td>
<td>13,679</td>
<td>14,759</td>
<td>-7.3</td>
<td>3.0</td>
</tr>
<tr>
<td>Vehicles and their spare parts, except for railway vehicles</td>
<td>13,579</td>
<td>13,028</td>
<td>4.2</td>
<td>2.9</td>
</tr>
<tr>
<td>Optics, photography, medical and other equipment and accessories</td>
<td>11,326</td>
<td>11,063</td>
<td>2.4</td>
<td>2.5</td>
</tr>
<tr>
<td>Steel products</td>
<td>10,460</td>
<td>10,471</td>
<td>-0.1</td>
<td>2.3</td>
</tr>
</tbody>
</table>
Table 2. US-China Intellectual Property Right disputes before China’s WTO accession

<table>
<thead>
<tr>
<th>Time</th>
<th>status</th>
<th>issue</th>
<th>result</th>
</tr>
</thead>
<tbody>
<tr>
<td>1989</td>
<td>Priority Watch List</td>
<td>China’s copyright system and patent system</td>
<td>drafted “Sino-US Memorandum of Understanding” In 1989</td>
</tr>
</tbody>
</table>


Table 3. US complaints against China

<table>
<thead>
<tr>
<th>complaint</th>
<th>result</th>
</tr>
</thead>
</table>

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<table>
<thead>
<tr>
<th>1. Value-Added Tax on Integrated Circuits: March 2004</th>
<th>Mutually agreed solution, without panel established in October 2005</th>
</tr>
</thead>
<tbody>
<tr>
<td>3. Measures Granting Refunds, Reductions, or Exemptions from Taxes and Other Payments: February 2007</td>
<td>Withdrawal/termination of the request; Agreements on memorandum of understanding (MOU) in December 2007</td>
</tr>
<tr>
<td>7. Grants, Loans, and Other Incentives: December 2008</td>
<td>In consultations</td>
</tr>
<tr>
<td>8. Measures Related to the Exportation of Various Raw Materials: June 2009</td>
<td>China had fully implemented the DSB’s recommendations in January 2013</td>
</tr>
<tr>
<td>9. Measures Related to the exportation of various raw materials: September 2010</td>
<td>On 19 August 2013, China and the United States informed the DSB of Agreed Procedures under Articles 21 and 22 of the DSU.</td>
</tr>
<tr>
<td>10. Countervailing and Anti-dumping Duties on Grain</td>
<td>In August 2015, China informed the DSB that</td>
</tr>
<tr>
<td><strong>Oriented Flat-Rolled Electrical Steel from the US:</strong> September 2010</td>
<td>the anti-dumping and countervailing duty measures on imports of “GOES” from the US expired on 10 April 2015.</td>
</tr>
<tr>
<td>---</td>
<td>---</td>
</tr>
<tr>
<td><strong>11. Measures Concerning Wind Power Equipment:</strong> December 2010</td>
<td>In consultation; no solution or withdraw</td>
</tr>
<tr>
<td><strong>12. Anti-Dumping and Countervailing Duty Measures on Broiler Products from the US: September 2011</strong></td>
<td>Compliance proceedings ongoing on 22 June 2016</td>
</tr>
<tr>
<td><strong>13. Measures Related to the Exportation of Rare Earths, Tungsten and Molybdenum:</strong> March 2012</td>
<td>May 2015, China and the United States informed the DSB of Agreed Procedures under Articles 21 and 22 of the DSU</td>
</tr>
<tr>
<td><strong>14. Anti-Dumping and Countervailing Duties on Certain Automobiles and Automobile-Parts Industries:</strong> July 2012</td>
<td>In June 2014, the DSB adopted the panel report</td>
</tr>
<tr>
<td><strong>15. Certain Measures Affecting the Automobiles and Automobile-Parts Industries:</strong> September 2012</td>
<td>In consultations, in September 2012</td>
</tr>
<tr>
<td><strong>16. Measures Related to Demonstration Bases and Common Service Platforms Programmes:</strong> February 2015</td>
<td>Panel established, but not yet composed on 22 April 2015</td>
</tr>
<tr>
<td><strong>17. Tax Measures Concerning</strong></td>
<td>In consultations, on 8 December 2015</td>
</tr>
<tr>
<td>----------------------------------------------------</td>
<td>-------------------------------------------------------------------------------------------------------------------------------------</td>
</tr>
<tr>
<td>21. Subsidies to Producers of Primary Aluminium: January 2017 In consultation</td>
<td></td>
</tr>
</tbody>
</table>

Source: WTO 2017

[https://www.wto.org/english/tratop_e/dispu_e/dispu_maps_e.htm](https://www.wto.org/english/tratop_e/dispu_e/dispu_maps_e.htm)

### Table 4. China complaints against America

<table>
<thead>
<tr>
<th>complaint</th>
<th>result</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Definitive Safeguard Duties Imposed on Imports of Certain Steel Products: March 2002</td>
<td>On 4 December 2003, the President of the United States had issued a proclamation that terminated all of the safeguard measures subject to this dispute, pursuant to section 204 of the US Trade Act of 1974.</td>
</tr>
<tr>
<td>2. Anti-dumping Duties and Countervailing Duties Determinations on Coated Free Sheet Paper from China:</td>
<td>In consultations, and no further action has been taken</td>
</tr>
<tr>
<td>September 2007</td>
<td></td>
</tr>
<tr>
<td>---------------</td>
<td>--</td>
</tr>
<tr>
<td><strong>3. Definitive Anti-dumping and Countervailing Duties on Certain Products from China: September 2008</strong></td>
<td>At the DSB meeting on 31 August 2012, the United States said that it had brought the measures at issue in this dispute into full compliance with the DSB recommendations and rulings. At the DSB meeting on 28 September 2012, China made a statement that it did not agree with the US claim that it had fully complied with the DSB recommendations and rulings.</td>
</tr>
<tr>
<td><strong>5. Measures Affecting Imports of Certain Passenger Vehicle and Light Truck Tires from China: September 2009</strong></td>
<td>Report(s) adopted, no further action required on 5 October 2011</td>
</tr>
<tr>
<td><strong>6. Anti-dumping Measures on Shrimp and Diamond Sawblades from China: February 2011</strong></td>
<td>At the DSB meeting on 26 March 2013, the United States informed the DSB that it had implemented the DSB recommendations and rulings within the reasonable period of time. China did not share the United States' view that it had fully implemented the DSB recommendations as it had failed to revoke the anti-dumping duty on sawblades. China urged the United States to honour its obligation.</td>
</tr>
<tr>
<td><strong>7. Countervailing Duty Measures on Certain Products from China: May 2012</strong></td>
<td>The Chairperson of the compliance panel informed the DSB that the compliance panel expected to issue its final report to the parties in the second half of 2017.</td>
</tr>
<tr>
<td>8. Countervailing and Anti-dumping Measures on Certain Products from China: September 2012</td>
<td>On 21 August 2015, China and the United States informed the DSB of Agreed Procedures under Articles 21 and 22 of the DSU.</td>
</tr>
<tr>
<td>---</td>
<td>---</td>
</tr>
<tr>
<td>9. Certain Methodologies and Their Application to Anti-dumping Proceedings Involving China: December 2013</td>
<td>At the DSB meeting on 19 June 2017, the United States stated that it intended to implement the DSB’s recommendations and rulings. On 11 July 2017, the United States and China informed the DSB that in order to allow sufficient time for them to discuss a mutually agreed period, they agreed on deadlines for an eventual arbitration under Article 21.3(c) of the DSU.</td>
</tr>
</tbody>
</table>

Source: WTO 2017

[https://www.wto.org/english/tratop_e/dispu_e/dispu_maps_e.htm](https://www.wto.org/english/tratop_e/dispu_e/dispu_maps_e.htm)