CHINA'S TRADING WITH THE US AND ITS FUTURE POLICY DEVELOPMENT

Presented by group 6

BACKGROUND

History of China Trade

Before the Reformation

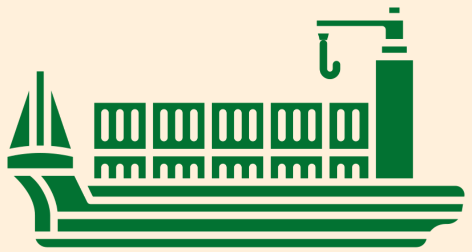
- **State-controlled** economic outputs
  - Price
  - Production Goals
  - Resource Allocations
- **Minor focus** on trade
- **Prohibition** on the private & foreign-invest companies

Demographics Shift

Political Events

After the Reformation

- **Expansion** of product categories and export goods
- **Efforts** were given to **attract investors**
  - Decentralize imports-related decisions
  - Fewer restrictions on exports
  - Creation of special economic zones
  - Trade agreements
  - Tax incentives



China's trade status after the reformation

1995: traditional labor-intensive exports --> non-traditional labor-intensive products.

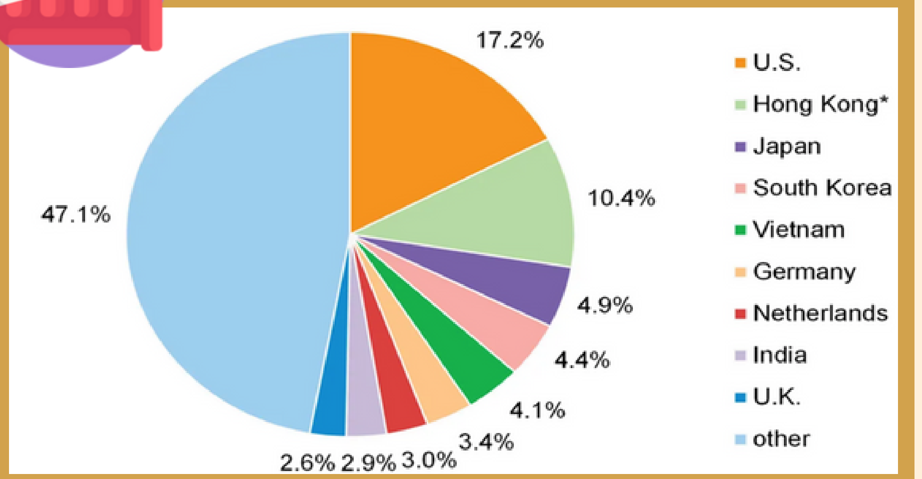
1992-2012: Exports were dominated by manufactured goods due to FIE

After 2001: The WTO accession allows China to gain increase in total trade at an average annual rate of 35%

BACKGROUND

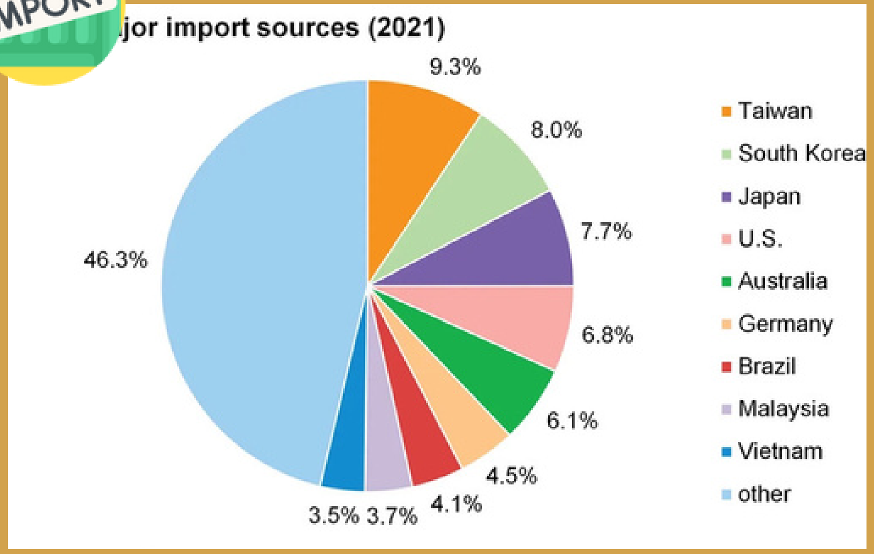
China Export & Import

China's **export** sector is essential for its **economy**.



exports

electronics, machinery, textiles, and consumer goods



imports

machinery, apparatus, chemicals, and fuels

Export Measures

- Making trade agreements with other countries
- Providing tax incentives for exporters

Advantages in Trade

- Low labor cost
- An ability to mass produce for the world's market
- Adopted an advanced technology intothe industry
- Distribution centers ; set up cross-border e-commerce overseas

Comparative Disadvantages

- Risk of technologies replace human labor
- The unstable trade relationship between the U.S. and China
- Sensitive topics such as the political and cultural topics

ISSUES

Collectivization

During the 1950s ⟷ Industrialization

Mao's collectivization of farming was a "failure"

A systemic failure : The Great Leap Forward disaster

1959s - 1961s — Output collapsed and severe famine

Stop China’s grain export policy

recover domestic output to make grians sufficient for Chinese consumption

Exchange Rate Regime

Since 1994 — The Pegged RMB to the U.S. Dollars

What?

Cheaper Exports = Competitive

Lower Barriers of Capital Flows

How?

Currency Manipulation:
Weakening the RMB by buying more U.S. Dollars into the foreign exchange reserve

Increase in Chinese Foreign Exchange Reserve

International Pressures for the Revaluation

25-26% Share of Global Manufacturing Output

Trilemma in international Monetary Policy Agreements

ISSUES

Intellectual property

Before the 2001s

- lack of legal protection for intellectual property
- license limits international corporations' ability to trade.
- Forced technology transfer from US companies via regulations
- increased productivity in the domestic industry.
- lacks independent intellectual property, limiting its exports to low-cost labor.

The US-China trade war

Started since 2018

Cause

- China engaged in unfair trade practices
- Intellectual theft
- Violated international trade rules
- Manipulating its currency to gain benefit in international trade

American blockade on China's trade by

- Imposed tax on Chinese exports
- Tightened Chinese export control
- Blacklisting Chinese technology companies
- Restrictions on Chinese investment

Impact on Chinese economy :

Slowdown in China's economic growth and foreign invest decline

GOVERNMENT POLICIES

Response to Collectivization

1. **De-collectivization :** encouraged competition and provided rewards
2. **Open-door policy :** foreign capital and technology

Rising national income and economic development

WEAKNESSES

The trade-off between rising national income and Chinese living standards

Policy has promoted some regions to be wealthier than others

Foreign companies operate the business more efficiently which created a growing income gap between the Chinese employees

Shift in Exchange Rate Regime

internationally believed

- RMB is undervalued - currency manipulation
- Threatening the world's economic equilibrium

Responding to external pressure
After 2.1 % appreciation.

In 2005, Shift to market-oriented exchange rate

The exact composition of the currency basket was not disclosed, and the announced regime maintained its close ties to the U.S. dollar.

GOVERNMENT POLICIES

Intellectual property policies

intellectual property right (IPR)

protections, including copyright, trademarks, patents, and trade secrets.

promoted the development of innovation

Improved patent laws encourage R&D, innovation, and FDI.

Foreign businesses

must register Chinese versions of foreign trademarks to protect against dishonesty.

Weakness

- IPR cases are brought to municipal courts for stronger chances of success.
- IPR protection and enforcement is lower than developed countries.

Government response to the US-China trade war

1. **China ban import on live poultry products from the US**
2. **China implemented tariffs on the US exports by 25% on**
   Agricultural products / Automobiles / Aquatic products

3. **Diversifying trade partners**
   - Lower tariffs on import for other countries to reduce dependence on the US market
   - Increase trade ties with Europe, Southeast Asia, and Africa
4. **Promote development of the domestic high-tech industry**
   - China increase investment in AI and semiconductors

China's response aimed to focus on minimizing the US tariff on its economy

CONCLUSION

Issue	The Great leap forward led to the failure of Mao's collectivization plan.	The pegged of Yuan make China gain benefits in export but negatively affected the U.S.	Lack of independent intellectual property rights cause problems in high-tech trade sectors.	American blockade on China's trade resulted negative impact on China's economy.
	The open-trade policy	Managed floating exchange rate regime	Intellectual property right	Tariff
Policy effectiveness	struggle with a wealth gap due to improper government management inequality and need for an equal income distribution.	lacks transparency, reducing RMB flexibility. allowed non-U.S. currencies to fluctuate against the RMB. The RMB can't deviate from the USD due to the lack of movement.	develops its intellectual property rights revising them for the global system. IPR protection is lower than developed countries.	Effectively mitigated the negative impact on its economy. Implemented tariffs, diversified trade partners, and promoted domestic high-tech industry.
lesson learned	The open-trade policy has promoted many opportunities to Chinese such as employment and private investments etc.	Pegged Exchange Rate can actually cause high inflation within the country of a currency; therefore, China needs to shift its exchange rate back and forth.	IPR protection still concern for foreign companies.	China increase its abilities to compete in the global market by reduce reliance from the US

Thank you for your attention

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