Research on the impact of Sino-US trade friction on Chinese economy and trade

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Abstract: Since China joined WTO, China has become the largest trade deficit country of the United States. At the same time, in recent years China’s export to the United States have gradually increased, which combined with the continuing economic recession and rising unemployment in US and has led to more and more disputes China and US. Therefore, the trade friction has become the issue of diplomatic relations between two countries. However, we should view Sino-US trade frictions dialectically. Trade frictions has both disadvantages but also positive factors. So we should try our best to minimize the negative effects of trade frictions and exert the positive impact of trade frictions.

1. Introduction

Since trump took office as US President on January 20, 2017, US policy is clearly getting tougher. The US government pushed forward trade protectionism, especially the frequent use of anti-dumping and countervailing measures against Chinese exports. At the same time it also use domestic trade law of the United States to launch “301 investigation” and other unconventional trade remedy investigation against China. On April 4, 2018, the US government released a list of goods subjects to tariffs in response to “301 investigation”. The first round of US taxes on China imposed a 25 percent of levy on a total of 50 billion dollars in Chinese exports to the United States. On August 2, 2018, the United States launched the second round of taxation on China, the scale of the tax from 50 billion dollars to 200 billion dollars., and the scope of taxation was significant expanded. The high-end manufacturing is still the main tax subject, and chemicals, plastic products, metal products and other goods have all entered the tax range. Chinese countermeasures against the provocation of the US trade war, the first tax list mainly focuses on agriculture and mineral products, and the second tax list extend to almost all industries. Although the second round of tax has not yet been implemented, the trade war between the US and China has already begun.

Throughout decades of Sino-US trade history, it can be always observed that trade frictions between US and China have always existed. As the largest developed and developing countries in the world, the United States and China differ greatly in economic structure and stage of development, which will inevitably lead to differences in trade structure between two countries. Since the president trump took office, the trend of “America first” protectionism has significantly increased, leading to escalation of trade protection dispute initiated by the United States.

2. The reason why the US launched trade war

2.1 Direct reason

2.1.1 China and the US do have trade imbalances.

For example, the total trade deficit between China and the United States in 2017 was 375.2 billion dollars, accounting to 47% of the total trade in goods between the two countries. But the trade deficit figures released by US are seriously distorted. There are three reasons. First of all, due to the rapid development of economic globalization, the traditional production mode confined to one country has been replaced by global production mode. With the rapid development of intermedia goods trade, the new international division of labor and production modes has promoted formation of global value chain. In global value chain, only the added value part truly reflects the gain of a country's participation in the international division of labor. The traditional method of international trade statistics based on the border has been unable to adapt to the actual situation of global economic and trade development. But US trade unbalance data are based on traditional foreign trade statistic, In fact, the trade deficit between the United States and China is largely due to the east Asian value chain entered on China. According to the research of Chinese Academy of Science, if the value-added trade method is used to calculate Sino-US trade surplus, Chinese trade surplus with the US would fall by 44.4%. Secondly, the goods exported from China mainland to the United States via Hong Kong would be counted as Chinese exports to the United States. However, at the same time, the goods exported from Hong Kong to the United States via China mainland would be counted as Hong Kong's export to the US. Such accounting method obviously loses fairness, further exaggerated the Sino-US trade deficit. Thirdly, the total trade volume of a country is composed of trade in goods and trade in service. The United States blindly emphasizes China's trade deficit in goods with the United States, while ignoring the long-standing service trade surplus of the United States with China. Moreover, even if the surplus is in China, the US is the beneficiary of structure gains. By importing large quantities of manufactured goods from China, the United States has greatly reduced the living cost of its domestic consumers. In addition, the high quality and low price of "made in China" is conducive to the increase of consumer surplus, which objectively improves the level of welfare and helps to curb inflation and promote smooth operation of economy.

2.1.2 The growth gap between the US and China was large in 2017.

2017 was the first year trump took office, but the economic growth in the United States may not reach the trump's expectation. In 2017, US GDP grew by 2.3% year-on-year, the growth rate was higher than 2016, but significantly lower than that of 2015 and 2014. And in China, GDP grew by 6.9% year-on-year in 2017, significantly better than the 2.21% in 2016. The series of data has put pressure on trump.

After shrinking the deficit in 2016, the US trade deficit with China grew further in 2017, reaching a record high of 375.23 billion dollars. According to Chinese statistic, China's good surplus with the United States was 275.8 billion dollars in 2017, accounting to 65.3% of China's goods surplus. According to the statistic in the US side, the US trade deficit in goods with China was 375.2 billion dollars in 2017, accounting for 46.3% of the US trade deficit in goods. At the same time, the US foreign service trade surplus has declined for three consecutive years. The trade deficit has made trump government feel uneasy, and is a direct reason for trump to start a trade war.

2.2 Indirect reason:

2.2.1 The root cause of Sino-US trade war is the "hegemonism" thought of the United States.

Trump, who has carried "America first" flag since entering the White House, has withdrawn or at least threatened to withdraw from several international agreements. For example, the US government withdraw the trans-pacific partnership (TPP), revived the north America free trade agreement (NAFTA) and bypassed the WTO by launched "301investigations". The so-called "America first" is in fact a naked concept of self-interest. It is the hegemony of the United States, relying on its strong comprehensive national strength, to challenge multilateralism with unilateralism and to challenge internationally recognized rules with power politics. In other words, "America first" means the abdication of international prevailing rules. The United States can arbitrarily place its domestic laws and rules above internationally recognized rules, that is the United States can take unilateral actions to replace the existing international disputes settlement mechanism. The concept of "America first" seems to ensure the maximization of the American interests. In fact, it will only weaken the international influence and leadership of the United States, fail to solve the practical problems facing the United States, and also drawn the international economy. According to the statistics, for more than a year, the US government has surveyed 94 so-called “unfair transaction” in nearly 10 countries, up 81% year-on-year. The WTO’s dispute settlement study suggests that the United States, in fact, is by far the largest “rule breaker”, with up to two-third of violations caused by the United States. The US government repeated emphasis on “trade fairness” is based on the interests of “America first” rather than on fair competition international trade rules, which is contrary to internationally recognized economic and trade rules and is not conducive to maintaining the stability of current international economic and trade rules.

Now China’s overall strength is getting closer to that of the United States. In terms of total GDP, China reach 12 trillion dollars in 2017, equivalent to 63% of the US. In terms of economic growth, Chinese economic growth rate was 6.9% in 2017, far high than the 2.3% in the United States. If China can maintain the growth rate, it could take over the US as the largest economy by around 2027. Although China has repeatedly reiterated that “China will never seek hegemony or engage in expansion”, the United States, under the guidance of the consistent hegemony ideology, believes that China has become the biggest challenge to its global hegemony and threatens its global leadership. Therefore, the United States initiated a trade war between China and the United States, ostensibly because of the Sino-US trade imbalance, but in fact because the political and economic foundation between China and the United States has changed.

2.2.2 Prevent China rise

At present, China is playing catch-up in the field of high-tech development and ranks among the world’s advanced level in many indicators, which poses certain challenges to the leading role of US technology. Therefore, the essence of the America’s initiation of Sino-US trade war is to block the rise of China’s high-tech industry, weaken China’s core competitiveness and curb the development momentum of China’s rapid rise. It’s easy to see from the Sino-US trade war that the United States gradually upgraded and raised its price. All the items on the list of tariffs are aimed at the development of China’s high-tech manufacturing industry and transformation and upgrading of China’s high-tech industry everywhere. Trade imbalances is just a cover of trade war, the essence of Sino-US trade war is to limit the development of ten new and high technology industries in strategy of “made in China 2025”, especially for aerospace products, biological medicine, new materials, new energy vehicles, industrial robots, high-performance medical equipment, a new generation of high speed information technology equipment, agricultural machinery equipment products such as high tariffs to be charged. Obviously, the essence of the United States launching the Sino-US trade war is to curb the development of China’s advanced manufacturing and high-tech industries, and attempt to get the Chinese government to abandon the strategic plan of “made in China 2025”.

Senior the US senator John cornyn did not hesitate to say why the United States is imposing 50 billion dollars in tariffs on China at a government meeting —— a move to curb the strategic plan of “made in China 2025”. “Made in China 2025” mainly refers to Chinese continuous innovation in 10 new areas to enhance the country’s core scientific and technological competitiveness, which is a good thing for China and even the whole world. China always shares the benefits of its own development with other countries. Different from the US trade protectionism, isolationism and hegemony, China pays attention to win-win and global free trade. In today’s economic globalization, the US government does not conform to the trend of times, but does the opposite.

2.2.3 Prepare for the 2018 US elections

Make America great again, Tax reform, Trade protection, etc. were the trump’s campaign promises. After pushing ahead with tax reform in 2017, trump has made trade protection an important issue in 2018. This year's US election is crucial for trump. 2018 is the mid-term election year of the us congress. November is the mid-term election of the us congress. In May as the election went to the polls, Mr Trump used his "trade shield" to appeal to voters to stay on top and seek re-election.

With the U.S. economy in decline in recent years, trump and his administration are in desperate need of an excuse to distract the domestic public’s attention. As the saying goes, the best way to deflect contradictions is to create new ones. So Trump has directed the underclass focused their discontent on those who sold their goods cheaply and vented their anger on those who lent them money.

The author thinks that the Sino-US trade has been enhanced since China entered WTO. However, exchange rate and trade inequality are long-term obstacles to the development of bilateral trade relations, and there is no effective solutions. In this context, the degree of economic integration between China and the United States is deepened, and there will be many conflicts and contradictions in the economic and trade system between both sides. According to the analysis above, the direct cause is mainly economic, and indirect reason is mainly political. But political reasons play a crucial role in the Sino-US trade war. In economic aspect, trade friction between China and the United States have changed from microeconomics to macroeconomics. The so-called macroeconomic friction refers to the conflict and contradiction between two countries in terms of trade flow caused by favorable trade balance and deficit. Since the 21st century, the exchange rate fluctuations between the US dollars and the RMB have been a representative of the macroeconomic frictions, and this friction will continue. From the perspective of non-economic factors, it is because of the various political and social forces of the United States that the Sino-US trade relations are trying to develop according to their own intentions, such as the intervention of congress, negative publicity of the media and ideological differences between two countries. Trade between China and the United States has shifted from liberalization to fairness. From the America civil war until the 1970s, it was liberal. However, as the total amount of imports in the United States was larger than the total amount of exports, the trade deficit become a phenomenon. Therefore, the US government wanted trade fair to reduce the trade deficit. With a higher degree of openness, the United States greatly improved its competitiveness because of the rotation of trade mode. But this kind of double standard and unilateral action could easily invite retaliation from other countries, which could easily lead to trade friction.

Interest groups have a significant influence on trade policy. In order to achieve their goal and realize their own interests, various interest groups unconsciously exert pressure on the decision-maker, and finally make the policy benefit to the rear financial groups represented by the president. As a result, we often see that America politicians turn a blind eye to things that are good for America, and they do things that are bad for America. Therefore, the America political parties represent the interest of the certain interest groups rather than the general public. The US constitution provides that the congress is responsible for regulating business contracts with foreign countries and setting and imposing tariffs. Protectionism is often reflected in the fact that the executive branch of the United States has a more international perspective but is unable to develop the foreign trade policies, and the senators who focus more on regional interests can intervene in foreign trade policies.

In American democracy, lawmakers and government officials are only the spokesman for some kind of authority. A democratic choice must have the backing of a group of syndicates, and if it wins, the President will focus on his side. China's imports of American products would threaten the financial groups behind the President, so the US under the system is a very capitalist economic system. This system is the cause of Sino-US trade friction.

3. Impact of Sino-US trade war on China

3.1 With the coming trade war, China has been hit harder than before

US stocks plunge as trade war between China and the us begins. Chinese stocks such as Alibaba, Baidu, Netease fell more than 5 percent. Mr. Trump has completely brook Chinese economic balance since China jointed the WTO in 2001. Since the trade war between China and the United States officially broke out, there has been a great impact on the RMB exchange rate. The RMB has been consciously devalued, and both the onshore and offshore RMB have fallen. For example, the onshore RMB fell to 6.5 from less than 6.3 at the end of march. Of course, the devaluation of RMB has both internal causes and external causes. One of the two main reasons for the devaluation of RMB is the continuous strengthening of the US dollars, which has been resulted from the tough foreign policies adopted since trump took office and the continuous interest rate hikes by the federal reserve. Second, the trade war was initiated by the United States has a negative impact on Chinese exports, resulting in the impact on the RMB exchange rate, and the RMB bears the pressure of devaluation. Of course, internal factors also play an important role in the devaluation of RMB. Chinese economy has entered a new normal and is adjusting its structure and reducing financial leverage, and facing the downward development of economy. In addition, the slowing economic growth has become less attractive to foreign capital, which has led to the decline of FDI. In the contrary, the US dollar rose, a large quantity money flowed to the United States.

3.2 Trade security is threated

There was a decade since the 2008 global financial crisis, the world economy as a whole was in the state of recovery, and this recovery was driven by trade and investment among countries around the world. In addition to the internal factors such as high-tech innovation and domestic demands, China's rapid economic operation has benefited from the improvement of the external environment and the frequent economic and trade exchange between China and other countries in the world. Investment, consumption and export are the three major drivers of a country's economic growth. For a long time, China's domestic demand is insufficient, and trade has contributed greatly to China's economic growth. Since Trump took office, he has actively promoted the concept of "America first" policy, promoted the rise of the trade protectionism, and blindly put the domestic laws and rules of the United States above the rules of WTO, making the WTO's influence in global trade increasingly weak, and could be gradually marginalized. China's status as a major trading nation has been largely benefited from the accession to the WTO, where its increasingly weak trade dispute settlement system threatens China's foreign trade security.

3.3 Inflationary and deflationary pressure coexist

In the short term, inflationary pressures in China's economy are mainly due to the imports of the US agriculture products, especially soybeans. China is highly dependent on imports of US soybeans. In 2017, the total amount of soybeans imports from the United States was about 18.5 billion US dollars, accounting for about 37% of China's soybean imports. Therefore, China is in the position of "counter-control", and the 25% tariffs on imported US soybeans and other agriculture products may trigger direct inflation effects. In addition, as soybean is an intermediate input in farming and other industries, the additional tariffs means the cost of livestock breading increases, leading to its price rise. The price transmission mechanism will lead to price increase of some basic living goods, which indirectly leads to inflation. But given that China could increase the imports of agriculture goods such as soybeans from countries such as Brazil, real inflationary pressure would diminish. In the long term, China's economy is facing the deflationary pressures. In 2017China's exports to the United States of mechanical and electronic, audio and video equipment and accessories total amount of 200 billion dollars, accounting for 46% of total exports to the United States, China mechanical and electrical products export proportion of total amount of 20%. Therefore, it can be seen, the mechanical and electrical export has an important role in Chinese total exports. The United States has an high dependence on mechanical and electronical products imported from China and a low degree of substitutability in the short term, but in the long term, it will gradually emerge the substitution effect, leading to a certain deflation effect. In conclusion, China will face both the inflationary and deflationary effects when the two countries impose substantial tariffs on each other's imports. In the short term, there will be an inflation effect, in the long term, deflation is more pronounced. Therefore, Chinese economy may face both the risk of inflation and deflation, depending on the balance of forces between two countries.

3.4 Impact of Sino-US trade war

The Chinese side: The contraction in exports, in turn, affects economic growth. Meanwhile, according to the United States, the area of imposing tax on China is not the middle and low-end manufacturing in which China has more competitive advantages, but high-tech industries including aviation, new energy vehicle and new materials. There will be a negative impact on

Chinese high-tech manufacturing development and economic growth.

3.4.1 The impact of “232” survey on Chinese economy

Before the “232” survey, the steel and aluminum trade has been a major area of the Sino-US trade friction. Mr. Bowen, a former White House economist and now a senior expert at the Peterson institute for international economics, noted that before the tariffs, 94 percent of Chinese steels and 96 percent of aluminum exports to the United States were already subject to various trade restrictions, including a “double reserve” tax. Taking the steel as an example, the US imports only 3 percent of total amount of steel imported into China, ranking only the 11th among the US importers. As a result, the US tariffs on steel and aluminum around the world will do little harm to China.

3.4.2 The impact of “301” investigation on Chinese economy

In January 2017, Morgan Stanley, a foreign investment bank and industrial security, a domestic investment bank, respectively calculated the impact of Sino-US trade war on Chinese economy. Morgan Stanley calculated that the Chinese exports to the United States would fall by 21%, 46% and 72%, respectively, on the assumption of that the United States levies tax rates of 15%, 30% and 45% on all Chinese goods, Chinese total exports would fall by 4%, 8% and 13%, respectively. The calculation result of industrial securities is very similar to that of Morgan Stanley: Chinese exports to the United States would fall by 21%, 46.5% and 72%, respectively, on the assumption of that the United States levies tax rates of 15%, 30% and 45% on all Chinese goods, Chinese total exports would fall by 3.9%, 8.6% and 13.3%, respectively. As for the impact of trade war on Chinese GDP, the estimated result of industrial securities is as follows: If the tax rate of 30% applied to all the products imported from China to the United States, the indirect impact of the trade war on Chinese GDP will be -0.64%. During the same period, the CCIC calculated that: Assuming that tariffs of 5% are imposed on all Chinese imports to the US, the impact of the trade war on Chinese GDP is not less than -0.07%. As for the impact of the 50 billion dollar tariffs that has come into effect on the whole Chinese economy, a study led by Ma Jun, a member of monetary policy committee of the People’s Bank of China and director of the financial and development research center of Tsinghua University, shows that: Given the indirect effect, a 50 billion dollars trade war would slow down the Chinese GDP growth by no more than 0.2%.

Table 1 shows the three calculation results of different institutions:

Table 1

Range of goods	Hypothetical tax	GDP decline
Across-the-board tariffs	30%	0.64%
Across-the-board tariffs	5%	At least 0.07%
50 billion dollars tariffs	25%	Less than 0.2%

That is to say, both in 2017 before the start of the trade war and in 2018 after the start of the trade war, both Chinese and America professional institutions basically believed that, even if all Chinese exports to US goods is imposed tariffs, the indirect impact of the Sino-US trade war on the Chinese economic growth will be less than 1% at the worst.

The US side: People’s living cost increases and limiting consumption. Higher taxes on China will protect some of its domestic industries but also hurt some of its industries and consumers. If the United States raises the tariffs further on Chinese manufacturing, it will actually be the same as taxing consumers, which will increase the living cost of the American people, restrain the consumption of the United States and affect the living standards of residents.

4. The impact of Sino-US trade war on China’s economic and financial banking sector

Trade frictions between China and the United States will have a certain negative impact on Chinese economy, which is the foundation of finance. The economic impact will inevitable have a negative impact on the financial banking industry, which is mainly reflected in the increased risk of credit assets of export-oriented enterprises and their upper and lower industrial chains. If the follow-up Sino-US trade situation continues to develop according to the current situation, the impact of trade war will spread from import and export business to domestic business, from wholesale and circulation industry to manufacturing industry, and affect the whole industry category through price transmission, and finally affect Chinese economy development and financial stability.

4.1 The impact of trade war on bank rates and exchange rates

4.1.1 A trade war would raise interest rates in financial markets

The impact of trade war on interest rates is relatively indirect. If the trade war between China and the United States continues, domestic liquidity will be tightened, which will increase the interest rates. On the one hand, persistent trade wars reduce the current account surpluses and reduce the capital accounts deficits to ensure the balance of payments; On the other hand, the trade war not only involves tariffs, but also plans to impose investment restrictions to further reduce Chinese capital account deficit. Therefore, in order to maintain a general balance of international payments and reduce foreign exchange funds, domestic liquidity will remain tight, thereby increase market interest rates.

4.1.2 A trade war would reduce RMB exchange rate

In terms of the impact on the exchange rate, the trade war between China and the United States is just a “tariff war”, rather than a “currency war”. In the long run, the trade war will increase the pressure on the RMB to devalue, mainly for three reasons: Firstly, the trade war will exacerbate the market concerns about the global economic recovery and the direction of Chinese economy, and there is a downward pressure on the RMB as a risky asset and a currency of interest related countries; Secondly, exchange rate fluctuations play a key role in trade disputes, one of the countermeasures China can take in the future is to guide the depreciation of RMB, which may be used as a tool to ease the trade pressure and realize depreciation; Thirdly, Chinese exports to the United States are about three times as much as its imports, a trade war will cause Chinese trade surplus with the United States to shrink, and increase the pressure on the depreciation of RMB.

4.2 Major banking clients and industries affected by trade war

In RMB terms, China exported and imported 1.93 trillion yuan to the United States in first half, and the United States continues to be Chinese second largest trading partner, accounting for 13.7% of its total foreign trade. Trade frictions affect Chinese total exports to the US, but have less impact on overall asset quality in the banking sector.

From the perspective of enterprises types, the trade war between China and the United States mainly affects export-oriented enterprises in the manufacturing and wholesale industries, especially the export-oriented enterprises. Among them, the trade war has a greater impact on the traditional labor-intensive enterprises, such as toys, furniture, textiles and other enterprises, imposing tariffs will make it harder for them to export; At the same time, China imposes tariffs on US product, such as intermediates, which will increase the production cost of related enterprises. If it is the final product, it will raise the domestic price.

From the perspective of industrial distribution, the industries which are greatly impacted by Sino-US trade friction include heavy industry (steel, chemical industry, other metal products, etc.), light industry (paper products, rubber products, wood products, etc.), high-tech industry (electronic equipment, etc.), manufacturing industry, wholesale industry, etc. It can be expected that the expert volume, profit will be affected in the short term. With the promotion of Chinese “The Belt and Road Initiative” strategy, the proportion of enterprises exports to the United States will be reduced, and the export impact brought by the trade friction will gradually weaken. For manufacturing the enterprises that are mostly dependent on imported parts and components, the rise of tariffs may have a significant impact on corporate profits, which may eventually affect the credit recovery of the credit customers of the relevant banks, and there is a possibility that the financing cannot be returned on time.

4.3 Major banking business and products affected by trade war

From the perspective of business scope, the banking business and products affected by the Sino-US trade war are mainly in the field of trade financing, and the direct impact is mainly the scale of international letters of credit, letters of guarantee and other businesses related to international settlement. More indirectly affected are the credit granting business of the aforementioned clients affected by Sino-US trade war, which may involve working capital loans, factoring, mergers and acquisitions, banking syndicates, and even financing or self-financing investment business. The liquidity loan repayment pressure of large trading customers increases, and the demand for mergers and acquisitions products decreases. And demand for shipping, aviation, finance and other production and service industries fell. However, as tariff barriers rise, domestic alternative industries will gain market growth space, the financial demand of relevant enterprises to expand output will increase relatively, and the financing demand of related projects will increase. In terms of entrepot trade, considering the increased internal and external risks of entrepot trade, the banking industry has increased the requirements for the examination of entrepot trade in recent years. As a result, the business volume of entrepot trade in commercial Banks has significantly shrunk, and the entrepot trade involving the United States is even more minimal.

4.4 The types of Banks most affected by trade wars

From the perspective of banking business, the risk of loss in the asset business is relatively high for Banks that are associated with small and medium-sized enterprises; Compared with the internal enterprises, the export-oriented enterprises suffered more in the trade war, so the bank with a larger proportion of the export-oriented enterprises in the customer structure was more risky; From a regional perspective, the Banks in the Yangtze river delta and the pearl river delta are more closely related to foreign trade enterprises and suffer greater impacts; Banks with more active international operations face greater risk of a trade war; In addition, Banks with a relatively high proportion of loans in industries hit hard by trade friction between China and the United States have been hit even harder.

4.5 Impact on High performance medical equipment, biomedicine

China rarely exports high-end medical equipment to the United States. As a result, this trade war has had little impact on high-performance medical devices. On the contrary, cost-effective domestic medical devices will welcome development opportunities. In 2017, China's import and export of medical and health products reached 116.676 billion US dollars, of which 60.799 billion US dollars were exported and 55.877 billion US dollars were imported. Chinese enterprises mainly export raw materials to the United States, such as raw materials for antibiotics, vitamins and cancer drugs. Although the United States is the second largest exporter of chemical API in China, nearly 4 billion dollars of chemical API raw materials were imported from China in 2017, global production of bulk raw materials such as antibiotics, antipyretic analgesics and hormones is basically concentrated in China, the demand is relatively scattered, and China has a huge voice, and Chinese companies can choose to raise prices to make up for the loss of tax revenue.

4.6 Impact on Industrial robot & agricultural machinery equipment

China's robot industry has just started and is in the development stage, mainly applied at domestic, with a low proportion of exports. The revenue of China's domestic products is 5 billion yuan, the export is less than 300 million yuan, and the industry income is less than 30 million yuan. From the perspective of the 3C industry, China's automation equipment mainly goes to India and southeast Asian countries. Although some of them are exported to the United States, their proportion is not high. Overall, the Sino-US trade war will have little impact on Chinese robotics industry. But Chinese acquisitions of US robotics companies or technology partnerships would be badly affected. After decades of development, China's agricultural machinery manufacturing industry, especially the domestic agricultural machinery represented by agricultural machinery and tools, is widely loved. Some domestic high-end agricultural machinery and tools, through a large number of exports, by the overseas market welcome. As a new industry in China, the UAY industry leads the world. Looking at the overseas layout of Chinese agricultural machinery enterprises, the proportion of overseas business income is increasing year by year. It has become the focus and consensus of all enterprises to expand overseas market in 2018, but the proportion of their sales in the US market is not high. Most of Chinese agricultural machinery exports to Europe, the Middle East, South Asia, west Africa, north Africa, the Asia-Pacific region. Therefore, trade war has a certain impact on Chinese agricultural machinery manufacturing industry, but it has limited impact on the overall development of the industry due to the relatively low proportion.

4.7 Impact on a new generation of information technology

The new generation information technology category is defined as the next generation communication network, Internet of things, three-network integration, new tablet display, high-performance integrated circuit and cloud computing six directions. From the perspective of market dependence on the United States, the six major areas of market dependence on the United States are extremely low or negligible, and are largely free from the direct or minimal impact of the Sino-US trade war.

4.8 Impact on new energy vehicle

China became the world's largest market for new energy vehicles as early as 2015. In 2017, China sold 777 thousand new energy vehicles, accounting for 63.4 thousand imported vehicles, of which 17.6 thousand were American cars. In 2017, China exported 214 pure electric passenger vehicles to the United States, with sales of 1.65 million dollar, and 1,042 plug-in hybrid passenger vehicles exported to the United States, with sales of 61.15 million dollar. Trade war will have little impact on Chinese new energy vehicle market. Some companies that have built factories in the US or want to enter the US market will be affected. Chinese auto parts account for about 27% of the total exports to the United States, and some enterprises are greatly affected by the tax increasing. However, due to the high cost of replacement for auto parts suppliers and the difficulty in upgrading the production capacity in the U.S. for a short time, domestic auto parts suppliers still have strong bargaining power. In the long term, technological innovations that could force Chinese own brands to make substantial breakthroughs in new energy batteries and cost reduction.

4.9 Impact on Aviation products and high-speed rail equipment

In 2017, the United States imported about 510 million dollar of aviation spacecraft and parts from China, and the United States had a trade surplus of 15.8 billion dollar with China. China has been the top export destination for U.S. civil aircraft, aircraft engines and components for six consecutive years since 2012. Sino-US trade frictions have limited impact on Chinese aerospace companies. The tariff imposed by the US government will affect the global procurement model of the US aviation industry, increase the cost of friction and reduce corporate profitability. In the long term, China is one of the most promising markets for commercial aircraft in the next 20 years, with Boeing accounting for about 13 percent of its total income, a market that is of great significance to the U.S. aviation industry.

In 2017, Chinese exports of railway vehicles, track equipment and signal equipment to the United States were 31.86 billion dollars, accounting for 29.10% of China's total exports, and 0.38 billion dollars, accounting for 4.93% of China's imports. Overall, the impact on Chinese Aviation products and high-speed rail equipment is not significant.

5. Impact on our life

5.1 Inflation pressure

In theory, when a country's exchange rate remains basically stable, higher tariff rates will lead to higher prices of imported goods and ultimately higher inflation. According to the actual scale of the tax, the United States imposed a 25% tariff on Chinese 34 billion dollars of products, while China imposed a 25% tariff on US 34 billion dollars of imported goods. As the trade war progressed in early August, the United States declared it would impose an additional 25 percent tariff on 200 billion dollars of Chinese imports. In response, our country will impose tariffs on all imports of about 150 billion dollars from the United States.

According to the second-level *classification of commodity name and code coordination system* of customs and entry and exit management agency, the top 10 commodity types of China's import scale include mechanical and electrical products, mineral products, chemical products, vehicles and aircraft, etc. These 10 categories of goods accounted for more than 90 percent of total imports. By further comparison the dependence of these commodities on American imports, it can be found that the tariff imposed on the United States is more likely to cause changes in the price level of domestic related commodities, mainly in the fields of agricultural products, vehicle aircraft, optical medical instruments, chemical industry, etc.

On the whole, in the context of a trade war, the impact of tariffs between China and the us on inflation in one of the countries may be two-way and dynamic. On the one hand, it will raise its own import tariffs or increase domestic commodity prices; On the other hand, tariffs on imported goods could weaken domestic demand and curb inflation. In addition, the impact of higher tariff rates on commodity prices also depends on how the pricing of exporters responds to tariffs, that is, tariff changes do not all pass through to consumer prices. Therefore, it can be seen that the final impact of the increase of import tariff on domestic prices is relatively limited due to various factors. Compared with the impact of the Sino-US trade war, the impact of the geopolitical risk ferment on the crude oil price in the second half and the disturbance brought by the extreme weather will have a greater upside risk to inflation.

5.2 Employment pressure

From the perspective of development, the trade war between China and the United States, as the world's two largest economies, involves not only China and the United States, but also the world. To some extent, it will lead to a setback in global trade and exert some influence on China's national economic development strategy. The world trade war of the 1930s was a case in point. The United States passed the "Hawley tariff act", which raised hundreds of tariff rates, causing dissatisfaction and retaliation from many countries; Since then, the United States has increased import taxes on industrial and agricultural products. The expansion of the trade war has greatly affected the global economic development. The growth rate of all industries around the world is decreasing. Many factories are closed and workers are unemployed. The whole world is in a turbulent situation. If today's trade war between China and the United States continues, it will not be hard to see a historic reversal in global trade. It will also make China's economic development overly dependent on domestic demand and put the industry in a hollow state, which will also constantly reduce the number of manufacturing jobs, thus constantly causing unrest in China's labor market.

6. Conclusion

Historical experience has shown that neither side that used its dominance to carry out the dictatorship will achieve final victory, as did Germany and Japan in World War II. The United States, as the most profitable country in World War II, did not really realize this, but continuously used its dominant position to impose sanctions on other countries and economies, which damaged its credibility in the market and will eventually disappear in the arena of history.

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