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Review

Understanding Sino–US Trade War: An American Government Perspective

Bhandari *et al.*

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Understanding Sino–US Trade War: An American Government Perspective

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Abstract

To comprehend Sino–US trade relations, this research article decrypts the trade relations among China and the United States from the American government perspective (Presidency of Donald Trump). The American government claims that the Chinese government's high import levies and subsidies to Chinese firms cause the Sino–US trade war, bringing about economic misfortunes in the United States. The American government thus contends that forcing high levies on Chinese products (imports) can be corrective measures for Chinese governments' actions. This research article discovers that the American administration overestimates the deficits. Measures for diminishing China's imports cannot raise the American employment rate; on the contrary, China furnishes the United States with high caliber and low-cost products and services. Although China is one of the top investors for the United States, Chinese capitalists tend to capitalize the surplus by investing in American ventures and bonds. However, American administration limits Chinese capitals because of security concerns supported by various other nations (i.e., France, Germany, Britain, Australia, the European Union, Australia, Canada, and Japan). The fear for Chinese capitalists due to China's moving up to the high end of the value chain is an outcome of economic advancement. Consequently, the two nations should restrategize Sino–US trade patterns by developing trade and economic co-ordination by means of trade arrangements.

Keywords: Sino–US; International trade; Trade war; Relative advantage; Trade co-ordination.

1. INTRODUCTION

In the first quarter of 2018, the American government (Presidency of Donald Trump) set off a trade struggle with China by wanting to impose a 25% duty on imports from China from mid of 2018. China also responded to this trade measure by compelling higher duties on imports from the United States, claiming it as their reactive actions. In the second quarter of 2018, the American government threatened to impose higher duties on a higher volume of imports from China, that is, 200 (billions in dollars). In the third quarter of 2018, the American government again threatened to impose a 25% tax on all imports from China on around 520 (billions in dollars) of imports. On September 2018, the American government declared 10% duties on imports from China for around 200 (billions in dollars) of imports. As the responsive measures, China reacted by imposing around 10% duties on 65 (billions in dollars) of imports from the United States and documenting it as responsive measures against the American import duties on Chinese products at the World Trade Organization (Bratt, 2017). Since then, the increasing trade struggle has initiated and trade talks between the two nations have been in advancement only after assembly between the Chinese government and American government at G-20 Summit on December 2018. However, all these American and Chinese trade measures have created difficulties for the regular trade co-ordination among the United States and China, which resulted a negative shadow on the current worldwide trade framework (Mistry and Durani, 2019).

The continuous Sino–US exchange strife keeps on increasing, on the grounds that the American government intends to regulate the Sino–US trade unevenness. In this manner, to understand the trade irregularity among China and the United States, it is incredibly imperative to estimate the future potential trade clashes between the two nations (Lee and Yi, 2018). To comprehend Sino–US exchange relations and the reasons for the contention, this research article attempted to assess the Sino–US trade unevenness from the point of view of the American government (Presidency of Donald Trump) and dissecting the legitimacy of its perspectives and contentions (Guo *et al.*, 2018).

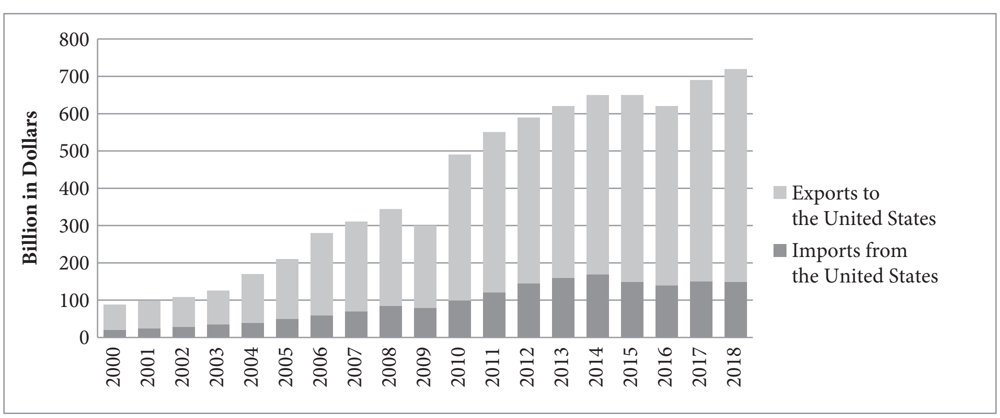
This research is composed in the following manner. The initial segment plots the perspectives of the American government (Presidency of Donald Trump) toward Sino–US trade relations and gives an in-depth analysis of the contentions raised by the American administrates. The later segment contends that the Sino–US trade struggles do not impact the American economy. Followed by the segment that examines the basic reasons for the Sino–US trade clashes and assesses the legitimacy of American government allegations that China's trade strategies are out of line, the last segment of the paper provides proofs for China's escalating contribution in global value chain over the long haul (Li *et al.*, 2018).

2. AMERICAN GOVERNMENT PERSPECTIVE ON SINO–US TRADE

The volume of trade among China and the United States has kept on growing. China and the United States have profited tremendously from developing exchange progression. However, the United States likewise keeps on running a trade deficit with respect to the Sino–US exchange. The American government holds the following perspectives on the developing exchange irregularity among China and the United States. First, for bilateral trade among China and the United States, China is earning surplus and the United States is suffering from the trade deficit. Second, the fundamental driver of the Sino–US trade clash is the Chinese government's endowments for Chinese exporters and biased trade strategies (Bratt, 2017). Third, to explain the exchange irregularity among China and the United States, the key procedure is to stifle China's exports by forcing high levies on Chinese exports to the United States. Fourth, the objective of settling the Sino–US trade irregularity is to drive China to keep working for the less valuable products for global exports so that the United States can keep up its monopolistic business model in the global economy.

The global campaign of China termed as "*Made in China*" expects to develop and reinforce China's ability as a major global trader. Stopping China from accomplishing this objective has turned into the fundamental inspiration for the United States, which initiated the trade struggle among these nations (Hopewell, 2018). This is the most significant perspective for the American government (Presidency of Donald Trump), which hopes that taking such actions can counteract the Chinese economy from getting up to speed with the American economy. The American government considered that the United States has been harmed fundamentally by the Sino–US exchange irregularity. As appeared in Exhibit 1, since China's entry in the World

Exhibit 1. Sino–US Bilateral Trade (Year 2000–2018).



Source: Bureau of Economic Analysis (2018)

Trade Organization, exchange among China and the United States has been expanding after some time. The bilateral trade between China and the United States has risen; from 96 (billion in dollar) in year 2000 to 684 (billion in dollar) in year 2018, with a progressive yearly growth rate. China and the United States have accordingly turned into one another's most significant trade accomplices (Fu *et al*., 2016).

However, the Sino–US trade irregularity has moreover increased with respect to time, as indicated by the insights in Exhibit 1. As indicated by (Bureau of Economic Analysis, 2018), the trade imbalance among China and the United States is significantly increasing. The United States reports 570 (billion in dollar) worth of imports from China and 150 billion worth of fares to China in 2017, bringing about a deficit of 420 (billion in dollar). However, there has been contrast with reference to the calculation of deficit between the nations: the error between the two nations' proportions of the deficits occurred due to the method used to measure China's exports (Guo *et al*., 2018). As China excludes Hong Kong's exports to the United States in China's total exports to the United States, China claims that the exports from Hong Kong are predominantly retrades from China, which would exaggerate trade imbalance among nations. Conversely, the United States incorporates all exports from Hong Kong in figuring the absolute exports from China to the United States, overlooking the enormous extent of retrades. Moreover, the distinction in the calculation process among China and the United States does not influence the part of the Sino–US trade imbalance as well as aggregate American deficit. Exhibit 2 shows the imports and exports between China and the United States for textile, steel, and mechanical and electronic equipment, as these industries hold the major portion in Sino–US trade (Caliendo and Parro, 2015).

American government (Presidency of Donald Trump) is more concerned about the implications of Sino–US trade imbalance on Americans. As indicated by the evaluations of (Morrison, 2018), across different sectors of the American economy, the American workforce has lost about 3.5 million jobs because of the import challenge from China. Similarly, (Eaton and Kortum, 2002) claim that American manufacturing enterprises that were progressively exposed to China's exports, because of the United States allowing "Permanent Trade Relation" status to China, have seen bigger decreases in employment status. The Trump governance holds a traditional overview—that a trade surplus is constantly useful for a nation, while trade deficit will disable a nation's welfare. Such a view also affected the electoral results in the United States. Locales that have been hit more diligently by import rivalry from China have been all the more politically enraptured in Presidential elections; in addition, more significantly, those districts have moved toward the Republican contender in presidential races (Mearsheimer, 2011).

The Trump governance accuses the Chinese government's huge subsidies of exporters and high levies for the importers resulting in huge trade imbalances in Sino–US exchange. To begin with, the Trump governance believes that the Chinese government has given enormous export endowments to Chinese export firms. Specifically, with reference to China's campaign termed as "Made in China," ventures are vigorously financed and subsidized particularly for the electronic equipment industry. Therefore, the endowments successfully bring down the creation cost of the electronic equipment, dejecting the American firms contending for the same product category in the global markets (Tekdal, 2017). Second, the Trump governance contends that China's high import taxes have essentially hampered American imports to China. For instance, China's import levy on cars is 25%, while the United States' normal import duty on cars is 2.5%. Third, the Trump governance blames China for limiting the upper limit of shareholding as foreign investors, particularly US financial institutes to 25% only. Fourth, the Trump governance convicts that China needs viable intellectual property law, and there have been few instances where Chinese government provokes their state-owned undertakings to procure American organizations, and thereby steal their cutting-edge innovations. With reference to such points, the American government has advanced policies where the United States forcing high taxes on imports from China, to adjust and redress the trade imbalance among the two nations. Thus, the United States consistently wants to stay as a leader in the global market for high-value products and aims to hold China below them in the global value chain (Rachman, 2018).

The earlier concerns raised by the American government comprise the Trump governance's perspectives on the current trade imbalance among China and the United States, and these concerns reflect in the planning of trade and discretionary strategies of the United States. The initial two perspectives of the Trump governance are just held by the few members of the government only. Most of the economic specialists around the globe are simply contradicted to these perspectives, as they go off-track from the essential principle of economics (Groenewold and He, 2007). In any case, the last perspective is that China ought to stay at the low-value products in the worldwide value chain while the United States should keep its monopolistic

Exhibit 2. Sino–US Bilateral Trade for Selected Industries.

	Textile		Steel		Mechanical and electronic equipment	
Year	**Imports**	**Exports**	**Imports**	**Exports**	**Imports**	**Exports**
2000	0.2	4.6			9.1	16.4
2001	0.3	4.8			11.3	17.9
2002	0.3	5.4			11.2	26.2
2003	0.4	7.2			11.6	39.3
2004	2.2	9.1			15.3	56.5
2005	2.0	16.8			16.6	72.1
2006	2.9	19.8			21.3	92.5
2007	2.3	22.1			23.6	106.9
2008	2.5	23.4	1.3	6.7	26,1	112.9
2009	1.6	24.3	0.9	1.6	22.6	104.3
2010	3.2	31.7	0.7	1.7	28.2	132.8
2011	4.1	35.8	0.6	2.5	29.5	151.2
2012	5.1	36.1	0.5	2.8	29.1	163.1
2013	3.7	39.1	0.6	2.7	38.3	169.2
2014	2.4	41.2	0.7	4.1	38.4	182.7
2015	1.9	44.5	0.6	2.6	35.5	179.5
2016	1.2	42.4	0.5	1.8	31.2	172.3
2017	1.5	42.3	0.4	1.2	30.6	181.5
2018	1.7	40.5	0.3	1.5	31.3	179.1

Source: Bureau of Economic Analysis (2018)

position for the high-value products of the worldwide value chain—as per the Trump governance. It is consequently required to assess the causes and results of these perspectives on Sino–US trade imbalance to unravel realities from conclusions (Kaplinsky, 2006).

3. IMPLICATIONS OF SINO–US TRADE IMBALANCE ON AMERICAN ECONOMY

Since China's entry into the World Trade Organization, the Sino–US trade imbalance has proceeded to broaden. However, the trade imbalance among China and the United States does not hurt the American economy; rather, if the American government can appropriately plan and apply its pertinent arrangements, the Sino–US trade imbalances could profit the United States, for the following three motives.

To start with, China's extending exports give American purchasers with numerous items at low costs and great quality. The Chinese industries cover nearly the entire mechanical chain. In American imports from China, consumer products represent about 29%, intermediate products represent about 26%, and capital products represent about 45%. In the case if the United States forces high duties on Chinese items, the volume imported from China will be fundamentally decreased. In such a case, the United States would need to substitute imports from different nations for imports already from China, which would fundamentally raise the American residential prices (Ferrantino and Wang, 2008).

Gust *et al*. (2010) found that import duty loads are totally passed on to buyers, and the subsequent total domestic income loss is 2 (billion in dollar) per month. As indicated by Nath *et al*. (2015), or a total loss to the American economy of 8 (billion in dollar). In prior research, (Laskai, 2018) claims that China's membership to the World Trade Organization has decreased the American manufacturing industry index by 8% from 2014 to 2018. As claimed by Navarro (2018), opening up global trade can improve an importing nation's welfare by expanding product assortments and quality, encouraging innovative devastation, cultivating competition, and bringing down monopolistic control. Khandelwal *et al*. (2013) found that the American gains from Chinese trade are equal to 5%-7% of American total national output. Second, taking reactive measures, decreasing imports from China would not really make more employment in the United States. For instance, the United States pays 200 dollars for a mobile created by China, 230 dollars for the same mobile delivered by Vietnam, and 300 dollars for the same mobile created by the United States itself. As China's cost is the cheapest, China has a relative advantage in electronic equipment manufacturing; therefore, the United States imports electronics from China. The Trump governance reprimands China for stealing occupations in the United States and a decrease in assembling work. In any case, if the United States forces a 25% duty on China, the cost of a mobile made in China would be increased by 25%, which is higher than the cost of a mobile made in Vietnam (230 dollar), so the United States would redirect its imports of mobiles from China to Vietnam, instead of moving the interest to American domestic makers. Such a trade redirection impact hampers the formation of American domestic employments by forcing higher taxes just on China's items. Additionally, with worldwide connectivity these days, American makers depend intensely on imported intermediate goods to create their domestic products. Forcing higher taxes on China's products would in this manner conceivably decrease American domestic business, by expanding the production expenses of American assembling firms. For instance, Layne (2012) found that intermediate goods imported from China help American firms to grow their exports through the worldwide production network, conclusively increasing employment in the United States.

Comparing the negative impact of imports from China to positive impact of imports from China, the net impact of imports from China on the United States ends up being positive by 2% crosswise over American sectors; these discovering facts oppose the regular perspectives that increments in imports from China contrarily affect the American workforce's employment. Shirk (2007) reports that the decrease in American producing business began in the late 1980s, and 25% of assembling decline (in the year 2000) is not just by imports. They found that the decrease in assembling business has not been driven by trade only; however, additionally, technological innovation (for example, robotization) is also responsible for the decline in assembling business in the United States (McKibbin and Woo, 2003). Moreover, they utilize a multination equilibrium model to demonstrate that the decrease in exchange cost among China and the United States drove the two nations to have expertise in their sectors, expanding the relative advantage in the two nations. Thus, trade likewise causes distributional impacts, and the American government should likewise utilize redistributive components to improve the imbalance actuated by globalization. Ossa (2014) found that a dynamic duty framework is profitable in redistributing the increases from global trade.

Significantly, China reinvests the vast majority of the trade surplus from Sino–US bilateral trade back to the United States. The American trade deficit was huge because of Chinese exports to the United States. Thus, when China gets the trade surplus, it needs to contribute the surplus abroad to build the value of its reserves (Pierce and Schott, 2016). China has spent most of its foreign serves on buying American bonds, which are more often perceived as one of the most secure bonds. Exhibit 3 demonstrates that since China's entry to the World Trade Organization, the American bonds held by investors from China have represented over 6% of the US debt altogether. This proportion surpassed 8% before the financial crunch. Meanwhile, the American bonds held by financial specialists from China represented over 35% of China's current account balance. From this viewpoint, China is the United States' financer, and the United States is borrowing China's assets and resources. Thus, the United States has profited twice from its trade relations with China. American shoppers and firms appreciate the low costs of Chinese items, and the American economy acquires capital goods from China to build up its own economy.

4. RELATIVE ADVANTAGE AND SINO–US TRADE IMBALANCE

The American government claims that a bilateral trade surplus was created because of Chinese government sponsorships for exporters or unfair exchange laws. Yet, the key source of the trade imbalance among China and the United States is a relative advantage owing to the distinction in factor resources. The following examination analyzes various types of exports: capital-intensive products and labor-intensive products (Amiti and Javorcik, 2008).

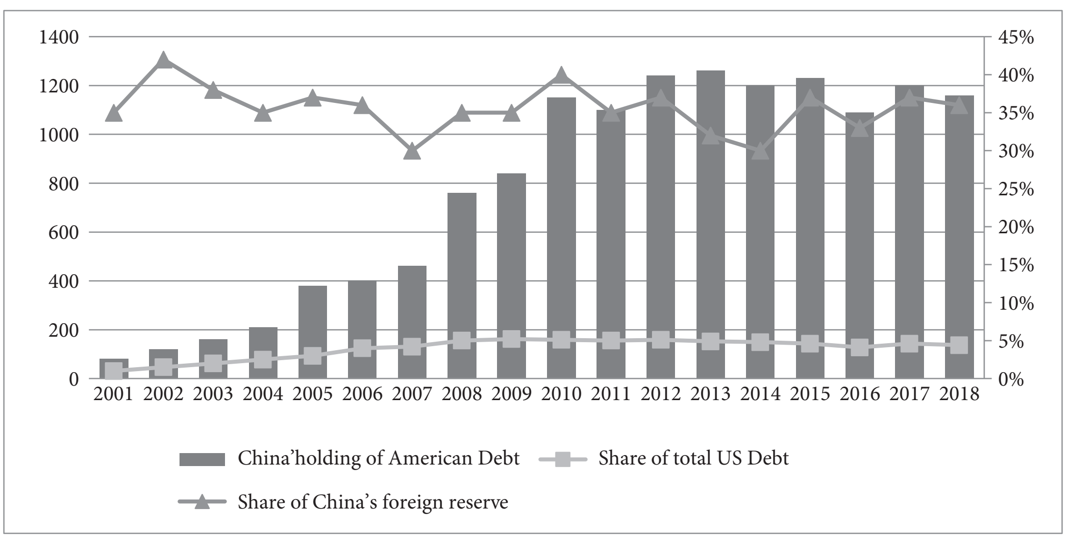
For labor-intensive products, China's trade surplus emerges from its' low-labor costs. The labor cost in China is just 700 (dollars) per month; in the United States, it is about 4,400 (dollars) per month, in excess of multiple times higher than China. However, as appeared in Exhibit 3, China's work efficiency has achieved above 40% compared to the United States. In different words, for a labor-intensive product, China has an evident relative advantage. Such relative advantage has prompted an enormous trade surplus in China's labor-intensive products.

For capital-intensive products, a huge trade surplus is the result of China's position in world for converting raw material into final products, utilizing its relative advantage of labor-intensive works. China exports the final products to the United States and different other nations. Along these lines, China gains huge trade surplus; however, in reality, the surplus credited to China is low. For instance, the cost of the completed item sent out from China to the United States is 200 dollars, and China's value-added is just 10 dollars. The remaining 190 dollars is from materials and intermediates provided by different nations around the globe. Exhibit 4 shows the share of processing exports in total exports of China over the years (Wei and Liu, 2016).

Thus, based on previously provided statistics, China's trade surplus is an outcome of its economic advancement and position in the global value chain, and it is firmly identified with the income difference among China and the United States. It is not caused by China's subsidies to its local organizations. Regardless of whether China and the United States did not actualize any key trade strategies, the Sino–US trade imbalance would remain significant in the future also (Anderlini and Hornby, 2014).

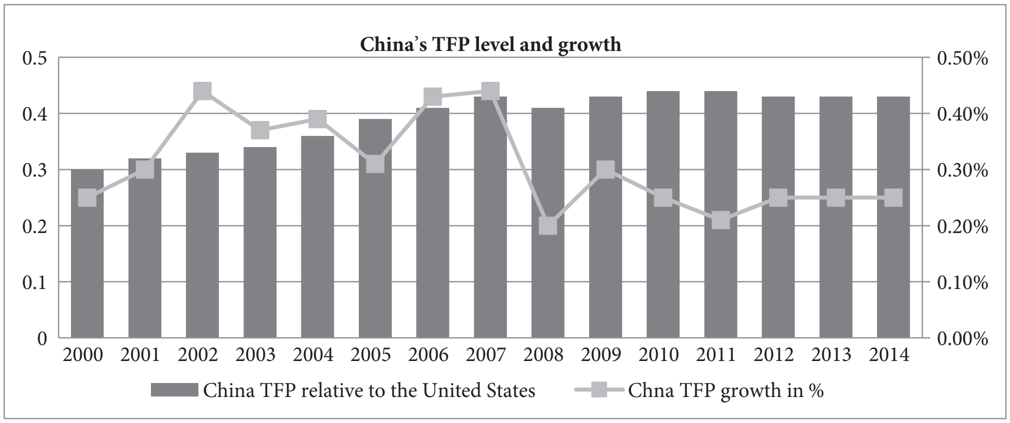
Here, the authors discuss the four contentions that the American government (Presidency of Trump) normally uses to blame China for out-of-line trade approaches. The main contention is that the Sino–US trade imbalance is because of the high levies that China forces on US imports (Wang and Bahmani-Oskooee, 2017). For instance, China forces a 25% levy on cars manufactured in the United States, while the United States just forces a 2.5% levy on China-manufactured cars. However, the claims of the American government are invalid because China's 25% tax on US-manufactured cars before was applicable before 2018 even before when China joined the World Trade Organization, and these taxes were agreed by the United States as well.

Exhibit 3. China's Holding in American Debt (Size and Share).



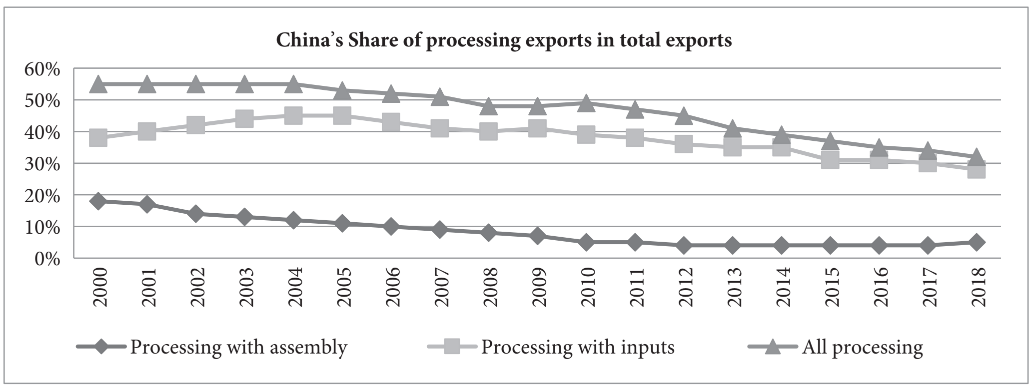
Source: Bureau of Economic Analysis (2018)

Exhibit 4. China's Total Factor Productivity Relative to the United States.



Source: Bureau of Economic Analysis (2018)

Exhibit 5. China's Processing Exports.



Source: Bureau of Economic Analysis (2018)

Subsequently, China is acting in understanding with the World Trade Organization rules. As indicated by the WTO regulations, developing economies can force higher levies on imports. China's GDP per capita in 2017 was less 10,000 (dollars). As per the World Bank's policy, China is as yet a developing economy. In this manner, in spite of the fact that China's economy has grown quickly in the past decades, it has not however become a developed economy (Atkeson and Burstein, 2008). Obviously, when China completely becomes a high-salary economy later on, its levies ought to likewise be decreased to the dimension of the developed economies as per the policies. Second, if the United States has any issues with China's levy approaches; it ought to file a complaint with the World Trade Organization's Dispute Resolution Committee. Instead, the United States to raise its duties singularly disregards the World Trade Organization's guidelines and undermines the viability of the World Trade Organization's Dispute Resolution Committee. Third, compared with other developing economies, China's import levy on cars is not high, and the United States' levy on cars is not lower than the levies forced by other developed economies. For instance, Japan's import tax on cars is now zero. Fourth, the tax on cars is an extreme case in the import tax gap between China and the United States (Autor *et al.*, 2013). China's average tax crosswise over more than 6,000 imported items is 8%, while the United States' average tax crosswise similar imported items is 3%. Consequently, in reality, tax among China and the United States is not as huge as what the American government (Presidency of Donald Trump) claims.

The second contention of the American government (Presidency of Trump) is that the Chinese government has given a lot of export endowments for exporters. However, the American government claims that China has financed the key assembling enterprises. This contention is clearly invalid because the World Trade

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Organization does not deny its members from giving export endowments. Conversely, endowments for certain enterprises, particularly green businesses, are even energized. The only requirement the World Trade Organization requires is that its part nations be translucent about their subsidy's appropriations, and China agrees with this prerequisite. Specifically, Chinese above-scale assembling firms unequivocally report the measures of sponsorships received from the state in their budget reports. On the contrary, the United States has as often imposed nontariff restriction for the safeguard of their domestic firms. Recently, the American government issued a sponsorship of 12 (billion in dollars) to farming products in reaction to the Chinese government's high tax on American soybeans (Bahmani-Oskooee and Wang, 2008).

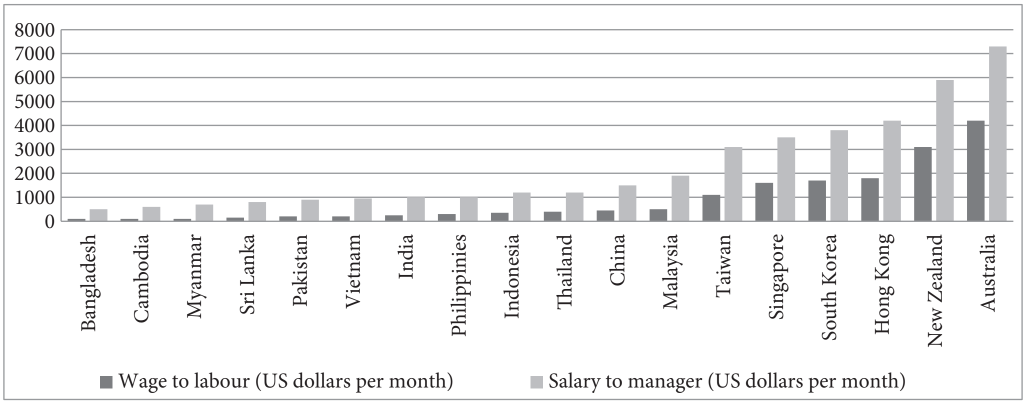
The third contention of the American government (Presidency of Trump) is blaming China for biased trade arrangements for a shareholding in Chinese companies, particularly American investors, with an upper limit of 25%. Concerning this criticism, China has been always eager to draw in foreign investors. In 2016, foreign investors in China amounted to be 150 (billion in dollar). To attract more foreign investment, explicitly, foreign investors in China can have of "Exception for Two Years, Discount for Three Years," that is, in the initial 2 years of their foundation, foreign investors are exempted from interest and taxes, and in the accompanying 3 years, they will get discount on interest and taxes. More conclusively, foreign investors' limitation is not especially focused on American investors. On the other hand, the United States has frequently led regulatory mediation on Chinese organizations' investments in the United States and habitually rejected those ventures for reasons of "national security" (Bown *et al.*, 2017). Another concern from the United States is that Chinese organizations would get technological innovations from the procured organizations; however, in the worldwide venture, getting the technological innovations of another organization is actually the motivation behind mergers and acquisitions. Business people are not humanitarians, and the objective of mergers and acquisitions is to boost anticipated benefits, a simple commercial conduct that ought to be considered in a market economy. Obviously, in specific cases that truly include national security issues, the United States should take action on securing, given that it would influence the nation's national security. However, in reality, cases are different; in 2016, a Chinese organization is about to acquire a pork-selling organization in the United States, the American government rejected the acquisition because of issues about national security, which is not acceptable and absurd. Moreover, the United States has a while ago would not permit Chinese state-claimed ventures to acquire American organizations (Friedberg, 2018).

The fourth contention of the American government (Presidency of Trump) is to blame China for intellectual property rights assurance. China's intellectual property rights laws are not as solid as that in the United States, and numerous areas need further fortifying. However, China's intellectual property rights laws have gained extraordinary improvements as China's promotion to the World Trade Organization. Compared with nations at the same per capita level, China's present intellectual property rights laws are much better. In any case, both nations ought to work on this concern.

5. CHINA'S UPGRADING POSITION IN GLOBAL VALUE CHAIN

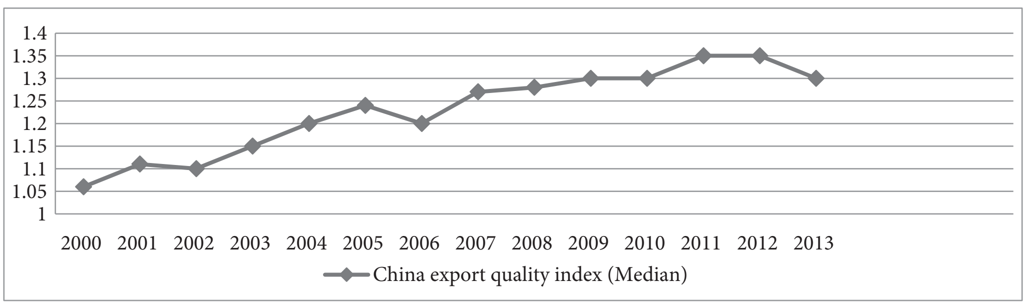
The American government's inspiration for propelling enormous scale exchange strife with China is to keep the United States in a high position in the global value chain and China in a low position. Simply, such a thought reflects the typical ideology of historical agnosticism and authority. Even from a historical point of view, the United States has not been generally in a high position in the global value chain. In the 19th century, the United States outperformed the United Kingdom in the modern mechanical industry and turned into the world's biggest mechanical nation. However, American economy did not emerge among the world biggest economy; from the starting, it outperformed other economies to reach on the top in the race of the global value chain In a similar manner, it is absurd for the United States to limit China and different nations from reaching top in the global value chain (Woo, 2006). Second, if China figures out how to overhaul from the low end to top end in the global value chain, the United States would not experience the ill effects of China's updating. As the economic law says, increments in the market size will decrease the fixed expenses of all traded items, boosting producers to expand outputs and hence accomplish economies of scale underway. Third, it is not suitable for China to remain at the low end of the global value chain. China has turned into the "world's processing plant" of worldwide industries, fundamentally on account of its moderately low workforce costs compared with developed economies such as the United States, Japan, and Europe (Adams *et al.*, 2006).

Exhibit 6. World Major Workforce Cost.



Source: Bureau of Economic Analysis (2018)

Exhibit 7. China's Export Quality Index.



Source: Bureau of Economic Analysis (2018)

However, China does not indicate a critical relative preferred position in workforce costs when compared with other Asian nations. As shown in Exhibit 6, the wages and salaries of managers in assembling industries, China are as of now at the high end of those in Asian nations. As of now, China is as yet sending out an enormous number of labor-intensive products to the United States and Europe. This is not on the grounds that China still has the relatively favorable position in labor-intensive products compared with other Asian nations, as other Asian nations with lower workforce costs than China have generally fewer export firms and are as of now not ready to challenge China's market share in the developed economies (Melitz, 2003).

Fourth, China has the ability to redesign along the global value chain. This can be seen by looking at the export quality improvement of China's exported products, particularly after 2000 (Taylor, 2003). As demonstrated by Exhibit 7, the average export quality index of Chinese products expanded from 1.06 in 2000 to 1.37 in 2012, an expansion of around 30%. In this way, China has been offering high-quality products at low costs. As per the improvements in the export quality index, China's position in the global value chain is also rising.

6. CO-ORDINATION IS THE SOLUTION FOR THE SINO–US TRADE IMBALANCE IRREGULARITY

The American government (Presidency of DonaldTrump) appears to hope that by forcing high duties on China's exports, the United States can resolve the huge Sino–US trade imbalance and, at the same time, reduce unemployment in the United States. However, such actions would not get the desired results, firstly if the United States forces high levies on imported products, China and different nations will positively strike back by forcing high taxes on American products, activating a huge scale trade strife and trade war. For this situation, from one perspective, customer costs in the United States will rise and purchaser surplus will diminish accordingly. On the other hand, exports from the United States to China will be hindered, reducing American domestic production and employment. Second, high duties on Chinese products will not create employment in the United States rather high duties on Chinese products would expand the business openings in other Asian nations through trade redirection. The Sino–US trade war will cost the United States a financial loss of about 0.8% of its aggregate Gross domestic product, which adds up to around 250 (billions in dollar) today.

Comparing the current American government (Donald Trump) with previous American government (Barack Obama), the Obama government also attempted to decrease the Sino–US trade imbalance, but with progressively reasonable measures and arrangements. As opposed to the Trump government, the Obama government did not force high duties or trade boundaries on Chinese exports. However, the Obama government encouraged China's imports from the United States. Obama proposed the policy of "multiplying imports," the benefit of this policy is that both China and the United States have expanded economies of scale and trade. By extending the volume of trade, the increases from trade benefited the two nations. The Chinese government has reliably advanced such policies of financial and trade collaboration to rebalance Sino–US exchange. Conclusively, the four primary misconceptions of the Sino–US trade imbalance initiated the American government to trigger and extend the ongoing Sino–US trade struggle. The trade imbalance among China and the United States has come about because of the relative advantages and position in the global value chain of the two nations. In this way, aggressive measures for Sino–US trade strife cannot resolve the Sino–US trade imbalance. The only solution for the Sino–US trade imbalance is to accomplish trade co-ordination through viable trade arrangements and other mutual conflict resolution instruments.

The Chinese government considers that as long as the United States is famished for foreign exchange, Trump will have a motivating force to keep up duties on exports sent out by significant world economies to the United States, and China as the top exporter should accept the desire that the period of low duties can be re-established. Chinese reforms on international policies would have to be defensive, to be enough for Trump to relinquish his decisions. Although it is more likely that the actions would be taken over time, perhaps the US government faces very strong pushback from its own citizens who are offended by the trade war. China should, therefore, focus on adapting itself to the new reality and find creative ways to overcome and even benefit from it. Second, given Trump's penchant for unorthodox deal-making, China could consider unconventional offers that would reduce the US debt to China in exchange for favorable political conditions that would be unimaginable under normal circumstances. For example, China can propose to use debt forgiveness to buy the United States' share in some international organizations (such as the IMF and World Bank). In this way, China can gain greater influence in multinational organizations while providing the United States with debt relief. Third, China could seek to embark on frank and serious conversations with the United States on the status, scope, and direction of foreign debt increases. Withdrawing from debt buying would lead to an increase in US financing costs, worsening the federal financial situation, but this would hurt China no less. On the other hand, a business-as-usual approach in which China is called to buy more and more US debt without any sign on the horizon of debt shrinkage is equally untenable. China could, therefore, signal to Washington that it can no longer take China's debt buying for granted. The two countries should elevate the matter in their bilateral dialogues and draw a long-term plan that balances the US needs with China's will and capabilities. Finally, China could be aware that the trade war is directed against all of the United States' major trading partners—not exclusively against China. Should the United States and China be able to reach a trade deal, after all, Trump could still find other countries to target with tariffs. For example, since March 2018 Trump has been threatening to impose tariffs on the EU automotive industry. This urge for revenues should guide Chinese diplomacy in the coming years. China could work with other major economies in an effort to reach a zero-tariff trade system and recruit as many countries as possible to endorse this vision. Then, and only then, Washington may be persuaded to abandon the trade warpath.

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Conflict of Interest
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