

The Actual State of Friction between the U. S. and China from a Chinese Perspective (Summary)

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After the U.S. applied the first installment of additional tariffs on Chinese imports as a trade sanction based on Article 301 of the 1974 Trade Act on July 6, 2018, and to which China retaliated, U.S.-China trade friction steadily intensified prior to the passing on of the fourth installment on September 1, 2019. Although the U.S. and Chinese governments have supposedly agreed upon a first phase of negotiations to be held on October 10-11, the outlook remains uncertain. Clearly affected by this friction, China's trade with the U.S. in 2019, inclusive of imports and exports, has declined significantly.

The actual objective behind the U.S. applying sanctions is to maintain an advantage in security through the destabilization of China's industrial advancement policy, "Made in China 2025." In contrast, China has no intention of withdrawing Made in China from its portfolio, as it seeks "self-reliance." In other words, the essence of friction between the U.S. and China is not to rectify trade imbalances, but a battle for supremacy inclusive of technology and security between economic superpowers, one which is likely to be prolonged.

Learning from past Japan-U.S. trade friction, China is wary of a potential long-term stagnation of its economy by making significant concessions to the U.S., and is expected to respond to trade friction with the U.S. by implementing a range of measures including (1) domestic production of essential and core technologies, (2) strategic use of its intellectual property rights and standards, and (3) construction of its own economic zone via the "Belt and Road Initiative."

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