

The Impact of Trade Barriers and Countermeasures

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Abstract— In 2018, the Trump administration insisted on launching a trade war with China. In order to better study the possible impact of this trade war, a partial equilibrium analysis method was used to analyze the classic Sino-US tire protection case. The study found that: When the United States is a small trading country, the imposition of tariffs will cause a net loss to its overall social welfare, while when the United States is a large trading country, the impact of tariffs on its overall social welfare is uncertain. Through the stock and futures market's response to tariffs imposed by the United States, it is concluded that as a major trading country, the benefits of tariffs imposed by the United States are at the expense of other domestic industries and the interests of other countries. In response to the above conclusions, measures are proposed from the perspective of the government and enterprises.

Keywords— Trade war; tire special protection case; partial equilibrium analysis method; overall social welfare.

I. INTRODUCTION

Marked by the Trump administration's "301" investigation into China in 2017, the United States has launched a new round of trade war against China. "301" investigation is a common term used in Article 301 of the U.S. Trade Law. It is a unilateral legal provision in the U.S. Trade Law that aims to investigate trade practices deemed "unreasonable." So far, the United States has conducted 6 "301 investigations" in China. In 2018, in response to the results of the 301 investigation, the Trump administration decided to impose tariffs on 200 billion Chinese goods, which caused huge controversy at home and abroad. In order to better study the impact of tariffs imposed by the US government on China on the United States and my country, this article uses the classic Sino-US tire protection case as a case, and uses a partial equilibrium analysis to analyze the economic impact of tariffs on both countries. Effect research. The research conclusions are of reference significance for better analysis of the possible impact of the Trump administration's tariffs on China and the countermeasures my country can take.

II. THEORETICAL ANALYSIS

The China US Tire Protection Case is the largest U.S. special protection case against China, specifically referring to the U.S. International Trade Commission's proposal in June 2009 to impose 55%, 45%, and 35% on passenger and light tires exported to the U.S. from China for three consecutive years. The Obama administration passed the proposal and implemented tariff restrictions in September of that year. The Chinese government opposed this action and filed a complaint at the WTO, but the WTO believes that the US government's act of imposing punitive tariffs did not violate the regulations. The China-U.S. tire protection case has had a huge impact on relevant parties and has seriously hindered normal trade relations between China and the U.S.

The partial equilibrium theory was put forward by the British economist Marshall. It assumes that under other conditions remain unchanged, the influence of one factor in the market on other economic factors in the market is often used for analysis in the economic field. It is suitable for

analyzing the United States. The economic effect of tariffs on imported tires from China.

H1: The United States is a small tire importer;

From the analysis of the partial balance of tariffs, it can be seen that in the case of free trade, the price of US tires is the same as the international market price. If the US government decides to impose tariffs, importing companies must raise costs and thus product prices. Due to the increase in the price of imported tires, the demand for imported tires will naturally decrease. However, the United States is a small tire importer, so the international market prices remain unchanged. The increase in the price of imported tires has led to a decline in the competitiveness of imported tires in the US market, and an increase in the competitiveness of domestic tires. The shift in consumer purchases has stimulated the production of domestic tires. Some domestic manufacturers that originally had higher production costs than international companies have also begun to produce tires. Due to the levy of ad valorem taxes on imported tires, the small country market can only be price receivers, that is, as long as the domestic price is lower than the price of imported tires, there will be a market for domestic tires, and production will continue to expand until the price of imported tires is the same. In short, in the case of the United States as a small tire importing country, the economic effects of tariffs include: increasing the production of the domestic tire industry, that is, the producer effect; reducing the consumption of tires, that is, the loss of consumer welfare; increasing government taxes, that is, Tax effect; the reduction in tire consumption and the reduction in imports are the tariff trade effect. On the whole, when the United States is a small tire trading country, the loss of consumer welfare will cover the economic benefits obtained by producers and the government, that is, the imposition of tariffs will lead to a net loss of overall social welfare.

H2: The United States is a major tire importer;

The partial equilibrium analysis of tariffs shows that when the United States is a major tire importer, the tariffs imposed by the United States on imported tires will not only affect domestic supply and demand, but also affect prices in the international tire market. The imposition of tariffs will increase the price of imported tires and reduce tire imports. Since the United States is a major importer of tires, the

demand is sufficient to affect the world market, leading to a decline in tire prices in the international market, and therefore import prices. At the same time, the taxation has led to an increase in domestic market prices, reduced tire consumption, and loss of consumer welfare; at the same time, the increase in tire prices stimulated domestic producers to expand production. Unlike small countries levying taxes, as a major tire importer, the burden of taxation is shared by domestic consumers and foreign producers. In short, when the United States is a major tire importer, the economic effects of tariffs include: increasing domestic tire production, reducing tire commodity consumption, increasing government taxes, lowering imported tire prices, and improving trade conditions. On the whole, when the United States is a major tire trading country, it is unclear whether the price of imported tires is falling, and whether the economic benefits obtained by manufacturers and the government cover the loss of consumer welfare is unclear, that is, the impact of tariffs on the overall welfare of society is uncertain.

III. ACTUAL RESULTS

When the news of the US decision to impose anti-dumping tax measures on Chinese tires was announced, it triggered turmoil in the global financial market. China bears the brunt of the sanctions. The prices of listed companies in the A-share market, including Double Coin and Qingdao Double Star, have fallen sharply after the opening. In the commodity market, a large number of investors were affected by the news and settled long positions in the rubber market. Rubber futures on many important commodity trading markets, including the Tokyo Commodity Exchange in Japan and the Shanghai Futures Exchange, have seen their lower limit. In addition to the impact on rubber-related financial derivatives, a variety of important indexes on the international market, including crude oil, LME copper, and the US dollar, all fell to varying degrees.

From the market's specific response to the US's imposing tariffs on China's imported tires, we can see that the stock prices and futures prices of rubber and tires have fallen in both the stock market and the futures market, indicating that the United States is a major tire importer. Therefore, the United States imposes tariffs on imported tires, which will lead to a decrease in tire sales in the international market, which in turn will lead to a decline in international tire market prices, and the impact on the overall domestic welfare level is uncertain.

IV. IMPACT ANALYSIS

Through the analysis of partial tariff equilibrium and actual results, this article proves that the United States is a major trading country in the tire industry. Next, we will further analyze the specific impact of the Sino-US tire protection case on the United States and China.

(1) Analysis of the impact of the Sino-US tire protection case on the United States

The U.S. imposing tariffs on imported tires has a positive impact on the country. Under the influence of tariffs imposed by the United States on tires, its domestic tire market will further expand. With the expansion of the U.S. tire industry, corporate interests have increased, employment opportunities

have increased, workers' wages in the industry have increased and workers' spending power has increased, which will promote economic growth in other industries to a certain extent, help increase the level of employment and improve social welfare.

The U.S. imposing tariffs on imported tires also has a negative impact on the country.

Affect the level of employment. The purpose of raising tariffs in the United States is to increase the employment rate in the tire industry, but the tax collection has a direct impact on tire importers, and the downturn in the industry has led to layoffs by dealers and retailers. According to statistics, there are 43,000 retailers in the United States that deal with imported tires from China alone. This means that the increase in the employment rate of American tire manufacturers is at the expense of the employment rate of tire importers. Taxes cannot substantially reduce the unemployment rate.

Impact on dominant industries and intensify trade frictions. The U.S. taxation of Chinese tires has also caused reciprocal countermeasures by the Chinese government. Industries including automobiles and agriculture, animal husbandry, and processing industries have been subject to China's anti-dumping investigations. Related industries have been affected to a certain extent, which intensified the two countries' Trade frictions in many fields are not conducive to maintaining normal economic exchanges between the two countries. At the same time, the foreign exchange that China originally earned by exporting tires will be exchanged for products in the superior industries in the United States. However, due to the reduction in exports, the number of superior American products purchased by China will also decrease, which indirectly affects the development of superior industries in the United States.

Cause loss of consumer welfare. The taxation of Chinese tires will promote the economic growth of the industry, but at the same time, due to the increase in domestic tire market prices, consumers must spend more prices to buy the same or even worse quality products, which is caused by the transfer of purchasing power in other industries. The economic loss of the tire industry has promoted the economic growth of the tire industry; at the same time, there will be short-term vacancies in the market originally occupied by Chinese products. American consumers will spend more energy and time on finding new alternatives, which will disrupt the supply chain market.

Reduce social production efficiency. The essential reason why the United States imports tires from the Chinese market is that the United States is at a disadvantage in the competition in the imported tire market. Under the protection of the tariff policy, the domestic industry was able to expand production, behind which was to tilt the resources that originally had production advantages to the tire industry, which was at a production disadvantage. The tire industry with low production efficiency occupies more resources, leading to a decline in the overall productivity of society and reducing social production efficiency.

In general, tariff protection will have a certain positive impact on the United States, but behind it is at the expense of the interests of other industries and countries, that is, it harms

the interests of other countries and is not conducive to the long-term interests of the country.

(2) Analysis of the impact of the Sino-US tire protection case on China

This special safeguard case is the largest special safeguard case of the United States against China, which has had a great negative impact on relevant Chinese parties.

Weakening market demand, causing overcapacity in the industry, and impacting industry development. The year of 2009 was in the midst of the financial crisis. Affected by the economic downturn, the demand for automobile consumption in the international market was significantly weakened, and the upstream tire industry also shrank. According to statistics from the China Customs Statistics Network, from January to April 2009, China exported 81.31 million tires worth US\$2.01 billion, down 23.3% and 21% respectively over the same period in 2008. The US tire protection case is undoubtedly worse for the development of China's tire industry. The reduction in demand will lead to overcapacity in the tire industry and intensify competition among enterprises in the industry. Manufacturers will face a huge survival crisis. At the same time, the impact on the tire industry will also affect the survival and development of related companies in the supply chain, and the unemployment rate in the industry will further expand.

Deteriorating the trading environment, causing huge export losses. The United States is a major exporter of Chinese tires. Before the tariffs were imposed, China's tires exported to the United States accounted for about 30% of China's tire exports. After the tariffs were imposed, this proportion was quickly reduced by half, resulting in nearly \$1.1 billion in Chinese tires. Loss. The special safeguard tariff imposed by the United States not only directly reduced the number of Chinese tire exports, but also led to the rise of international trade protectionism, which caused other countries to follow suit in the international community, triggered a chain reaction, and further reduced the number of Chinese tire exports.

Trade frictions have intensified and foreign investment has been lost. As the two largest economies in the world, China and the United States are each other's important trading partners. The tire special protection case and China's countermeasures intensified the friction between the two in the economic and trade field, which is not conducive to the long-term development of the interests of both parties. In order to avoid the impact of tariff barriers and the uncertainty of Sino-US trade relations, many foreign investment has withdrawn from China and turned to countries with more stable trade relations and lower production costs. Some foreign businessmen who are on the sidelines are also lost as a result, which is harmful to the Chinese economy. Development has an impact.

From some perspectives, the special protection case has a certain positive impact on the long-term development of Chinese companies. Chinese manufacturers are squeezed in the U.S. market, and then develop other markets or establish companies in their local areas, accelerating the process of globalization, and also enhancing their ability to operate transnationally; intensified industry competition has accelerated the reshuffle of Chinese manufacturers and forced

industrial upgrading, Enhance industry competitiveness.

V. CONCLUSIONS AND COUNTERMEASURES

From the above analysis, it can be seen that although the US imposing tariffs on Chinese imports will have a certain beneficial impact on the US itself, the trade war violates the trend of free trade and does not conform to the law of economic development. In the long run, its total social welfare will be negatively affected. At the same time, the trade war has harmed the interests of other countries and exacerbated trade frictions, but also caused tensions with other countries, which is not conducive to friendly exchanges between the two countries and the development of long-term interests of the country. From the impact analysis, it can be seen that the trade war will harm the interests of the expropriated country. Therefore, in the face of the new round of Sino-US trade war, China should actively take countermeasures. The specific suggestions are as follows:

Strengthen international legal research and actively use trade rules. The government should promote universities and relevant departments to study relevant international laws and international regional trade rules, study and learn about the handling of trade friction cases and arbitration experience, and form a rich and systematic research content and response plans. Accelerate the popularization of international trade rules and relevant regional laws and regulations in enterprises, accelerate the training of field professionals, and escort the internationalization of enterprises. Further discover loopholes in my country's related fields and improve my country's laws and regulations in the field of trade.

Oppose irrational trade protection practices and promote the construction of a new trade order. Since the beginning of the 21st century, the development of multipolarization in the world has accelerated, and competition in the world's economic and trade fields has intensified. In essence, the old order does not adapt to the development of new trends, and the new world order is in urgent need of reconstruction. For the sake of their own national interests, trade frictions are inevitable, but they should be protected in a rational and legal way. Irrational and illegal "multiple losses" trade protection behaviors must be stopped through international economic organizations and arbitration institutions, and given if necessary. Peer-to-peer countermeasures will effectively protect my country's economic interests. But at the same time, it should also step up the construction of a new trade economic order. The government should adopt many international summits and stages to respond to the economic crisis and guard against trade protectionism as the starting point, and call for the construction of new and variable trade rules to promote the construction of a new multi-win trade order.

Strengthen breakthroughs in core technologies and accelerate industrial upgrading. Enterprises should pay attention to the mastery of core technologies, increase investment in research and development, establish a mechanism for industry-university-research cooperation, pay attention to the training of technical personnel, and improve the effective transformation and market application of research and development results. Establish an international vision and

establish an innovation system that benchmarks against world-class companies based on domestic characteristics. Actively introduce and apply emerging technologies such as intelligent manufacturing and big data to improve production efficiency and promote industrial upgrading and transformation.

Improve the awareness of international management and transnational management capabilities. Enterprises should actively participate in internationalization, increase the development and layout of the international market, and establish an international brand image. Establish an organizational structure that adapts to internationalization, improve the mechanism for selection and training of international talents, and build a team of talents with international vision and capabilities. Establish close cooperative relations with well-known foreign companies, promote the construction of a global marketing system, and reduce the risk of single marketization. Increase the development of international suppliers, establish a global supply chain system, improve the management of international

supply chains, reduce operating costs, and enhance the ability of enterprises to resist risks.

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