

## What Is the Current Situation of the China-U.S. Trade War?

### Key Points:

- There has been a growing concern among American consumers, pro-trade business groups, and other various sectors to the policy measures taken by the U.S. government in managing the country's economic, trade, and technological relations with China.
- Geostrategic factors trumped technical factors in affecting American Companies' business decisions.
- 99% of the American companies considered the positive China-U.S. bilateral relations mattering significantly to their business growth.
- Among the top five business challenges, the rising tension in China-U.S. relations over the past four consecutive years has been ranked number one by the American businesses.
- 86% of the American companies acknowledged that innovation and research were important to their business growth in China. Nevertheless, the top barrier to innovation was concerns on potential U.S.-China tech decoupling.

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It has been about six years already since the U.S. started to adopt a series of new policy measures in dealing with the country's economic and trade relations with China, known as the trade war between the two countries. From the perspective of the U.S. policy-makers, the objectives of these measures were to cut China-U.S trade imbalances, improve the situation of intellectual property rights transfer, protect the U.S. supply chains and industries and so on.

After the Biden administration assumed office, generally apart from keeping the measures taken by the former U.S. government in place, alongside the implementation of the U.S. grand strategy in the Indo-Pacific region, the Biden government from occasion to occasion has further raised the level of relevant measures in managing China-U.S. relations in the economic, trade, and technological fields, consisting of adding more Chinese companies into the Entity List, introducing stricter tariff measures on Chinese imports, and adopting a series of more targeted export control measures in limiting the exports of high-end tech products to China in line with a "small yard and high fence" policy.

A few years back, it wasn't clear what implications the set of policy measures could possibly generate to American consumers, businesses, and other sectors. Six years on, the consumers and businesses from various sectors have expressed their rising concerns to the measures adopted by the U.S. government.

In response to the latest tariff measure introduced by the Biden government in May on 387 categories of Chinese products related to electric vehicles, batteries, and solar products etc., a big number of pro-trade American business groups including the group of 173 trade associations have asked the U.S. government to extend the public comment period concerning this recently taken tariff measure, which is scheduled to take effect on 1 August.

Another group, "representing manufactures, retailers, technology firms, argibusiness groups, energy companies, and transport firms", urged the U.S Trade Representative's Office (USTR) to hold a public hearing on the same matter.

In the apparel and footwear sectors, the figures showed that the American consumers and businesses have borne the prices led by the extra duties imposed on the Chinese imports. The owner of a Luggage Shop of Lubbock in Texas Tiffany Zarfes Williams said that the price of a carry-on has raised from \$425 to now \$700, according to CNN.

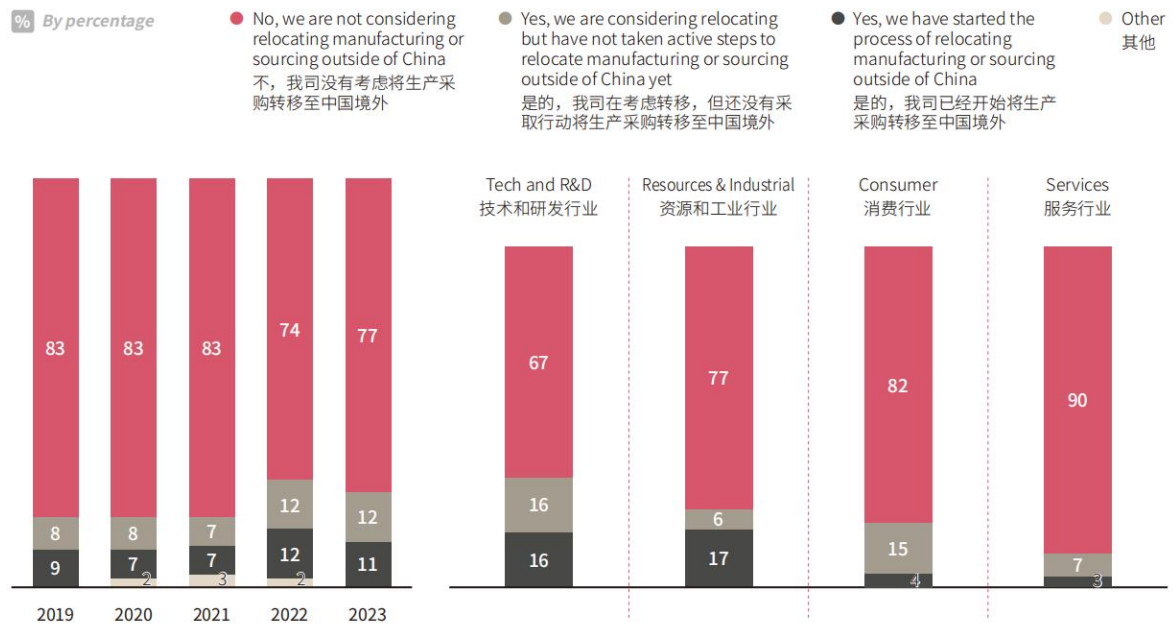
In order to lower the costs, in May, some major footwear business brands ever jointly wrote a letter to the U.S. President, urging the Biden Administration to lift the tariffs and expressing that "we are confident that removing 301 tariffs will alleviate a costly burden in this key area and translate to savings for our shoppers."

In response, the U.S. government said that keeping the duties in place is one part of the U.S. overall strategy to help boost the GDP growth, avoid recession, strengthen the U.S. supply chains, and protect the American consumers and workers and so on, even though, as the data indicated, the American consumers have in fact paid higher costs as a result of the measures imposed.

As for the purpose of protecting the U.S. supply chains and workers stated by the U.S. government, in addition to applying the tariff measures, the U.S. government has offered to subsidize the U.S. companies having business operations in China to encourage them to either move their business capacities back to the U.S. or relocate them to other destinations.

According to a survey titled "China Business Climate Survey Report", which collected a total of 343 samples of American companies between 19 October and 10 November 2023, and was released in February 2024 by the American Chamber of Commerce in China, 90% of the respondents from the Service sector, 82% from the Consumer industry, 77% in the Resources and Industrial filed, and 67% from the Tech and R&D-incentive area said that they were not considering relocating their manufacturing or sourcing outside of China (Figure 1).

**Figure 1:** Is your company considering, or has it already begun the process of relocating manufacturing or sourcing outside of China?



Source: AmCham China / China Business Climate Survey Report 2024 / p49.

For those who were considering relocating their capacities, the choices would likely be under further changes, as, for instance, from the samples collected respectively in 2022 and 2023, there were fluctuations in the preferences of relocating destinations - 30% of respondents in 2022 considered moving back to the U.S., but this number was down to 16% in 2023; meanwhile, 29% of American companies took into account relocating their businesses to the developing Asian region in 2022, nonetheless, this figure rose to 41% in the 2023 survey.

Generally, from Figure 1, we can see that, a large majority of the American companies from various industries still preferred to carry out their business operations in China for their interests, though the Tech and R&D-incentive industry, in contrast to other three areas, have been relatively affected more by the interactive measures taken by China and the United States.

In order to better understand the main concerns of American companies having business capacities in China, as well as from their perspective whether or not the policy measures taken by the U.S. government have helped address their concerns so far, it is in need to look into more details of the same survey report conducted by the American Chamber of Commerce in China.

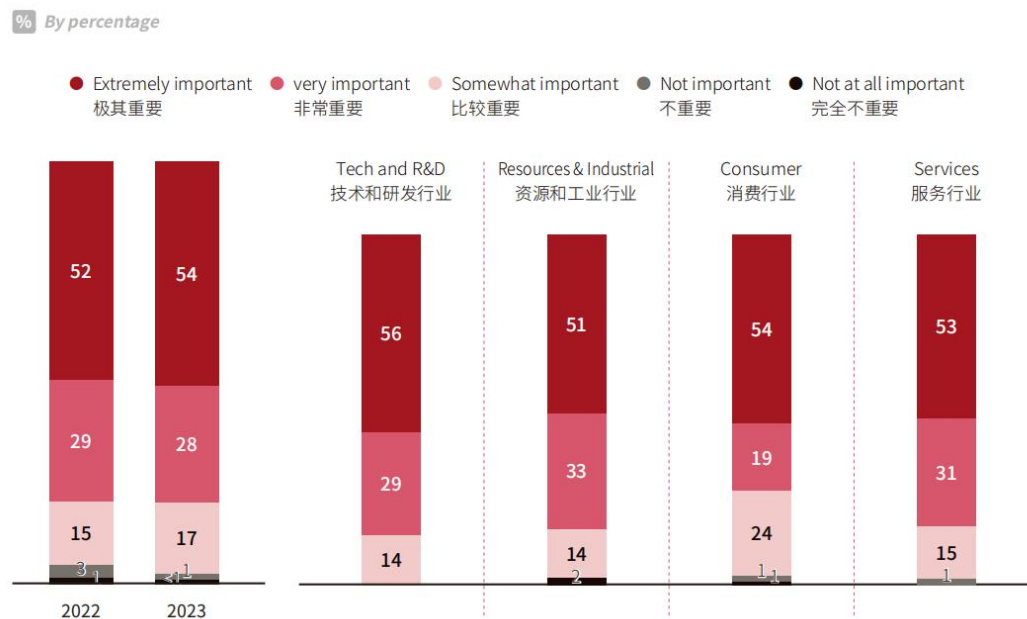
### Geostrategic Factors Trumped Technical Factors in Affecting American Companies' Business Decisions

In general, the results in this survey report showed that the geostrategic factors such as China-U.S. bilateral relations and the broad geopolitical situation were apparently considered

more critical than the technical factors like market access and concerns on intellectual property rights transfer (though these technical factors from various degrees are crucial as well for U.S. businesses) in affecting the American companies' business growth and profitability as well as their decisions in carrying out investments and innovation.

For instance, 99% of respondents considered the positive China-U.S. bilateral relations mattering significantly to their business growth, with 54% marking extremely important, 28% very important, and 17% somehow important (Figure 2).

**Figure 2:** Importance of positive bilateral relations between the US and China to your Company's business growth in China



Source: AmCham China / China Business Climate Survey Report 2024 / p7.

Besides that, among the top five business challenges, the rising tension in China-U.S. relations over the past four consecutive years has been ranked number one by the American businesses.

As for some U.S. companies' decision in investing in China, among a list of reasons, they considered the uncertainties in China-U.S. relations the most important factor for their declining investments in 2024, especially, in the Tech and R&D-incentive industry.

For their motivations in promoting research and innovation, 86% of the respondents acknowledged that innovation and research were important to their business growth in China. Nevertheless, the top barrier to innovation was concerns on potential U.S.-China tech decoupling.

As for the broad outlook of China-U.S. bilateral ties, the expectations of the U.S. companies having participated in the surveys over the past four consecutive years had gone through big fluctuations - in the 2021 survey, 45% of respondents expected China-U.S. relations to improve,

by then with Biden being elected as president; then that optimism was down to 27% in 2022, and further to 13% in 2023; nonetheless, as a result of noting Chinese President Xi’s scheduled visit to the U.S. in November 2023, the level of expectations held by American companies to a possible improvement of China-U.S. bilateral ties rose to 30% (though still relatively low) in the latest survey conducted in late 2023 and released in February 2024.

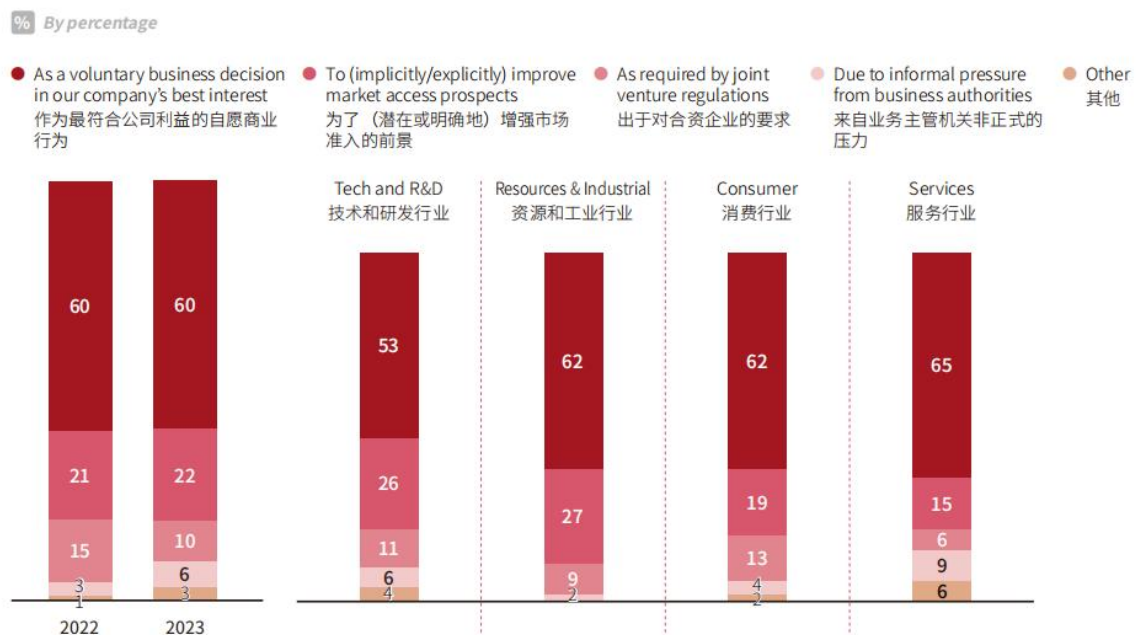
This result shows that the American companies have looked very closely to the development of China-U.S. bilateral relations; and it appears that, from their perspective, the leaderships of China and the U.S. and the high-level exchanges and dialogues between the two countries matter significantly in affecting the general trend of China-U.S. bilateral ties and their business operations in China as well.

### Impacts of Technical Factors on the U.S. Businesses’ Choices

When asked the reasons for their choices of sharing technology or intellectual property rights, 60% of respondents in both the 2022 and 2023 surveys noted that the companies’ actions were based on a voluntary business decision in their own best interests, 21% of the participants in 2022 and 22% in 2023 stated that their choices bore a purpose of implicitly improving market access, 15% of samples in 2022 and 10% in 2023 said that their actions were in compliance with joint venture regulations, while only 3% of the respondents in 2022 and 6% in 2023 claimed that they were subject to informal pressure from business authorities (Figure 3).

This result could also tell that the claims of forced transfer of intellectual property rights appear to have been exaggerated.

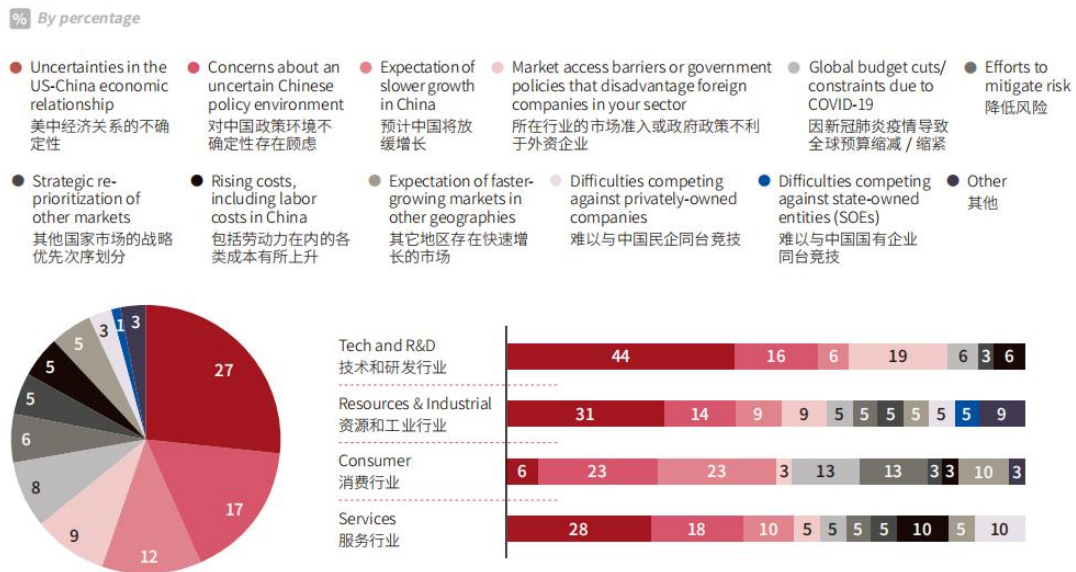
**Figure 3:** Actions of your company’s technology or proprietary knowledge being shared



Source: AmCham China / China Business Climate Survey Report 2024 / p79.

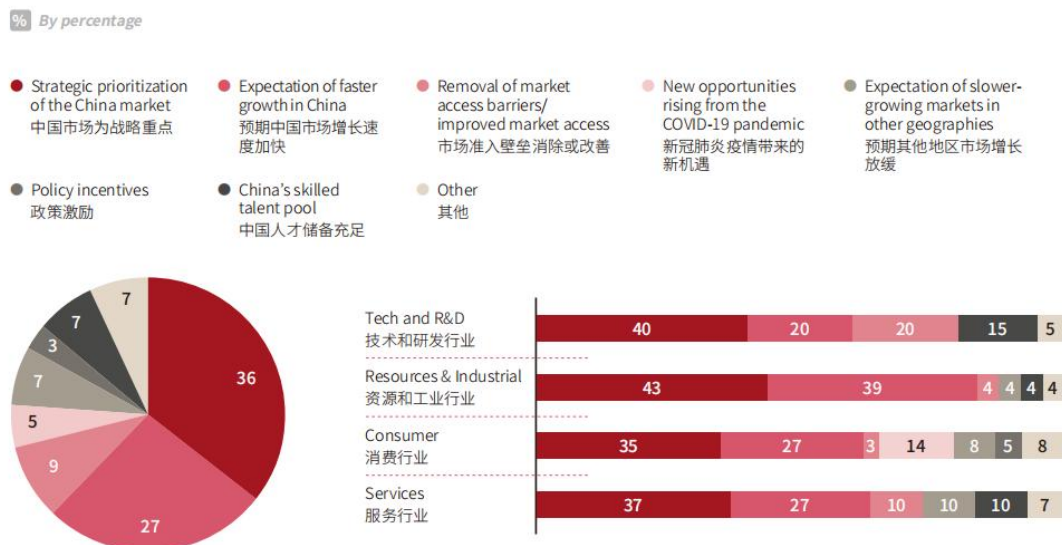
In relation to the reasons for certain American companies' decisions in lowering their planned investments in 2024, the concerns on the uncertainties in the U.S.-China economic relationship listed at the top. Among other range of factors, being uncertain about Chinese policies as well as the possibility of a slow growth also occupied larger percentage points than the market access factor - more specifically, with 27% of the samples marking the uncertainties in the China-U.S. economic relations at the top, 17% being uncertain about China's policy, 12% concerning about a slow growth, and 9% taking market access as a factor (Figure 4).

Figure 4: Factors for lower planned investment in 2024



Source: AmCham China / China Business Climate Survey Report 2024 / p43.

Figure 5: Factors for higher planned investment in 2024



Source: AmCham China / China Business Climate Survey Report 2024 / p44.

As for the factors for some companies to raise the level of their planned investments in 2024, 36% of the participants ranked the strategic prioritization of the China market as the top reason, 27% of respondents expected faster growth, and 9% of them marked improved market access as a reason (Figure 5).

Regarding the just mentioned factors in affecting American companies' investment choices, getting into more details, there is a need to note that, from a relative point of view, the Tech and R&D-incentive sector appeared to be a bit more concerned about market access compared to other industries, with 20% of companies in the Tech and R&D industry, 4% in the Resources sector, 3% in the Consumer area, and 10% in the Service field taking market access into account when planning their investments in 2024.

After all, by combining all the above listed survey results and the analysis of these figures together, it is obvious that, while concerning the possible impacts of technical factors like market access and the transfer of intellectual property rights on their businesses, the American companies considered the geostrategic factors such as the trend of China-U.S. relations and the geopolitical situation more critical, in contrast to the technical factors, in affecting their business planning, growth, and prosperity in China.

A positive trend of China-U.S. bilateral relations and a stable business climate in China are the primary concerns of the American companies having business operations in China; in the meantime, back in the U.S., the American consumers and a wide range of business sectors have shown their concerns on the rising costs as well as other possible implications of the economic and trade measures subsequently taken by the U.S government, in the process of managing the country's economic, trade, and technological differences with China.

Obviously, there is a gap, in various degrees, between the primary concerns of American consumers and American companies based both in the U.S. and China and the strategies and measures having been taken and implemented by the government so far.

To help the government better understand the primary concerns of various sectors, get a clearer picture on the implications of the policies taken, and see the real challenges faced by the country, it is assumed that the data and survey results conducted by the relevant survey agencies with high credibility actually matter crucially, and somehow they could serve as important sources for the government to adjust their future policies.

**Note:**

Some data used in this analytical piece were cited from the "China Business Climate Survey Report", for the full report, see <https://www.amchamchina.org/china-business-climate-survey-report/>.