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Universidad del Zulia
Facultad Experimental de Ciencias
Departamento de Ciencias Humanas
Maracaibo - Venezuela

Determining the Mechanism of Trade Exchange in America and China

Abduljabbar Hani A. Jabbar

Economics Department College of Economics and Administration.
University of Baghdad, Iraq
abduljabbar.h@coadec.uobaghdad.edu.iq

Abstract

Determine the nature of Supply and demand for each currency of the two countries, So the side of the money supply is a constant that is determined by the policy of the central bank in each country that responds to market changes in addition to its predetermined goals either side Demand depends on consumer decisions to invest in business units and individuals I each country in the currency of the other country (Hussein 2018). The rise in the price of the dollar against the yen from 6.5 yen per dollar to 7.15 yen per dollar will reduce the desire of Chinese individuals or investors to import American goods at the Same Time, the desire of in individuals America to import Chinese goods increases by the amount related to the exchanges rate of each currency and this leads to an increase in the money supply of the dollar in America in response to the desires of the American individuals. determine the nature of Supply and demand for each currency of the two countries, So the side of the money supply is a constant that is determined by the policy of the central bank in each country that responds to market changes in addition to its predetermined goals either side Demand depends on consumer decisions to invest in business units and individuals I each country in the currency of the other country (Hussein 2018). The rise in the price of the dollar against the yen from 6.5 yen per dollar to 7.15 yen per dollar will reduce the desire of Chinese individuals or investors to import American goods at the Same Time, the desire of in individuals America to import Chinese goods increases by the amount related to the exchanges rate of each currency and this leads to an increase in the

money supply of the dollar in America in response to the desires of the American individuals.

Keywords: Trade Exchange, consumer, supply, Mechanism.

Determinación del mecanismo de intercambio comercial en América y China

Resumen

Determine la naturaleza de la oferta y la demanda de cada moneda de los dos países. Por lo tanto, el lado de la oferta monetaria es una constante determinada por la política del banco central de cada país que responde a los cambios del mercado además de sus objetivos predeterminados. La Demanda secundaria depende de las decisiones de los consumidores de invertir en unidades de negocios e individuos en cada país en la moneda del otro país (Hussein 2018). El aumento en el precio del dólar frente al yen de 6.5 yenes por dólar a 7.15 yenes por dólar reducirá el deseo de los individuos o inversionistas chinos de importar bienes estadounidenses al mismo tiempo, el deseo de los individuos de Estados Unidos de importar bienes chinos aumenta por la cantidad relacionada con el tipo de cambio de cada moneda y esto conduce a un aumento en la oferta monetaria del dólar en Estados Unidos en respuesta a los deseos de los individuos estadounidenses. determinar la naturaleza de la oferta y la demanda para cada moneda de los dos países, por lo que el lado de la oferta monetaria es una constante determinada por la política del banco central de cada país que responde a los cambios del mercado además de sus objetivos predeterminados. La Demanda secundaria depende de las decisiones de los consumidores de invertir en unidades de negocios e individuos en cada país en la moneda del otro país (Hussein 2018). El aumento en el precio del dólar frente al yen de 6.5 yenes por dólar a 7.15 yenes por dólar reducirá el deseo de los individuos o inversionistas chinos de importar bienes estadounidenses al mismo tiempo, el deseo de los individuos de Estados Unidos de importar bienes chinos aumenta por la cantidad relacionada con el tipo de cambio de cada moneda y esto

conduce a un aumento en la oferta monetaria del dólar en Estados Unidos en respuesta a los deseos de los individuos estadounidenses.

Palabras clave: intercambio comercial, consumo, oferta, mecanismo.

1. INTRODUCTION

The research dealt with the impact of the exchange system in the United States of America and China on trade exchange and its effect on trade exchange with countries in the Arab region. The research section was divided into two chapters, the first chapter dealt with the characteristics of the Chinese economy, directing the economic surplus of foreign currencies, and benefiting from a number of economic fundamentals, political transformations, legal legislations, and qualitative leaps achieved by the Chinese economy. Specifically, from the beginning of this century until 2018. The second chapter examined the impact of exchange systems in both the American and Chinese economies in determining the foreign exchange mechanism between the two countries, the nature of the trade balance and the deficit in recent years in the US trade balance with China. The discussion also dealt with the impact of the exchange and commercial exchange systems between the two countries on trade exchange with Arab countries and the possibility of exchange for either of the two countries under the existing conditions.

The research is based on the hypothesis that the exchange system has the advantage of enhancing the competitive advantage and

external trade for many countries and covering the lack of productive efficiency in the economy.

2. METHODOLOGY

The research adopted the method of review analysis by analyzing facts and data of the economies under discussion:

Time Frame: Duration between 2000-2018.

Geographical Range: The American and Chinese economies.

The research goal: The research aims to shed light on the current effects of exchange systems on the commercial exchange of the mentioned countries and their impact on the Arab countries

3. RESULTS

The exchange rate is one of the most important means of monetary policy to deal with different economic variables, especially with regard to external exchange at the level of goods and services. Therefore, various countries have sought to adapt the exchange rate system to achieve several goals, including:

1- Maintaining a stable value for the national currency exchange rate in a way that achieves an acceptable level of economic and social welfare.

2- Promoting the movement of exports of different goods and services and controlling the movement of imports inward.

3- Based on the previous two objectives, achieving its surplus status and reducing the balance of payments deficit by boosting exports simultaneously focuses the movement of balance within the macro economy by achieving a balance between aggregate demand and aggregate supply.

The research analyzes the role of the exchange rate in supporting the competitive advantage of the two largest economies in the world in the field of foreign exchange, which is America and China, as the two countries have diversified production bases based mainly on industry, the agricultural sector and the services sector in addition to the extractive sector in the United States of America and thus they represent a model for economies Integrated and each country through its economic and non-economic tools to enhance trade exchange with the outside world.

It should be noted here that the United States is trying as much as possible to take advantage of the global dollar situation that was achieved after the Brennon Woods agreements in 1945 and then after the collapse of this agreement in 1971 during the era of US President Nixon, which embodied the position of the dollar as an international currency or the first currency globally in circulation Without any obligations arising on the American economy, which made America more like what is a global government that can buy its various requirements in its local currency by virtue of global acceptance of the dollar, which is a unique and unique feature that America enjoys

economically without the rest of the world in addition to p And other hopes support the global acceptance of the dollar, such as the size and efficiency of the American economic structure, which is reflected in the figures of national income, the volume of trade exchange, as well as the political and military domination of the United States. European and Japanese economic competitor, which made America try to take advantage of the dollar exchange rate to enhance its position on the level of foreign exchange through arbitration with a decrease in the money supply if the value of the dollar decreased through an increase in Z cash, the currency will remain the most demanding in terms of international exchange (Abdullah Mansour, 2018).

The Chinese economy has witnessed great strides since the nineties of the last century to the present time, and China has benefited many factors in achieving these economic booms, including:

- 1- Reduced production costs in China, mainly due to the low urgent costs of China and Asia, such as Korea ,Taiwan and Singapore (Malt ka newspapers, 2019)

- 2- On the management level of the macro economy, China has adopted policies that enhance the total exhibition of goods and services by enhancing the role of the private sector in various sectors, while the government maintains control over key economic keys such as the energy sector. At the same time, China has pursued a policy of controlling the total demand to enhance temporary savings by controlling the consumption side in a country that alone is the largest investment market at the same time, it is one of the largest consumer markets .This policy helped China to consolidate the

accumulation of its national savings and to enhance its various investments, both internally and externally Bergin and Feenstra 2009)

3- China is a model of further diversification of the structure of the national economy, as it is based on various sectors, namely industry, agriculture, and the service sector pouring a large part of it into foreign trade, which helped China achieve a surplus in its trade balance during the last twenty years, for example.

4- On the monetary policy front ,China has benefited from the devaluation of its official currency, the yuan (an accusation that America has always marketed against China (by squeezing the money supply from the dollar in the Chinese trading market against the Chinese yuan. This decrease in the yuan price has given China a competitive advantage in the prices of locally produced goods and services. And to boost exports at the expense of imports here, the assumed classic budget of raising the yuan was not driven by the Chinese central bank's policy of maintaining the yuan's exchange rate at low rates compared to the dollar.

1- In the 1990s, China adopted a tremendous economic transition, as it is the case in most countries of the world, for two reasons: (Haass 2008)

2- The international acceptance of the dollar currency mentioned above .

3- The capacity of its trade exchange with America, as America is the first trade partner of America with a trade balance in favor of China, as it suffers from a surplus, and vice versa there is a deficit in the trade balance of America with China (statistic)

This is mainly due to structural factors related to production efficiency and lower production costs. America tried to tackle the inequality in trade with China through a loan that increases customs taxes at unprecedented rates and reaches (3%), especially during a welcome administration period. (Wen 2005) For China, it is trying to keep the local currency exchange rate at reasonable levels in a way that maintains its competitive advantage in foreign exchange through???? Of US treasury bonds that exceeded one trillion dollars, and here, China is trying, through pumping specific amounts of dollars, to maintain the exchange rate at competitive prices through a balance between supply and demand in the Chinese trade market. Foreign trade with European countries to compensate for the lost investment space in the American market due to the recent American measures against China, where America confirms that Chinese weapons reduce the price of zero yuan to 7 yuan per dollar in a systematic way with the Chinese Central to manipulate the price of the local currency. Third: The exchange rate system in the United States in the form of the Federal Reserve is similar to the central bank of the United States, and it is responsible for the supply of money, credit, and interest rates in America and American banks. Especially. After America's exit from the Brennon Woods Agreement, the most important exchange against it in front of different countries of the world canceled the acceptance of the dollar, it is the possibility of converting it into gold. On an acceptable exchange rate for the dollar in a way that includes??? Reciprocity, given that it is the most important currency reserve in the world, in addition to being the main

means of exchange, which America does sometimes (maintains the value of the dollar), and often shifts away from it according to the requirements of its economic or even political interests at other times. In recent years, the Federal Reserve has cut interest rates to encourage credit (flexible monetary policy) at the private sector level and even at the government level that has paid a lot of its obligations and the budget deficit that exceeded a trillion dollars and this flexible policy was reflected in the exchange rate of the dollar against other currencies and gave America an advantage Competitive at the same time reduced the values of reserves and the level of exchange between different countries including China and any country facing China. Production efficiency through its monetary policy measures that are somehow reflected in the exchange rate of the dollar against other currencies, taking advantage of x Dysarthria, which is a fundamental global acceptance of it.

The foreign exchange rate is determined by changes in the currency exchange market in each country, and these changes determine the nature of supply and demand for each currency in the two countries, and therefore the fixed money supply side is determined by the central bank's policy in each country that responds to market changes in addition to its predetermined goals Either side of the demand depends on consumer decisions to invest in business units and individuals in each country in the currency of the other country. (Hussein 2018) (The rise in the price of the dollar against the yen from 6.5 yen against the dollar to 7.15 yen against the dollar will reduce the desire of Chinese individuals or investors to import American goods at

the same time, the desire of individuals in America that the import of Chinese goods increases by an amount related to the exchange rate of each currency , This leads to an increase in the money supply of the dollar in America in response to the desires of American individuals, and at the same time we find a decrease in the money supply of the dollar due to the low desire of individuals to import or invest in American goods, Wicca and China according to the exchange market variables.

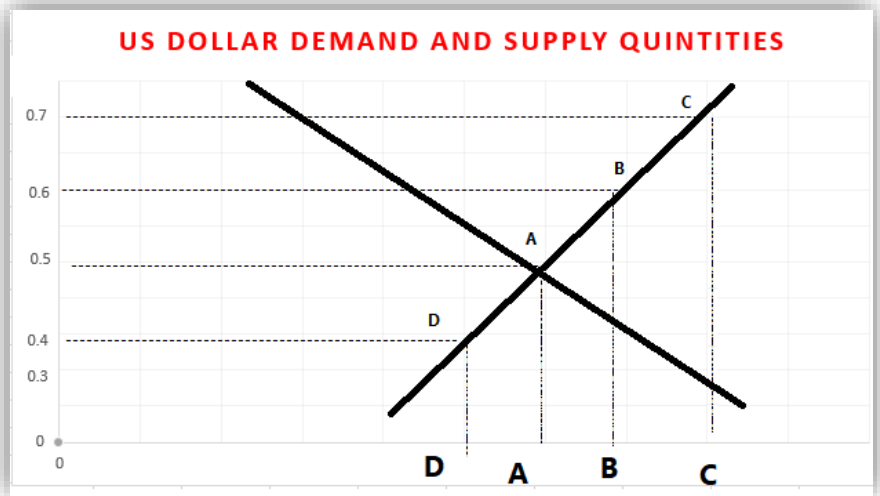


Figure 1.

From the previous figure, we assume that the exchange rate that achieves balance is 5 out of every dollar. If the dollar exchange rate rises to 6 yen per dollar, in this case there will be a surplus in the money supply at the same time there will be a decrease in the dollar's demand in China and a decrease in the supply from it That is, there is

a reciprocal relationship between China and America, and if the exchange rate of the dollar increases against the yen to 7 yen per dollar, the same previous mechanism will be repeated. At the same time, if America pursues a flexible monetary policy based on increasing the monetary assumption, this will lead to a decrease in the interest rate and a decrease in the dollar exchange rate. Automatic balance mechanism to counter the effects of the yuan's low exchange rate. Make up the point A the equilibrium point is the exchange rate of the dollar and the yuan. The point B A demand surplus and a surplus in the money imposed by the dollar on the economic units in America. the point C An additional surplus in demand for the dollar from it in America due to the increased desire of individuals and economic units in America to import Chinese goods due to the depreciation of the yuan. The point D There is a surplus in demand for the dollar and the supply of it in China as a result of the increased desire of individuals and economic units in China to import goods and investment in America because of the high price of the yuan against the dollar.

With the beginning of the current century, the volume of trade exchange between China and the United States expanded greatly compared to the nineties of the last century, with the Chinese economic decline in rates. High exceeded the 10% at times, and based on China's strategy referred to at the beginning of the research in macroeconomic management) stimulating supply with controlling demand), China recorded a trade surplus with America, which ranged at an annual rate of 8-9% for the last twenty years in the volume of foreign trade. More than \$ 370 billion in 2017 for China, and the

following table shows the size of the trade deficit between China and the United States for the years 2014-2017.

Table 1: America's trade with China

year	exports / us dollar billion	imports / us dollar billion	deficit size / billion
2014	\$ 123,657.00	\$ 468,474.00	\$ 344,817.00
2015	\$ 115,873.00	\$ 483,201.00	\$ 367,328.00
2016	\$ 115,545.00	\$ 462,542.00	\$ 346,996.00
2017	\$ 129,893.00	\$ 505,470.00	\$ 375,576.00

Table (1) represents America's trade deficit numbers with China in the past four years, and this deficit has worsened in favor of China despite attempts ??? To America to amend this deficit by financial means or purely financial restrictions as well as high customs taxes, and it seems ineffective in reducing the rates of trade exchange between the two countries, China is still the first trade partner of America and there is an increasing demand for Chinese goods that began to exacerbate the deficit year after year(on 2014.) It should be noted that the devaluation of the yuan, to the extent that it gives China an advantage in its exports, will leave a negative impact on the imports of companies and individuals in China, as it weakens the level of income of the Chinese individual in controlling the imports issued to boost the Chinese trade surplus.

The trade war, and specifically the currency war between China and America, affected the Arab countries due to the volume of trade

dealings between Arab countries with both countries, through the following points:

1- The depreciation of the yuan and the corresponding reduction in the dollar will reduce the size of the sovereign funds assets due to the high proportion of the dollar and the yuan in the total of these assets .

2- Reducing the interest rate in the US facing the devaluation of the yuan will reduce the financial investment returns and the deposits of Arab countries in America, and the same situation could happen if similar measures were taken.

3- The depreciation of the yuan will weaken the competitive advantage of Arab exports that are already low .This increases the dependence of Arab countries on Chinese imports and reduces the possibility of establishing new domestic production ingredients, whether agricultural, industrial, or service.

4. CONCLUSIONS

1- The currency war between China and America has become one of the most important aspects of international trade, and is reflected in one way or another on different countries of the world.

2- China's resort to reducing the value of the Chinese yuan has helped it in one way or another to compensate for the low technical level of its goods against American products, despite the difference in the Chinese side of this measure among economists.

3- The monetary policy in the exchange rate field for both countries has negative repercussions on the various countries of the world.

5. RECOMMENDATIONS

1- Arab countries should face a reality that may extend for a long time, by diversifying the assets of their sovereign funds and the budget

2- The main treatment remains relying on real structured investments instead of relying on high and low volatility financial investments.

3- The importance of establishing an Arab economic bloc that can absorb the shocks of global monetary and financial changes and mitigate their severity

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