The Impact of Sino-US Trade Friction on Car Profits and Countermeasures

Yu Zhang1,*, Zheng Tan2 and Wenyu Yang3
1School of Wuhan University of Technology, Wuhan, China
2School of Wuhan University of Technology, Wuhan, China
3School of Wuhan University of Technology, Wuhan, China
*Corresponding author e-mail: 1316903370@qq.com

Abstract. Sino-US trade friction has caused widespread concern. A large number of enterprises have suffered heavy losses in this big country dispute, and there is an urgent need to be able to adapt to the solutions of the current era. With the outbreak of trade friction between China and the United States, the economic situation of the automobile industry in 2018 also showed an overall downturn. Most car companies' profits were affected. Some enterprises' economic conditions even showed the first negative growth for years, and some of them were well-known. At present, Sino-US trade friction has had a certain impact on most car companies in China, but this effect is controllable. Some enterprises have realized the continuous increase of profits by improving their own competitiveness and vigorously developing high-tech. Based on this, an early warning mechanism can be constructed to further design a response strategy from the enterprise level and the government level, and further explore whether the strategy is realistic and feasible. Specifically, enterprises must enhance their own development and competitiveness. And they should vigorously develop high-tech and keep up with the pace of the times. That is, adjust the export structure; and the government gives certain policy support to extremely difficult enterprises to help enterprises tide over the difficulties.

1.Introduction
Since 2018, Sino-US trade frictions have escalated and entered a stage of white-hot. Starting from January 2018, Trump provoked Sino-US trade frictions and escalated on the grounds of excessive trade deficit between China and the United States. Eventually, he first produced substantial friction in June and explicitly proposed to impose tariffs on Chinese imports. On September 18th, the US announced that it will impose tariffs on China's 200 billion US dollars of goods from the 24th, with a tax rate of 10%. It will rise to 25% from January 1, 2019. The advantage of Chinese cars is that they are durable and cheap. After the increase of tariffs, the price of Chinese cars will increase in the United States, and the advantages of Chinese cars will not exist. This will lead to a decline in China's auto export trade, and Chinese auto companies face serious challenges. According to the data released by the China Association of Automobile Manufacturers, China's domestic automobile production and sales in 2017 reached 29.015 million units and 28.879 million units respectively, an increase of only 3.2% and 3% compared with the same period of last year. The growth rate is very small. This small increase indicates that China's domestic automobile consumption is becoming saturated. The production capacity of China's own-brand car companies is becoming more and more surplus. It is
difficult to digest only by relying on the domestic market. More and more independent brand car companies are exploring overseas markets in order to achieve a substantial breakthrough in sales. According to the announcement of Changan Automobile Company, as of the end of 2017, Changan Automobile has successfully opened 16 sales bases in Asia, the Americas and Africa. The products have been radiated to more than 40 countries and regions around the world, and 33,000 vehicles were exported throughout the year. [2]

China subsequently adopted counter-measures to impose tariffs on goods imported from the United States. In the automotive industry, it is mainly reflected in the tax increase on auto parts. In the taxation list issued by China on August 3, it was proposed to impose a tariff of 25%-5% on 5,207 tax items originating in the United States. Among them, many auto parts are concentrated in the list of 5% tariff items. Such as frame, clutch, airbag, ABS, sunroof, side door, chassis, seat belt and other accessories. Among these parts and components with less tariffs, some are products that China still relies on imports. This shows that while countering the United States, China has also given the greatest degree of protection to some areas, combined with the characteristics of the current development of China's automobile industry. [3] Affected by the increase in tariffs on imported auto parts from the United States, the number of parts exported from the United States to China has declined. In the short term, this has also led to an increase in the cost of certain auto companies in China.

2. Status of Automobile Industry under Sino-US Trade Friction

Affected by factors such as the slowdown in macroeconomic growth, frequent international trade disputes, and declining consumer confidence, sales in the automotive industry experienced negative growth for the first time in 28 years. According to the China Association of Automobile Manufacturers, the cumulative production and sales of automobiles nationwide in 2018 declined year-on-year. As shown in the figure 1, red represents a negative growth in annual marketing revenue, and green represents a positive growth in annual marketing revenue. Through this picture, we can see that the number of circles in the red area is larger than the number of circles in the green area, among which there are many well-known enterprises such as Dongfeng Motor, FAW Auto, and Changan Automobile.

![Figure 1. Distribution of car companies affected by Sino-US trade friction](image-url)
3. The Impact of Sino-US Trade Friction on the Profit of Automobile Industry and Analysis

![Diagram](image)

**Figure 2. The Impact of Sino-US Trade Friction on the Profit of Automobile Industry and Analysis**

3.1 Most corporate profits are negatively affected to varying degrees

The main challenges China's auto industry facing are the saturation of domestic auto demand and the impact of auto exports. Raising tariffs, the price of imported cars will definitely increase. These include small passenger cars (including cars), off-road vehicles (including SUVs), and fuel vehicles and electric vehicles classified according to the powertrain. In addition, some German brand cars, including Mercedes-Benz, BMW, Nissan, etc. Due to the production of the US factory, also increase the tariff by 25%. American-made cars will lose market, and the tariffs on parts and components will increase the cost of car companies, which will eventually lead to a decline in car profits.

3.2 The impact of Sino-US trade friction on the automotive industry is controllable

The impact of Sino-US trade friction on the auto industry is reflected in the auto industry, where most companies have lower profits and reduced production, and a few companies are facing the risk of production suspension and change. Moreover, the threshold of the automotive industry is high, and there will not be a large number of competitors in the short term. Some problems can be regulated through internal adjustments and government policy support. In general, the problem will not be too serious.

3.3 Some car companies are developing well

In 2018, SAIC achieved sales of approximately 7.052 million vehicles, an increase of 1.8% year-on-year. It is worth noting that SAIC Group has further expanded its share in the domestic market, with a domestic market share of 24.1%, an increase of 1 percentage point year-on-year. Coincidentally, Geely Automobile achieved a 15% increase in total annual revenue to 106.6 billion yuan in the economic downturn of the auto industry. Part of the reason is that Geely’s A-class sedan models and sport utility vehicles The SUV model has achieved good sales performance and won the favor of consumers. At the same time, Geely Automobile also vigorously develops new energy and electrified cars, and has made sufficient preparations and prospects for future development. However, as existing political and economic uncertainties will continue to affect the Chinese passenger vehicle market, Geely may cause the current slowdown in demand for automobiles to continue until 2019.
4. Sino-US Trade Friction Response Strategy

**Figure 3. Sino-US Trade Friction Response Strategy**

4.1 Enhance its own development and competitiveness

The changes in the current world pattern are very large, and the company’s foothold is bound to be more difficult and the challenges will be more. But at this time, companies can't panic and chaos their hearts, and surrender before the real difficulties have come. Due to the increase in labor and raw material costs, the profits of car companies have declined. Many companies have focused on production, but have neglected the quality of automobiles, and have not updated their R&D and recruited talents. Enterprises should be more determined, pay attention to the development and construction of the enterprise itself, and re-examine whether there are problems in corporate culture and management, automobile production and export channels in the context of the times, and firmly grasp the core of development. Enterprises should also plan ahead, and do not have to be too flustered or adopt a radical approach in the face of problems. They should enhance their development and competitiveness from the aspects of culture, management, talents and product quality by recruiting suitable talents and adjusting production lines.

4.2 Develop high technology

In order to protect the ecological environment during the urbanization process, new energy vehicles are increasingly welcomed by the government, enterprises and markets. It uses advanced technology to effectively achieve low-carbon environmental protection. New energy vehicles are a major innovation in the automotive industry. According to the statistics of China Association of Automobile Manufacturers, the output of new energy vehicles completed in 2017 was 794,000, and the completed sales volume was 777,000. The output accounted for 2.7% of the total automobile output, ranking first in the world for three consecutive years.

Although the sales volume of new energy vehicles is growing faster, there is still a certain gap between the total sales volume and traditional vehicles. The main reasons are the public's acceptance of new energy vehicles and the quality of new energy vehicles themselves. In the future, in order to further expand the sales of new energy vehicles, companies can work hard in the following aspects. The first is battery life. At present, the biggest concern of the public about new energy vehicles is the battery life and power problems. Enterprises should vigorously develop and promote better batteries to provide power for automobiles, such as lithium batteries. Compared with other batteries, lithium batteries have the advantages of good quality, low energy consumption, long use time and less environmental pollution. The second is to reduce costs. The cost of regular replacement of new energy vehicles and batteries is not much less than that of traditional vehicles, and it will cause customers to think that new energy vehicle technology is not mature, thus increasing the difficulty of promoting new energy vehicles. A good solution is to reduce the cost of new energy vehicles through continuous research and development, thereby reducing the sales price of new energy vehicles and allowing customers to buy new energy vehicles that are more affordable than traditional vehicles. Finally, a
complete system of vehicle charging system was established. Internet technology can be used to detect the charging equipment at the location of the car, and the QR code technology can be used to reduce the labor cost of the charging station.

Road congestion, traffic accidents, environmental pollution, and energy crises have all affected the lives of modern people. The emergence of driverless cars has effectively alleviated these problems. Unmanned driving technology greatly helps to reduce the traffic accident rate, fatigue driving, inattention, improper operation and other traffic accidents caused by human error, and with the popularity of driverless technology, will assist or replace manual driving, improve People travel safety. At present, China is in the early stage of driverless technology, but with the further improvement of technology, market and cost control, its technology and market will certainly create a new round of enterprise competition. Due to the huge consumer population and demand, China is expected to become the largest driverless market. The future of driverless technology will bring considerable profits to enterprises.

4.3. Adjust the exit structure
Enterprises can adjust their products to Europe, Southeast Asia and other regions. In addition, the channels for China's auto export enterprises to sell in overseas markets are not perfect. Most companies rely on cooperation with local distributors and rely on foreign orders for export. Exports are vulnerable to market fluctuations and local dealers, and are not conducive to After-sales service and spare parts supply for export products. Enterprises and governments should work to adjust the structure of automobile exports, turn unfavorable factors into favorable factors, and accelerate the promotion of China's innovation capability and industrial upgrading.

4.4. Government gives policy support
In recent years, China's automobile exports have developed rapidly, but price competition between Chinese auto export enterprises is prone to occur, resulting in high prices, which is not conducive to the long-term development of auto companies. Faced with this situation, the government should promptly stop the vicious competition of car companies and avoid further development of this phenomenon. Moreover, Sino-US trade frictions have a wide range of influences, and it is difficult to fully respond to changes by enterprises alone. If there are serious problems such as serious decline in profits of car companies and even negative growth, the government should provide corresponding assistance to these extreme problems.

In addition, the government should establish a relatively comprehensive early warning mechanism for the domestic automotive industry. Early warning mechanisms are early warning of possible dangers. After China’s accession to the WTO, due to excessive dependence on exports and excessive concentration of export markets, and partial dependence on imports and excessive concentration of import markets, it is easy to promote international trade protectionism, causing some countries to impose restrictions on Chinese goods for the Chinese automotive industry. Development poses a great threat. If we anticipate the dangers of the future, we will take corresponding measures to alleviate the corresponding pressures. Finally, even if the crisis comes, it will not have a great impact on China's auto industry.

At the same time, the government has given targeted policy support for specific issues such as increased costs and reduced sales, helping enterprises to tide over the difficulties. Support the development of domestic car companies by giving enterprises sales subsidies, providing interest-free loans, and reducing tax rates.

5. Conclusion
Sino-US trade frictions have brought different degrees of negative impact on car companies' profits, but this impact is not uncontrollable. Enterprises can enhance their own development and competitiveness, vigorously develop high-tech, and adjust export structure. The way to deal with Sino-US trade frictions, so that domestic car companies find out in time their own problems, focus on the development of core technologies, reduce dependence on foreign markets.
and timely adjust the export structure. At the same time, the government should give corresponding policy support to promote the development of the automotive industry. The current intensification of Sino-US trade frictions has made car companies face some challenges. If they regard it as a process of reforming with external forces and persisting in the development direction of reform and opening up with a proactive attitude, the long-term development of China's economy is not a bad thing.

References
[1] Feng Hongli. The latest impact of Sino-US trade friction escalation on the energy industry [J]. Electrical industry, 2018 (11): 32-39W.
[2] Zhang Panhong. Chang'an Automobile Export Trade Status and Expansion [J]. Foreign Trade Practice, 2018, (12): 49-52
[3] AutoMan. Under the trade friction between China and the United States, the automobile industry is "all beings" [Z].
[4] Li Yuchen. Research on the development strategy of FAW Group's driverless vehicles [D]. Jilin University, 2019.
[5] Li Qiming, Zhao Lingyun. The Status Quo, Causes and Countermeasures of Sino-US Automobile Trade Friction[J]. Jiangxi Social Sciences, 2015, 35(04): 69-73.
[6] Yang Rongzhen. Cracking the "difficulties" of Sino-US trade friction [J]. Xiaokang, 2018 (36)
[7] Yuan Anxin. Analysis of Sino-US Trade War and Coping Strategies [J]. Economic Research Guide, 2018(36): 149-157