

THE TRADE WAR BETWEEN USA AND CHINA AND ITS EFFECT ON GLOBAL ECONOMY**Laila Hannasi****Dr. Öğr. Üyesi MURAT UNANOĞLU**Graduate school for social sciences, Master degree in Business administration
Istanbul Aydin University**Abstract**

The USA and China are the most powerful countries in the global economy. They have been partners in international trade for almost twenty years and they represent more than 40% of global GDP. The two countries contributed in building one another's economy by constructing a solid relationship that helped in global economic growth. Throughout the history, the trade war that happened before had no winners. The trade-war between the US and China will contribute in global slowdown related to international economy that is based on international trade and global production as both of the parties contribute in a big share of the global production. The rise of tariffs was up to 17% between bilateral trade and had a decrease of only one percent in 2020. The trade war has resulted in a significant decline in trade between the US and China in 2019, as well as significant trade redirection to imports from other areas, resulting in a restructuring of Asian value chains.

The research consists on representing the reasons behind the tension between both countries and analyses the causes of it. In addition, we will look in the outcomes that might result on this trade war and how it will affect some certain fields and certain countries. This paper aims to represent the raise of tariffs related the imports-exports between China and USA in the past three years that lead to rise of tension between both parties.

Keywords:

Trade war – US economy – Chinese economy – Trade tariffs – Global economy – Economic growth – Trade conflict.

Introduction

The United States of America and China are known as the world's most powerful and strongest powerhouses' economies. Each country has contributed to the growth of the other one by their foreign trade relationships. Mostly, China's economy has expanded when it became a part of the world trading organization (WTO). However, the tension between the two countries started raising and becoming a real issue in 2018 due to the escalation of tariffs on one another's goods and becoming a major political issue. How did this trade war start? and what is the real cause behind it?

For a very long time, the United States of America (USA) was dominant in international trading. The history of this starts back to 1775 when the first trade made by the USA with other countries was with the kingdom of Morocco. The trade was made despite the power and position that Great Britain (GB) had. Years later, the USA has become significant with more allies that made it the strongest economy in the world and number one globally.

On the other hand, China got its recognition from the united nation (UN) and the USA as the People's Republic of China (PRC). In the early 1970s, diplomatic ties were formed between the two countries. 9 years later, USA and China establish new contracts for their relationships by the presence of US president **Jimmy CARTER** and Chinese vice president **Deng XIAOPING**.

The official trading bond between the two countries started in 2001 and China was admitted to the World Trade Organization (WTO) in 2001, and the most important trading partners for each other. Since then, the USA has imported from China more than it has exported to it.

The trade among the two countries has made China the second-largest economy in the globe, the USA's largest creditor with almost \$600 billion, and the dominant country in its continent by exceeding Japan with \$5.88 trillion in the total Gross domestic product (GDP) in 2010. In the same year, the USA sees the Chinese improvement in their

economy as a challenge to their economic and geopolitical position. As a result, under the guise of violating global trade conventions, US former President Barack OBAMA slapped quotas and levies on Chinese goods.

The tension between the two countries starts rising in 2018 and bring with its major issues to discuss related to politics, economy, and climate change. President Donald TRUMP intensified the conflict by imposing fresh tariffs on Chinese imports, accusing China of taking advantage of the trade regulations made between the countries. The conflict between the two countries contributed to major losses for both parties. It has cost higher prices in consumption, financial crisis for manufactures and farmers, a slowdown in economic growth, shifting to other supply chain companies in other countries, and mainly the suffering of other nations have faced due to this conflict. Statistics have confirmed that global economic growth has lowered in 2019 from 3.6% to 3.3% than expected in 2018. The decision made on behalf of the US government did not only influence negatively the Chinese administrations and businesses but also American businesses, farmers, and manufacturers. These businesses suffered from a huge decrease in exportation from the USA to China, while China's trade deficit had increased while working with other countries.

In 2019, President Donald Trump raises tariffs again with an increase of up to 25% on Chinese goods. On the other hand, China has made an increase in American goods too. The disagreement this time did not include only the economic side, but also the national security of the USA that the American government saw was threatened by the Chinese telecommunications company "Huawei" for spying on American citizens. In addition, the violation of human rights and democracy in Hong Kong and being a currency manipulator for several years.

The tension got escalated in 2020 due to the spread of coronavirus and causing a global pandemic with each side accusing the other of being the reason behind the virus and adding to it more conspiracy theories. Many issues have shown up in the last two years that condemn China's behavior in countless aspects.

The stock market was also hit by the trade war. An immense amount of American businesses experienced a big fall in their stock prices such as **Boeing** and **Caterpillar Inc** due to the increase in tariffs.

Globally, a lot of other countries have suffered from this warlike Germany in the European Union (EU) even it still had a good relationship with both parties (the USA and China). Other countries like Great Britain, Canada, South Korea, and Japan have had a weak performance in manufacturing due to the damages caused by the raise of the tension. On the other side, the positive one, some countries had benefited from this silent war. For example, Vietnam had benefited the most in the Asian continent by manufacturing more for technology companies. Other countries had their fair share as well and had more job opportunities to offer also more manufacturing contracts that will help their economy grow.

Literature review

According to researchers, the trade war between USA and China will attract a wide focus to the subject and many calculations and modeling will be used to predict the potential impact on both sides as well as other countries.

For some studies, like the one made by (Edward J. Balistreria, 2018) the research was made to quantify the forecast about the implications caused by the conflict. In conclusion, the study showed how the disruption will damage both countries USA and China but at the same time it might be beneficial to other nations.

Other studies, for example (ITAKURA, 2019) that was based on the Computable General Equilibrium (CGE) model concluded that USA and China will see a reduction in their domestic productivity by 1.4% for USA and 1.35% for China which will reduce from their GDP.

In other research, the main goal was to count who will win in this dispute while calculating the welfare for both countries. Most of studies used the CGE model to predict the probable consequences of the trade dispute. As a conclusion, most studies found that the disagreement would cost both countries heavily, while China will be the most impacted in this dispute. Throughout the analyze of several possibilities, a common conclusion was made that raise of tariffs among USA and China is detrimental to their trade and the welfare with the USA losses will be greater than China's.

Furthermore, other simulations predicted the assumption of the traded balance between USA and China is either maintained and will be better or it will stay the same. The estimation for losses will reach \$165 billion for USA if the raising of tariffs will continue.

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As per other studies regarding the impact of the trade conflict if it will be grater or not, shows that the actual effects of US trade policy activities on other nations are less severe than what other economists anticipated. The expected substantial tariff impact on the US draws attention to the effects on the Chinese economy.

In order to evaluate the direct effects of the trade war on Chinese enterprises, some studies concentrated on how the Chinese stock market responded to the conflict. The findings of the studies demonstrated that there was a large significance variation in the stock market and that firms who had previously exported to the USA performed way less than the average particularly the non-state companies.

METHODOLOGY

This research adapt a qualitative research method based on a descriptive study. This qualitative descriptive method aims to provide a full explanation on how international trade is maintained among countries, as for secondary data used is to call attention of the importance of benefits of international commerce among China and USA and what benefits may bring to the table for other nations. Furthermore, the focus was more on what advantages and disadvantages might bring to the world with this on-going war between both parties.

Research Questions

The study's key research questions are:

1. What is the effect of the trade war on the global economy?
2. What are the industries or sectors that will be damaged the most?
3. Is the escalations of tension based on a political conflict?
4. What are the short term and long terms consequences of the trade war?
5. Will the escalation of the trade tension lead into a World War III?

Data Analysis

The data collected in this research is based on other books, research papers, World Organizations documents, governmental reports, thesis, annual studies reports, relevant websites, etc.... In addition, the data was gathered from the website of the World Bank (www.worldbank.org) and the OECD (<https://www.oecd.org/>) to have a solid base for this research. The purpose of using secondary data in this study is to showcase and explain the side effects of international trade among powerful countries as well as how it can be beneficial in a positive way, while it can cause massive damages if wrong decisions are taken.

In this section as well, we will measure two main scenarios by using the Computable General Equilibrium Model based on Global Trade Analysis Project (GTAP). The measurements will provide an estimation or approximation of the outcomes from the trade war, the benefits that some sectors and countries might benefit from and the impact on the global trade.

The GTAP is a model that measures the impact of trade occurs that is based on the diversification of certain components that consists on microeconomic concepts based on different equations represented in the behavior of individuals and businesses that are parts of the represented zones in addition to the interregional exchanges. The model uses a three-level structure in the specification of the production function: at the first level, the production function assumes zero substitutability between primary production factors and intermediate inputs (Leontief technology).

Results and Conclusion

| Sectors | China | US | Brazil | Argentina | India | Canada | Russia | Mexico | EU | Other |
|---------------------------|-------|--------|--------|-----------|-------|--------|--------|--------|-------|-------|
| Scenario 1 | | | | | | | | | | |
| Iron & Steel | 0.73 | 5.71 | 2.49 | 2.91 | -1.27 | 11.20 | -1.78 | 1.50 | -1.68 | -2.02 |
| Aluminum | 1.11 | 2.88 | 1.00 | 3.58 | -1.24 | 9.26 | -2.36 | 4.22 | -1.32 | -2.10 |
| Soybeans | 1.91 | 0.04 | -0.47 | -0.36 | -0.01 | -1.74 | 0.08 | -2.48 | 0.05 | -0.03 |
| Primary products | 0.62 | 0.04 | -0.35 | -0.46 | -0.04 | -1.49 | 0.09 | -1.51 | 0.00 | -0.06 |
| Other not industrialized | 1.64 | 0.01 | -0.53 | -0.26 | -0.18 | -0.56 | 0.01 | -2.03 | -0.15 | -0.12 |
| Other industrialized | 2.49 | -0.54 | -0.68 | -0.57 | -0.65 | -2.39 | -0.49 | -4.94 | -0.72 | -0.91 |
| Dairy products | 0.03 | 0.01 | 0.09 | -0.13 | 0.07 | -0.03 | 0.09 | -0.52 | 0.05 | -0.02 |
| Processed Rice | 0.36 | -0.07 | -0.06 | -0.26 | 0.04 | -0.09 | 0.15 | -0.68 | 0.02 | 0.03 |
| Other Food | 0.55 | 0.00 | -0.15 | -0.25 | 0.01 | -0.97 | -0.04 | -0.84 | -0.04 | -0.10 |
| Beverages & Tobacco | -0.13 | 0.00 | 0.03 | 0.02 | 0.06 | -0.13 | 0.07 | -0.42 | 0.03 | 0.05 |
| Petroleum & Coke | 0.15 | 0.10 | 0.02 | -0.06 | -0.03 | -0.05 | 0.11 | -1.12 | 0.05 | -0.08 |
| Chemicals | 0.38 | 0.84 | -0.41 | -0.71 | -0.11 | -0.24 | 0.18 | -3.92 | 0.17 | -0.35 |
| Motor vehicles and parts | -0.11 | -0.47 | 0.24 | -0.13 | 0.16 | -0.09 | 0.30 | -4.98 | 0.20 | 0.27 |
| Other Transport Equipment | 1.98 | -1.29 | -0.83 | -0.37 | -0.26 | -3.29 | 0.55 | -4.94 | 0.07 | -0.34 |
| Electronic Equipment | -8.09 | 5.78 | -0.19 | -1.30 | -0.26 | 7.66 | -1.05 | 17.78 | -0.38 | 2.63 |
| Other Machinery | -0.61 | 0.93 | -0.40 | -1.32 | -0.16 | 1.79 | 0.06 | -0.88 | 0.22 | -0.07 |
| Other Manufacturing | -4.07 | 4.11 | 0.23 | 0.05 | 2.54 | 1.08 | 0.17 | 0.46 | 0.59 | 1.86 |
| Services | -0.21 | -0.12 | 0.11 | 0.10 | 0.04 | 0.02 | 0.07 | 0.16 | 0.06 | 0.07 |
| Scenario 2 | | | | | | | | | | |
| Iron & Steel | 0.73 | 6.00 | 1.90 | 2.14 | -1.29 | 11.12 | -1.83 | 1.49 | -1.68 | -2.06 |
| Aluminum | 1.12 | 3.40 | -0.28 | 2.17 | -1.28 | 9.26 | -2.48 | 4.31 | -1.36 | -2.17 |
| Soybeans | 6.43 | -13.92 | 9.30 | 4.47 | 0.01 | -0.06 | 0.16 | -4.15 | 0.09 | 0.24 |
| Primary products | 0.81 | -0.21 | -0.95 | -2.13 | 0.03 | -1.58 | 0.11 | -1.63 | 0.09 | 0.02 |
| Other not industrialized | 1.61 | 0.18 | -1.15 | -0.72 | -0.21 | -0.57 | 0.01 | -1.99 | -0.15 | -0.12 |
| Other industrialized | 2.39 | -0.40 | -0.98 | -0.80 | -0.66 | -2.45 | -0.49 | -4.95 | -0.71 | -0.91 |
| Dairy products | 0.36 | -0.27 | 0.13 | -0.24 | 0.06 | -0.03 | 0.09 | -0.52 | 0.06 | 0.04 |
| Processed Rice | 0.28 | 0.19 | -0.14 | -1.16 | 0.04 | 0.04 | 0.18 | -0.68 | 0.03 | 0.04 |
| Other Food | 0.52 | -0.15 | -0.30 | -0.54 | 0.01 | -0.96 | 0.13 | -0.80 | -0.01 | -0.02 |
| Beverages & Tobacco | -0.13 | -0.12 | -0.01 | -0.02 | 0.06 | -0.13 | 0.07 | -0.41 | 0.05 | 0.06 |
| Petroleum & Coke | 0.12 | 0.11 | -0.06 | -0.05 | -0.04 | -0.05 | 0.09 | -1.12 | 0.04 | -0.10 |
| Chemicals | 0.32 | 1.09 | -0.61 | -1.02 | -0.14 | -0.33 | 0.13 | -3.94 | 0.12 | -0.40 |
| Motor vehicles and parts | 0.38 | -1.13 | 0.15 | -0.51 | 0.18 | -0.26 | 0.29 | -5.04 | 0.37 | 0.40 |
| Other Transport Equipment | 1.92 | -0.89 | -1.57 | -0.64 | -0.31 | -3.38 | 0.42 | -4.96 | -0.06 | -0.46 |
| Electronic Equipment | -8.06 | 6.14 | -0.26 | -1.69 | -0.32 | 7.56 | -1.13 | 17.71 | -0.45 | 2.50 |
| Other Machinery | -0.62 | 1.26 | -1.03 | -2.06 | -0.20 | 1.60 | 0.02 | -1.01 | 0.15 | -0.19 |
| Other Manufacturing | -4.11 | 4.41 | 0.24 | 0.07 | 2.47 | 1.06 | 0.14 | 0.46 | 0.55 | 1.81 |
| Services | -0.26 | -0.12 | 0.12 | 0.12 | 0.03 | 0.04 | 0.08 | 0.17 | 0.06 | 0.07 |

Table 5: Variation of domestic production in different countries in %.

For the **production** related to direct sectors affected by the increased tariffs and other sector, and according to the two scenarios taken into consideration while making the study related to the GTAP, the table below shows the increase and decrease in the production related to the USA, China and other related countries that are part of the study. For the USA, there will be an increase in production especially in the products that are connected to the trade conflict like Aluminum production, electronic appliances as well as the iron & steel manufacturing. Some sectors will witness a decrease in production but luckily not a major one but it might also influence the general production for the whole country.

| Sectors | China | US | Brazil | Argentina | India | Canada | Russia | Mexico | EU | Other |
|---------------------------|---------|--------|--------|-----------|--------|--------|--------|--------|---------|---------|
| Scenario 1 | | | | | | | | | | |
| Iron & Steel | 2.388 | 7.820 | 1.729 | 0.146 | -0.948 | 2.821 | -1.084 | 0.771 | -4.647 | -8.473 |
| Aluminum | 6.022 | 1.546 | 0.236 | 0.205 | -0.108 | 3.544 | -0.942 | 1.125 | -2.569 | -8.989 |
| Soybeans | 0.015 | 0.047 | -0.032 | 0.006 | 0.002 | -0.080 | 0.000 | 0.043 | -0.011 | 0.024 |
| Primary products | 2.945 | 0.262 | -0.456 | -0.164 | -0.139 | -0.639 | 0.043 | -0.592 | -0.175 | -0.998 |
| Other not industrialized | 4.104 | -1.446 | -1.049 | -0.074 | -0.442 | -1.615 | 0.419 | -1.414 | -0.323 | 2.368 |
| Other industrialized | 47.152 | -5.526 | -1.808 | -0.229 | -1.552 | -3.928 | -0.423 | -3.916 | -14.521 | -16.894 |
| Dairy products | 0.159 | 0.080 | -0.008 | -0.013 | -0.002 | -0.022 | 0.007 | -0.137 | 0.028 | -0.096 |
| Processed Rice | 0.036 | 0.000 | -0.008 | 0.000 | 0.005 | 0.001 | 0.000 | -0.003 | -0.001 | -0.032 |
| Other Food | 2.020 | 0.149 | -0.074 | -0.043 | -0.017 | -0.369 | -0.035 | -0.535 | -0.342 | -0.841 |
| Beverages & Tobacco | 0.120 | 0.039 | -0.014 | 0.000 | 0.000 | -0.069 | 0.001 | -0.100 | 0.085 | -0.065 |
| Petroleum & Coke | 0.307 | 0.324 | -0.077 | -0.009 | 0.052 | -0.156 | 0.280 | -0.494 | -0.039 | -0.227 |
| Chemicals | 0.290 | 4.648 | -0.563 | -0.146 | 0.090 | 0.162 | 0.199 | -2.122 | 3.206 | -4.556 |
| Motor vehicles and parts | 0.475 | 2.702 | -0.122 | -0.131 | 0.000 | -0.389 | -0.078 | -3.153 | 0.600 | 0.415 |
| Other Transport Equipment | 4.161 | -1.290 | -0.191 | -0.018 | -0.057 | -0.558 | -0.002 | -0.428 | -0.415 | -1.181 |
| Electronic Equipment | -48.810 | 17.819 | -0.452 | -0.045 | -0.031 | 1.223 | -0.069 | 10.430 | -1.308 | 21.695 |
| Other Machinery | -10.158 | 13.149 | -0.848 | -0.164 | -0.257 | 0.601 | -0.234 | -0.399 | 1.993 | -2.645 |
| Other Manufacturing | -15.924 | 6.072 | -0.014 | -0.018 | 2.098 | 0.136 | 0.079 | -0.007 | 2.163 | 6.105 |
| Services | 12.322 | 2.017 | -0.778 | -0.217 | -0.650 | -3.641 | 0.182 | -2.167 | -3.005 | -7.226 |
| Total | 7.624 | 48.412 | -4.528 | -0.913 | -1.955 | -2.979 | -1.656 | -3.099 | -19.281 | -21.616 |
| Scenario 2 | | | | | | | | | | |
| Iron & Steel | 2.437 | 8.022 | 1.560 | 0.129 | -0.952 | 2.830 | -1.101 | 0.780 | -4.661 | -8.520 |
| Aluminum | 6.056 | 1.945 | 0.076 | 0.147 | -0.117 | 3.562 | -0.977 | 1.155 | -2.652 | -9.126 |
| Soybeans | 0.570 | -5.388 | 3.241 | 1.225 | 0.001 | 0.100 | 0.000 | 0.096 | -0.028 | 0.361 |
| Primary products | 4.575 | -1.799 | -1.194 | -0.856 | 0.117 | -0.637 | 0.038 | -0.632 | 0.245 | 0.438 |
| Other not industrialized | 4.072 | -0.672 | -1.987 | -0.110 | -0.531 | -1.601 | 0.528 | -1.380 | -0.486 | 2.739 |
| Other industrialized | 46.028 | -3.480 | -2.464 | -0.310 | -1.566 | -4.000 | -0.449 | -3.929 | -14.353 | -17.035 |
| Dairy products | 0.273 | -0.136 | -0.015 | -0.025 | -0.002 | -0.022 | 0.005 | -0.140 | 0.057 | 0.012 |
| Processed Rice | 0.024 | 0.013 | -0.016 | -0.003 | 0.007 | 0.001 | 0.000 | -0.003 | -0.001 | -0.027 |
| Scenario 2 | | | | | | | | | | |
| Other Food | 2.050 | -0.452 | -0.134 | -0.070 | -0.012 | -0.366 | 0.042 | -0.527 | -0.187 | -0.385 |
| Beverages & Tobacco | 0.221 | -0.099 | -0.030 | -0.004 | 0.000 | -0.071 | 0.000 | -0.102 | 0.142 | -0.052 |
| Petroleum & Coke | 0.314 | 0.534 | -0.121 | -0.023 | 0.053 | -0.156 | 0.277 | -0.494 | -0.111 | -0.324 |
| Chemicals | -0.148 | 6.986 | -1.110 | -0.272 | 0.047 | 0.101 | 0.158 | -2.109 | 2.603 | -5.063 |
| Motor vehicles and parts | 1.798 | -0.227 | -0.320 | -0.214 | 0.002 | -0.512 | -0.103 | -3.208 | 2.013 | 1.122 |
| Other Transport Equipment | 4.202 | -0.415 | -0.327 | -0.030 | -0.070 | -0.574 | -0.021 | -0.431 | -0.790 | -1.520 |
| Electronic Equipment | -48.517 | 19.123 | -0.651 | -0.065 | -0.050 | 1.202 | -0.084 | 10.387 | -1.603 | 20.714 |
| Other Machinery | -9.726 | 16.800 | -1.568 | -0.243 | -0.316 | 0.502 | -0.329 | -0.503 | 0.700 | -4.276 |
| Other Manufacturing | -15.945 | 6.496 | -0.047 | -0.024 | 2.053 | 0.127 | 0.070 | -0.009 | 2.047 | 5.924 |
| Services | 12.395 | 4.912 | -1.349 | -0.371 | -0.756 | -3.750 | 0.081 | -2.183 | -4.241 | -8.483 |
| Total | 10.678 | 52.162 | -6.457 | -1.120 | -2.092 | -3.268 | -1.864 | -3.233 | -21.306 | -23.501 |

Table 7: Trade balance by sectors (\$ Billion)

According the **trade deficit** or the **trade balance** between the two major economic countries, USA will have an economic growth with \$48.401 billion, while China's trade balance will grow by \$7.62 billion.

The results shows that the trade deficit will be reduced as desired from the USA-China raise of tariffs conflict. The most beneficial country will be USA as it will have a high production in Aluminum and Iron & Steel sectors. Although the Chinese retaliation is taken into consideration, both of the countries will suffer from losing later on as the benefits will be for the short-term.

Since trade war are new and not very common among countries, researches based on the CGE model or the GTAP model to discuss the behavior of changing tariffs are still rare for the use.

The models solely depicted the effects on US trade, general impact on macroeconomics and sectoral impacts without including the retaliation scenario. The primary findings include a raise in the prices of the products that has high tariffs in the states, furthermore it will lead to a decline in the exports of these products and their derivatives which will lead to a decrease in the real GDP by 0.6% and a drop in the welfare by \$6.3 million. Other countries like Mexico and Canada will face a big loss in their GDP.

Nevertheless, economists stress about the economic consequences of bilateral trade conflicts would be adverse for the nations concerned. In a situation of retaliation, for China, the results will change drastically by area and will have a worldwide repercussion. For the trade dispute between USA and China, the outcome is asymmetrical while China's GDP will decline with 1.2%, the USA will only be reduced to 0.3% and that because the USA has more market dominance in the trade deficit.

Trade War between US and China: Causes and Consequences.

Amidst China's entrance to WTO in 2001 and its deeper integration into the global economy, the US extended its commercial connections with China dramatically. In 2017, exports of US goods to China now account for 8.6% of export earnings, while the percentage of goods imports to China outreached 21.6%. Nevertheless, over the last 3-4 years, the trade war between the USA and China has reduced trade balance, threatens to limit the gains that this trade brings to the US economy. Growing economic cooperation with China has helped the United States. Following a slight decrease in global commerce, the US delivered \$106 billion in products and \$57 billion in services to China in 2019.

However, the tale is about more than just exports to China: Consumers in America have profited from lower-cost Chinese imports. Low-cost materials have raised competitiveness for firms, but globally networked supply chain partners have boosted efficiency and lowered production costs for US companies. As a result, US businesses are able to develop and create jobs. Trade and investment with China have served the USA in many ways.

The trade dispute between the USA and China has caused a negative damage to the US economy and failed to meet the Trump administration's key policy goals. Instead of bringing more benefits to the economy, it has slowed and lowered development and employment in the United States, leading to a massive decrease of nearly 250,000 job positions. Tariff rates have maintained at multi-decade peaks following the conclusion of a phase one trade agreement in the beginning of 2020.

Sectors That Highly Affected by The Trade War:

Agriculture: The agriculture industry has clearly been harmed as a result of China's protectionist measures, which were implemented in an attempt to minimize the effect of the original tariffs imposed on her imports by America's former president Donald Trump in 2018. In conclusion, China's punitive actions have resulted in a board decline in US product exports, wreaking havoc on the farm industry in various counties across the nation.

Manufacturing: The trade dispute harmed the US industrial output because of its supply chain connections, both with China and within the US. The manufacturing sector forecasts immediately just after September 2019 higher tariffs display that the industry's most frequently subjected to supply chain interconnection with China, such as motor vehicles, machinery, and electronics, appear to be the most likely to be impacted, but tariffs have reduced all manufacturing sector production forecasts.

Energy: The US energy sector has been made more vulnerable to the trade dispute as a result of China's violent moves, with China slapping 5% tariffs on imported goods such as oil and a 25% tariff on liquefied natural gas (LNG) imports. In monetary terms, 23 shipments of petroleum products and natural gas to China decreased by 47 % and 90 %, respectively, in 2019.

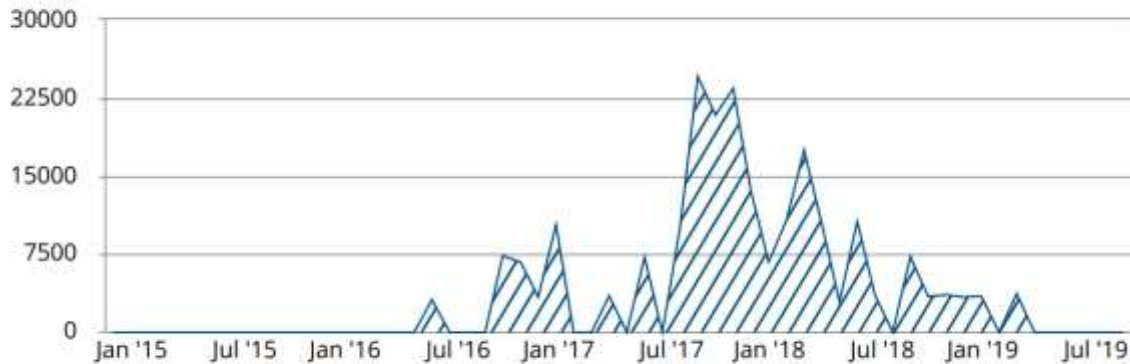


Figure 24: The drop of the US natural gas exports to China over a three-year period as a result of tariffs imposed by the trade war.

Considering China's increased energy needs, this helped bring the US LNG exports to a stop. China's consumption for oil grew by 4.5% in 2019, according to the US Department Of energy, and natural gas usage rose by 9.4%, according to research made by Oxford Analysts.

Labor Market: China's economic sanctions on US exports have a significant impact on income and manufacturing possibilities, as well as labor market consequences in different US areas. The additional tariffs put on US agricultural goods have had a negative impact on the US agriculture industry. Additional tariffs have resulted in lower agricultural exports from the United States to China, which is the country's most important market. Overall, the USA-China trade dispute has had a negative impact on consumer and labor market outcomes in the United States.

Stock Market: Global stock markets are being influenced by the trade conflict between China and the United States, and no sector benefits from weakening mood as a result of the conflict's intensity. The markets with a developed framework to China's and the United States' supply networks suffer the most. As a result, Asian markets seem to be the most vulnerable and sensitive to be affected easily with the trade tension.

The Trade War and Its Impact on the World

Since the inception of the trade conflict between the USA and China, both nations have increased taxes on one another exports, the increase of taxes on Chinese imports into the US went from 2.6 % to 17.5% and for the US imports it went from 6.2% to 16.4%. The Phase one Agreement in between China and USA cut tariffs on Chinese imports entering the US to 16 %. The trade war did not only have had an impact on the United States and China alone, but also other countries have been affected with the decisions made by rising trade tariffs.

The economic repercussions for both countries will be severe, and it will have a negative impact on global trade. The consequences of this conflict will also be a source of concern for global growth. If this current commercial war is restricted to the US and China, the major consequence on the world economy will be roughly -0.5 % GDP; but, if other countries follow suit and the trade war continues, global GDP will be reduced by at least 3%.

Conclusion

The current status of economic ties between the United States and China is referred to as the Cold Trade War. The two sides' identical economic goals are more essential than their differences. Their consensual reliance triggered discussions that will result in a new equitable trade agreement that can work for both sides. The new US-China trade deal should also include a "new trade structure" that governs not only the use of available methods in mutual trade

like tariffs, quotas, and sanitary and phytosanitary certificates, but also other legislations like intellectual property rights, technological upgrading, and Chinese federal subsidies to producers and distributors. Aside from trade, the new agreement will cover concerns like cybercrimes and the security of it as well as the expansion of US companies' accessibility to the Chinese market.

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