THE TRADE WAR BETWEEN US AND CHINA

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Özet


Anahtar Kelimeler: Uluslararası Ticaret, ABD Ekonomisi, Çin Ekonomisi, Ticaret Savaşları

Abstract

International Trade is one of the most crucial income gates for the countries. It impacts countries' economy in positive ways. Every country wants to have an advantage from the trade. The United States and China have a high volume of trade between each other. China is dominating the world trade market and earns a high income. China delivers the most significant amount of export to the United States. These trade relationships have some concerns by the United States' President Donald J. Trump. He made a promise to his nations to protect his country from import goods. Therefore, he imposed the highest level of tariff against importation. The main target is China and other trade partners. For this intention, The President lighted the fire of trade war. This war aims to bring back job opportunities and make America a more productive state in the world.

Keywords: International Trade, US Economy, Chinese Economy, Trade Wars
Introduction

The United States and China are holding the biggest economic power and international trade ability in the world. The world’s giant economy the US is not welcoming the Chinese goods domination in their country. The thesis is going to study several questions answers, which are why China's trade domination bothers the US President, and what kind of role does Chinese trade policy play in the US and the world? Why do they have the highest volume of trade relationships between them? Why these countries are declaring the trade war with each other. What are the main clauses for that? The trade war one of the leading causes is an economic interest that gains from international trade. When a state realizes that the trade, related interest is declining and foreign-made goods dominate the local market. Countries look for solutions to minimize this matter. Thus, trade policies are looking for cures to solve this issue. The President of the United States' Donald Trump found the way of treatment for these concerns in his country. He pulled the trigger of the trade war against the United States trade partner countries, especially for China. Because the United States has the highest import from China. The trade war took place in 2018 on Trump administration's concerns. That is the war without a missile. Their main gun is a tariff in this conflict. The tariff has a different impaction, which is used by importer and exporter countries to protect their market and gain significant income. The protection ability of tariffs takes place for the local market to keep foreign goods away from home. Therefore, Trump administration aimed to protect a local seller from the Chinese goods dominations in his country. The trade deficit is addressing the balance between import and export rates. When the imports are higher than export, which cause the deficit. To minimize the trade deficit in countries, applying the tax or implementing the quotas on certain goods. President Trump imposed taxation on the steel and aluminum industry to bring down the trade deficit [CITATION Nee191 \l 1055 ].

Tariff regulation is controlled by one of the institutes, which is called the World Trade Organization (WTO). Whoever is belongs to WTO, they accept the regulations and rules under the memberships. This study is going to mention WTO roles in this war. The World Trade Organization can detect the tax rate, tariff, Quotes when the WTO member imports and exports goods from each other. The factors in this war, trade policies that are shaped by the politicians. The wave of tariff impacted trade volume in the world, which caused the chaotic environment for global economic developments. That adverse developments are troubling the investors, which
causes the improvement of the global economic market. The world's two biggest economies have a considerable challenge for the moment. It seems this dispute will take an extended period, especially during the Trump administration. President of the US expects that the protectionist approach will bring him political interests and more job opportunities for his nation. Because, international trade is one of the most attractive factors the economic growths. The biggest economies have the highest volume of trade. It has important contributions for job creations and financial income opportunities to people who live in those countries. American export companies pay to employees 18 percent more than non-export intensive industries. The data estimation equalized $1.300 extra income per year for each employee who works in the export industry. International Trade provides purchasing power to the middle class of Americans with import goods flows. Trade makes the ability of employees more sufficient. According to data, the United States has 39 million jobs that relied on trade. American manufacturing raised jobs rate 80 percent based on trade-related production in the last 25 years, about 300.000 people[ CITATION Sor16 \l 1055 ].

Also, international trade income ability supports developing states. The main concern for the developing countries balance between import and export. While trading with others, trade partners want to do less import and more export to have the benefits from foreign trade. Upon this approach, People and states gain economic advantages[ CITATION Dav18 \l 1055 ]

The president applied the protectionism mentality to get more economic advantages from international trade. From this aspect, He started the war. However, he does not estimate the US company's export level with China and others. China is the third of the biggest importer country for the United States. Therefore, the export industry's related job rate is lowering. This situation spilled over all the states that it mentioned above. It calls emerging states. When the new tariff policy launched by the United States in 2018, the retaliatory response appeared from the US trading countries. The rising of tariff caused the $ 450 billion of global trade which was calculated 13 percent of the US imports of commodities and 2.5 percent of international trade goods [ CITATION Mel20 \l 1055 ]
What are the reasons behind the disputes? The global trades are becoming more competitive each year. So, what is the globalization role in this war? This study will explain the advanced causes of globalization's impaction on the trade war. One of the biggest factors is technology. It plays a significant role in this war. It will analyze each state's investments in technology, which calls R&D what and how they improve it. However, the study will point out the country's level of education and the size of the population. The workforce is necessary for production because China has the largest population in the world how the Chinese government turns this opportunity into action. These developments are beneficial for Chinese export volumes[ CITATION Sha18 \l 1055 ].

1. Tariff

The tariff is one of the words that have seen it as a debatable subject recently in the international trade area. Where does this word come? Tariff revealed in ancient times. The tariff appeared in the trading process around the Mediterranean Sea between Arab and European merchant's trade transactions period. This word comes from the Arabic language to the European language. Thanks to the vast trade channels of Islamic families—such as the Cairo-based Fatimid Empire, engaged in the Mediterranean in the 10th through the 12th centuries—several terms linking to commerce entered European languages from Arabic. According to the Arabic language, the mean of tariff originating from "ta'rif" meaning to information or notification from the verb "'Arafā," meaning "to make known." Arab merchants used those words to address foreign merchants entering fees to other countries' ports. According to the source of Sicilian, the word converted into tariffs in the 14th century. The word used to charge a fee along with Moorish times. The word of tariffs spread the other nations, which is involving the trade activities in maritime republics, for instance, Venice and Genoa, and other Romance languages followed suit, with "Tarifa" entering Spanish and Portuguese and "Tarif" entering French. The word first made its appearance in English in the late 16th century, initially mimicking the Italian "tarietta" before the spelling settled as "tariff. The word also used describes taxation in accounting besides usage import and export in history[ CITATION Ben18 \l 1055 ].

According to H. Asakura who is the author of the World History of the customs and Tariff book, the first tariff has appeared in the city of Palmyra in AD 136, which is the desert in Syria. The first tariff detected as privilege taxation that collected for the local customs duty by the Roman
Emperor Hadrianus. The custom tariff was called part municipal tax, which was written on stone in Greek and Aramaic languages. According to the Asakura research, when a merchant entered the city of Palmyra with a load of farm purposes paid three denarii after leaving paid three denarii as well. Besides, some tariffs charged changed based on goods value and quantities. For instance, when a camel carried Wool dyed purple, good paid three denarii and salted goods carried by donkey paid three denarii as well. Also, when a donkey entered the city with a load of aromatic oil that in jar paid seven denarii for importation and exportation. The study analyzes different rates for import and export tariffs, which measured the value of the goods by categorization. Asakura revealed the study of Kausalya’s Arthas that was written 2,300 years ago that was around 300 BC. Upon the ancient time to recent time. The tariff witnesses many changes and regulations. The early custom duties used the tariff for income from the transportation of the goods. Early history mentions the port tariff between the 17th and 18th centuries.

Airplanes and vehicles were not existing at that time. There was no regulation for the tariff rate in these centuries, which was detected by the countries themselves. By the 17th and 18th century tariff only charged for the import goods at that time, European power was dominating the world. European domination implemented a low tariff rate for imported goods. However, when free trade began to take place in the late 19th century, the tariff began to lose popularity during that time. The new trade system minimized the tariff rate and instead replaced the free trade understanding by Great Britain and France. The new trading system created a preferential tariff, which was for foodstuff and raw materials. The reason was organizing the export and regulating domestic production from the colonial dependencies of Great Britain and France. The other European nations were not on the same page as Great Britain and France. They raised the tariff rate until the Great Depression. Since World War II, free trade began to dominate the popular world. The tariff-related trade approach lost its importance. The new perspective of the world trade began to create new agreements under the worldwide recognized organizations. For instance, the most favored nation clause and trade agreements. Those are breaking down the iceberg between states. Countries implemented trade deals with each other to move trade barriers. The next step took place by the United States to remove facts of high tariff rate acts from the Hawley smooth tariff. That was normally created in 1930 to protect to raise the tariff to protect domestic producers. However, after World war II. The US pushed away from the impaction of the
The United States became a pioneer country for one of the biggest trade organizations which called the GATT foundation. All unsustainable and non-disordered trade developments made the necessary to appear in this organization in the world. After the Second World War in 1947 and became the legal trade authority, which is called general agreement tariff and Trade (GATT). The GATT foundation brought rules and created a new world trade system for the countries. The movement trade policy aimed to freer trade by reducing customs duties and minimizing the barriers between the countries [CITATION KIM20 \l 1055 ].

After many historical evolutions of the tariff that defined as a tax on import and export goods. When the goods flow from one country to another during the customs process, each country charges a fee on goods according to value and quantity—the imposing the tariff for the import goods to protect the local market from gaining an extra income. The second step takes place with export tariffs [CITATION Tho87 \l 1055 ].

The tariff is an affection that includes many things in countries such as trade, production, consumption patterns, and welfare. These subjects do not only influence the country by itself. If a country practices a restricted tariff policy, it impacts the trading partners. Especially tariff creates an obstacle for the prices domestically and internationally. Therefore, non-discriminatory tariff and liberalization trade policy has become the necessity for macroeconomic, social, and labor market in the world. That is why countries must minimize trade restrictions with their tariff policies. The tariff is particularly important for developing countries. They want to benefit from the tariff reforms packages and tariff-related implementations. When a state prefers reforms and tariff reduction for the trade, they positively contribute their trade activities. Reforms and tariff reduction make developing countries more prosperous in competition. The wide range of products which produce by the developing countries is becoming able to spread all around the world. These types of implementation bring income to developing countries. The figures below compare the restrictions and trade liberalization results for the tariff in the world[CITATION Prz031 \l 1055 ].

Before the trade war took place, the tariff rate was ‘not as high as now. According to the UNCTAD article, the average tariff was less than 1 percent for developed countries between 2002
to 2012. The average tariff was 4 to 10 percent for the developing countries in these years as well. The lower import tariff helped in developing countries' trade ability. When they sell the goods abroad, they did not pay enormous taxes in developed countries [CITATION Ale131 \1 1055 ].

All changes in the tariff rate addressed protectionism which is one the general trade policy to support domestic producers against import goods domination of the local market. Therefore, governments detect protectionism under certain conditions. When a state wants to minimize the level of import, they apply the protectionism. The purpose of protectionism is to support local producers. Protectionism gradually is changed in the world which changes based on economic and political developments. Before the nineteenth century, protectionism was not popular at that time. The early American policy, according to data for all import commodities tariff rate was 15 percent average in 1790. However, the number did not stay stable because of the finance war of the United States in 1812. The reason was raising the import rate. One of the reports that were created during the Alexander Hamilton. The purpose of the proposal to protect American manufacturers. He offered that to congress which was refused by the administration. Along with the Jefferson administration, the congress declared the embargo on international trade. From December 1807 to March 1809. The purpose of the embargo was for the elimination of international trade. Economists comment on that incident with comparison welfare and free trade [CITATION Irw06 \1 1055 ].

The author Viner created one study in 1950. He mentioned that countries should cooperate with other states in the world. This can be beneficial for both sides. The level of the gap for the trade can be filled with imports and exports. The study can clarify the role of comparative advantage in this situation. The model of comparative advantage encourages the state for integration with others who make better products than you. Besides, it provides you an opportunity cost. The integration approach for the trade was supported by the developing and developed countries. The integration brought free-trade activities that helped to eliminate tax in foreign trade. This movement did not support one of the groups [CITATION YerTutucu1 \1 1055 ].
However, the US tariff act for the protectionism was available for December 1807 to March 1809. After embargo prices raised and ports volume of the ship lowered which was impacted the job loss. The impact of embargo became 5 percent of the GDP in America. This embargo slightly changed the production level of the American manufacturer. Along the 1820 import rate increased, therefore, the average tariff went up to 60 percent in 1930. That tariff rate was higher than the Hawley-Smoot tariff of 1930. After the past 10 years from 1820, the tariff rate fell by 20 percent [CITATION Irw061 \l 1055].

Countries categorized as developed or developing. When the study observes them, tariffs and protectionism have a different meaning for developed and developing countries. Tariff policy detects by politicians based on trade activities that can bring advantages or disadvantages. For the developed countries, tariff uses as trade gun to protect the domestic market or it can be created a way of income. The study looks at the perspective of developing countries which seems to be an obstacle to growth their trade volume to act as developed countries. Each side wants to have benefits. Therefore, trade policymakers must consider the implementation of the tariff for protectionism policy. From the economist, aspect states do not count other countries' situations. They simply observe their environment. That's why trade policymakers shape international commerce in their country based on trade flow and income contributions to welfare [CITATION Joh83 \l 1055].

Developing countries are the most fragile states that tariff impacts more than developed countries. When the tariff rate is not hurting the developing countries, they can deliver their economic strategy. Besides, positive economic developments have positive impacts to lower poverty in the country. According to OECD empirical study in 2003, there are relationships between tariff reduction and welfare in developing countries. Tariff rates should be done only in developed countries for developing. These actions should be taken on both sides. When the developing country reduces the level of tariff which will help them to access the world market. This approach will be led to liberalism. Tariff liberalism can contribute to industrial developments in developing countries. The developing countries’ tariff rate, which seems higher than in developed
countries. The reason is developing countries aim to get financial revenue from trade taxation [CITATION Prz03 \l 1055 ].

To Protect developing countries from import domination some legal action was created by the General Agreement on Tariff and Trade. The foundation aimed to provide an extra privilege to developing countries. It called safeguard. The safeguard measure came into action in 1994 under the article XIX by the GATT. It is considered as emergency action against to increased import of products. When foreign products dominate the local market, safeguard measures play an important role to protect domestic producers from foreign goods. The measures target the temporary MFN import restriction on import goods. Safeguard created due to the Uruguay Round with GATT members. The member's common point was grey area measure for the application of SG. It defined the for-restriction limit import on certain products. The safeguard agreement brought two important words to mention in which case SG can be available for the members. They called serious injury and threat. To determine serious injury, the authorities must apply investigation to explain the level of sales, production, productivity, capacity, utilization, profits and losses, and employment of the domestic industry[ CITATION Tho10 \l 1055 ].

2. The Trade war Between U.SA and China

There have always been battles for trade since the world has existed. The conflicts take place with violence, sanctions, and tariff. Begin of the first century to now countries resorted to different types of wars for the trade between them. Trade Wars become bloody and harmful in history. Since the trade routes were limited which wasn’t as recent. The first century and most important trade route was the silk route. It was 4,000 miles long that connected China to the Middle East, North Africa, and the Mediterranean. The route conditions were dangerous for the merchandise. They robbed and lost their goods. Consequently, the merchant did not prefer to travel alone during the transportation of their goods but accompanied was not enough to protect their goods from the robbery and thefts. They used to hire people to protect their convoys which caused their level of profits. Transaction of the medieval period to the early period of modern area, the way of shipment started to change. When the route of Europe and Asia lost the validity because of collapsing of Constantinople in 1453 which emerged the new routes for the trade.
Seaway was not active before medieval times. The seaway used to travel near to coastline which was not fast and sufficient. When the era of maritime took place, it provided to developments for the shipments such as shipbuilding and navigation ability. Ships used to travel long distances with more varieties of goods. This change seemed positive improvements for the security of commodities transportation in a seaway. However, for that time pirates took place, they targeted commercial vessels. Many ships were sunk by pirates. The seventeenth and eighteenth centuries were the most fertile years for the pirates. They collected valuable goods from sank vessels such as gold, silver, and spices. Some pirates were supported by states (Francine, 2013).

The international trade is gradually changed each century. However, trade wars are stable, they only change the method and reasons. Nineteen and twenty centuries trade’s war have the most important reasons which are financial contributions for the economy, the balance of trade for import and export to eliminate trade deficits, job creations for people, and protect the local market against foreign goods domination. Each reason contains political interests as well. Normally every country can make a trade with each other to meet their needs under certain circumstances. Such as, when a state has production ability that makes them compete with world market prices which is an opportunity for the producer to sell goods out of the home country. That goods movement from home to abroad calls export. If a country has a high export rate which confirms that country has developed an industry or service sector which are the most supportive factors to dominate the world trade. The example can see as the following countries, China, Germany, Japan, South Korea, and the United States. On the other side, some countries are not able to produce their needs, because the production cost higher than the world price. Hence, they apply to import. This transactional flow between two states seems each country gets benefits and meets their needs (Polachek, 1980).

According to study, a country by itself is not able to produce everything. For these purposes, there is a comparative advantage model. If a state production cost lower than others, it should produce goods. From these approach companies compare the production cost of the goods with all around the world. If the domestic goods price is higher than the world market price which is pushing companies to importation. Therefore, they apply to import and bringing goods out of the countries to home. There are some advantages and disadvantages of imports. When the goods flow from abroad to the home country, it might cost less than the local market's price. However, if
your state is not able to compete with the world market price, the comparative advantages model hurts your production and cause the trade deficit and job crisis in countries. In these situations, trade policymakers apply to urgent decisions. As the United States of America’s President, Donald Trump did against the Republic of China to reduce Chinese import goods domination in the United States. These two countries' trade journey began with signing the bilateral trade agreement diplomatically in 1979 between them. The trade volume started to rise rapidly. The import and export total amount was $ 4 billion after the agreement signed. The total goods flow (import-export) between the US and China reached $600 billion in 2017. China gained the largest trade partner status with the United States (Blarcom, 2010).

Historically, the United States and China had several short-term standing issues that were not like it now. Before the trade war took place during the former US president Obama administration. He launched some investigation against China. He applied to the 301 section. Application of the investigation main reason was the United Steelworkers petition for incentives that were given the 154 Chinese companies for wind energy, solar energy, high-performance batteries, and alternative fuel vehicles by the Chinese government. Upon this encouragement, US authorities claimed that which was a violation of the rules for the World Trade Organizations. So, the US knocked on the door of WTO to clear this issue. WTO brought a solution to the problem with the dispute settlement framework in 2010. China accepted modifying subsidy policies to remeasure the budget that was given to the industry for wind power and electrical equipment (Tai-leung, 2019).

US and China had this type of short-term dispute during the Obama administration. President Obama's approach was different than the recent president’s Donald Trump. Obama administration did not go out of the rules. He was behind the multilateral trade agreement. All these issues sourced because of the increasing level of trade between the US and China. Enormous numbers of trade flow provides some benefits and losses in the United States. According report which was prepared by the Oxford economics for the US and China business council in 2017. Trade trafficking between China and the US provides 2.6 million jobs in the United States. These job opportunities partially were created by Chinese companies in the US. The numbers are beneficial to the US economy. Additionally, China imported $165 billion in commodities and services from the United States in 2015. The total trade amount estimation equals 7.3 percent of all US exports and it contributed to 1 percent total US economic output. Even though high importation from
China causes manufacturing job losses in the US. Most of the American companies export to important products to China. For instance, including cars and trucks, construction equipment, and semiconductors that are provided to jobs to Americans. Likewise, US companies provide business and financial services to China which totaled $6.7 billion in 2014 and the total number in this field reached $7.1 billion in 2015. Upon these developments, the export level growth rate predicted $520 billion for the United States in 2030. Also, China is one of the biggest customers for US agricultural products. China exported $15 billion in agricultural goods from the United States in 2015. Illusions and Texas took the $1 billion benefits from the exportation of the agricultural product. Chinese importation helped to decrease inflation in the United States. Thanks to Chinese low-cost products Americans saved 1 to 1.5 percent from their shopping. Household gained approximately $56,500 in 2015. The United States gained rapid growth for production in 2003. The developments of the production outpaced the world's biggest economies. According to Oxford economics estimation, US industrial production raised 40 percent from 2003 to 2016. This growth rate equalized each year as 2, 5 percent (Economics, 2017).

All these numbers and the high volume of trade flow between the United States and China did not welcome by the recent President of the US Donald Trump. According to the US President’s perspective, Chinese goods domination in the United States is a threat to his country. Based on the World Trade Organization US 14th trade policy review, the United States has changed the way of trade policies since 2016. Trump administration targets to control national security and strengthen the economy. These priorities shaped in the 2018 trade agenda. The US has been extending the economy for the ninth sequential year. The United States rose the GDP rate of 1.6 percent in 2016. The GDP rate growth by 2.2 percent in 2017. In 2018 US had 4.1 percent before the term of 2018 finished. The United States is the biggest economy in the world and highly dominating the world trade system. It is the main player in the global market. When the changes occur in this country, that impacts the world economic system. The recent economic crisis happened in the United States in 2008 that affected all around the world. The United States has the largest capital flows in all countries. It makes the US dollar the most powerful currency in the world. When the trade volume is low, it impacts the value of the dollars. International trade is one of the key factors for high economic contribution to the United States revenue. The United States is one of the biggest exporter countries. It has a varied range of the export base. The export range type covers the machinery and mechanical appliances which represent the quarter of the US
export rate. Also, automobiles and chemicals have other entry of the export subject but, their export rate is not stable. The export numbers for cars and chemical goods declined between 2014 to 2016 before the growth in 2017. The United States also one of the biggest purchasers in the world. The US imports a wide range of equipment, technological devices, mineral products, and chemicals (WTO, 2018).

Before President Donald Trump was elected, he had given the world the message that he would create a new trade policy. The new policy firstly addressed the import and export level of the United States. According to the World Bank data “United States had a total export of 1,665,302,936.59 in thousands of US$ and total imports of 2,611,432,490.16 in thousands of US$ leading to a negative trade balance of -946,129,553.57 in thousands of US$ in 2018”. In this balance, China’s import rate amount plays a significant role. Based on The United States Census Bureau data; the United States imported 539,675.6 goods from China and exported 120,148.1 to them. The trade balance is -419,527.4 that numbers almost represent half the amount of the US annual trade deficit. The president's concerns increased every year because of the trade deficit increasing since he was elected November 8th in 2016. Thus, Donald Trump mainly targeted the US and China trade volume to minimize the US trade deficit. He mentioned that trade volume should be downed by our domestic production. He also believes that domestic production will bring back to job opportunities to Americans. Trump administration applied some restrictions against China to minimize the trade deficit before the trade war took place in 2018. According to the China Briefing Website, trade war had some timeline since Donald Trump took the office. The first action was reconciliation. Hence, the Chinese presented Xi Jinping visited Trump’s administration on April 6-7, 2017 at the Mar-a-Lago estate in Florida. The visit aimed to resolve trade disagreements in 100 days by dialogue between the US and China. However, two sides failed in a lower trade deficit in 100 days (Chipman, 2017).

In addition, President Donald Trump applied to section 232 investigation to safe national security the import of steel and aluminum. The reason was Chinese production level was taking over the US market which was hurting steel and aluminum producers in the United States. These implementations did not find enough by the President of Trump. He signed the declaration against China which was under investigation section 301. The section points out China’s intellectual property rights dangers that take place in the US. Therefore, he imposed an additional
tariff on Chinese imports. This was not an acceptable action from the Chinese side. They released the statement day after President’s Trump additional tariff policy. China threatened the US with response days after Trump’s statement. American president shaped the list of the goods that will impose additional taxes. The list contained 1.334 Chinese goods which were equal the $ 50 billion worth. It estimated as an extra 25 % tariff. China responded to the United States with 25 percent tariff retaliation that estimated $ 50 billion on 106 US export goods such as soybeans, automobiles, chemicals. Trump administration also targeted the Chinese companies in the US One of the biggest Chinese telecommunication company ZTE was banned for seven years because of US sanction violations. President Trump also demanded to reduce the trade deficit in $200 billion in two years which did not result as well. All these unending demands formally named the trade war on July 6th in 2018 (Alexander, 2020).

At the beginning of the trade war to phase one trade deal in January 2020. The US and China imposed enormous amounts of tariff implementation along with the 18 months of the trade war process. The US applied tariff on $550 billion value of Chinese goods. The Chinese government retaliated that with the tariff on US$185 billion worth of US products. Also, during the trade wars, both sides had many trades negotiations to meet their common interests, but they did not agree on the deals. Additionally, they imposed technological restrictions on each other. However, they came into the deal after almost two years. Because each side was losing from that war, it caused global economic and trade problems as well. According to South China morning post news“ US President Trump and China’s chief negotiator, Vice-Premier Liu He, signed the phase one trade deal at the White House on 15 January 2020 As part of the deal, China agreed to buy an additional US$200 billion of American goods and services over the following two years.” In this amount, the US addressed the group of products that China should import from the US. They are US$77 billion in manufacturing, US$52 billion in energy, US$32 billion in agricultural goods, and US$38 billion in services (Reporters, 2020).

3. Conclusion

The United States President Donald Trump pulled the trade war trigger for several reasons. The First two reasons addressed the trade deficit and economic concerns that sourced by Chinese
import. One year after the trade war in 2019 the United States trade deficit shrank. That happened for the first time in six years in the American economy. According to data released by the Commerce Department “The trade deficit for goods and services fell to $616.8 billion in 2019, down $10.9 billion from the previous year. 'The main reason for the shrink was domestic oil production that minimized the import of the oil by y $30.3 billion last year. Also, US general import and export levels decreased because of the Trump administration's tariff policy. The numbers for the import dropped $12.5 billion to $3.1 trillion and for export $1.5 billion to roughly $2.5 trillion. The US tariff policy lowered the trade deficit between the US and China. The amount went down $73.9 billion to $345.6 billion in 2019. However, US firms and consumers changed direction and headed towards to other countries to purchase goods rather than applying manufacturing in the United States. According to data “Mexico raised $21.1 billion last year to a record $101.8 billion, as the United States brought in more goods from its southern neighbor. The trade deficit in goods with Canada grew by $8 billion, while the gap with Taiwan increased by $7.8 billion” Besides, the trade deficit reached a record with European Union $177.9 billion in 2019(Swanson, 2020).

The trade war one of the main purposes for the trade deficit didn’t work. The consumer and firms subsidized China with other countries. According to the US Census Bureau report, the US trade deficit delivered the record number that reached $891.3 billion in 2018, an increase of $83.8 billion (10.4 percent). The broader goods and services deficit reached $621.0 billion in 2018, an increase of $68.8 billion (12.5 percent). Trump administration trade policy failed to lower the trade deficit by the trade war against China (Scott, 2019).

The failure of trade deficit expectations caused some economic issues in the United States. The National Committee on the US and China platform asked the economics at the same question: “What has been one impact of the trade war on the American economy and global trade over the past two years? ’ According to Dr. Nicholas Lardy who is the Senior Fellow, Peterson Institute for International Economics; Vice-Chair of the Board, National Committee on U.S.-China Relations. He mentioned that the US tariff policy impacted US manufacturer production cost. Most of the US producer is buying final input from the Chinese companies to finalize their production. Because of the tariff policy prices raised and manufacturing companies' cost price which caused losing their sales. Thus, US companies' export level and income dropped (Lardy, 2020).
Trade war tariff policy harmed most of the export-related industries. Such as American automotive vehicles, parts, and engine exports declined by about $1 billion in a month. All export-related industrial products went down overall 4.8 percent. Also, the agricultural industry slowed down, especially for soybean producers harmed more than other types of agricultural product producers. Trade war caused 10.4 billion dollars lost for the agriculture industry (Rampulla, 2019).

Lost of production caused the manufactured job crisis and consumer prices in the United States. According to the US labor department, The US economy hired 130,000 people in August in 2019. That numbers were below the expectation mentioned by the census. The jobs temporarily offered 130,000 people workers. Also, the unemployment rate was 3.7 percent in August which was the lowest level half a century. (Long, 2019) However, manufacturing jobs results are disappointing. The latest US report number indicated that manufacturing level jobs increased from 8,000 per month in 2019. The numbers were 20,000 per month in 2018. These numbers did not meet the Trump administration expectation. The main reason is that he wanted a trade war to bring jobs back to the manufacturing industry. According to experts, if the Trump administration hadn’t applied tariffs on Chinese industrial goods such as steel and aluminum, this would have created 1 million manufacturing jobs in the US in 5 years (Adam & Finbarr, 2019).

One of the other impactions of the trade war is consumer prices. According to JPMorgan Chase's rise of tariff on imports, goods cost the average household $600 a year. The several researches released from NY Fed, Princeton, and Columbia University, which mentioned tariff would cost households even more: $831 annually (Lobosco, 2020).

The United States failed many subjects during Trump’s trade war. Trade deficit did not stop which reached the record in 2018. The US import level decreased which caused the export level as well because of Trump's tariff policy against China. The felling import level caused the prices which cost to US consumer. Because China’s manufacturer offers the lowest price to the US more than others. All these negative impactions made the trade agreement inevitable for the US and China. Thus, phase one trade deal signed on 15 January 2020. China agreed to buy an additional US$200 billion of American goods and services over the following two years. In this amount, the US addressed the group of products that China should import from the US. They are US$77
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