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US-China Trade War:
A Confrontation and Future Prospects

A Dissertation Submitted in Partial Fulfilment of the Requirements for the Degree of Master in English Literature and Civilization.

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Dedication

This work is dedicated to:

My dear parents for their endless love and support;

My brother and sisters;

My wife and little daughters;

My friends for their encouragement in moments of difficulty and stress.

Mohammed Bachir AMRANI

Dedication

I would like most of all, to thank my parents, my wife, and my family members for their everlasting support and prayers. Also, I would love to express my deepest gratitude to my *People* for their Peace, Love, and Unity that made learning an unforgettable journey.

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Abstract

The current paper aimed to analyze the timeline of the ongoing trade dispute between the two largest trading economies, the United States and China. In this research, the analytical approach was adopted to analyze and compare the different narratives of economists, experts and reporters. The latter helped us to understand the way in which the U.S. and China trading policies influence each other's perception and harm both economies as well as the global economy. Therefore, our study suggested that in this type of conflict, no one could win the battle easily and it would be costly over the long run. Essentially, this study concluded that the continuation of the trade war between China and the United States would more or less cause strong economic turbulence in every nation.

Table of Abbreviations

Abbreviation	Meaning
APR	Annual Percentage Rate
ASEAN	Association of Southeast Asian Nations
CCP	Chinese Communist Party
CEO	Chief Executive Officer
CPTPP	Comprehensive and Progressive Agreement for Trans-Pacific Partnership
EU	European Union
G2	Group of Two
GATT	General Agreement on Tariffs and Trade
GDP	Gross Domestic Product
IMF	International Monetary Fund
LNG	Liquefied Natural Gas
MFN	Most Favoured Nation
NAFTA	North American Free Trade Agreement
NATO	North Atlantic Treaty Organization
OECD	Organisation for Economic Co-operation and Development
PBoC	People's Bank of China
PRC	People's Republic of China
RCEP	Regional Comprehensive Economic Partnership
RMB	Renminbi
RTAA	Reciprocal Trade Agreements Act
TNC	Transportation Network Companies
TPP	Trans-Pacific Partnership
U.N	United Nations
U.S	United States
USD	U.S. Dollar
USSR	Union of Soviet Socialist Republics
USTR	United States Trade Representative

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General Introduction

Most analysts have believed that free trade supports the global economy and that, over the past decades, the trade openness of most countries in the world has resulted in notable economic improvement. Although trade wars harm all parties and affect the global economy, which would be alleviated if they occurred between major economies. Several studies have discussed the consequences of the trade dispute between the two largest economies, the United States and China. The trade war between the United States and China is merely another chapter in the history of global rivalry for economic domination. Studies estimated that imposing additional tariffs on all trade exchanges between China and the United States will result in losing hundreds of billions of dollars in a year or two. If the additional tariffs are implemented for a long period of time, the growth of the Chinese, American, and global economies will likely slow down. No one knows how the trade war will escalate in the future between the two giants. Many analysts expect the policy of small steps to proceed, with sudden and unexpected signals of settlements, but this does not exclude the possibility of further conflicts.

Accordingly, this research aims to provide an overview of the trade war between the United States of America and China as it examines the economy of both countries and the reasons why tensions between the two largest economies of the world have occurred. This study will also provide insight into the idea of the trade war and its possible impact on the global economy. As a recent topic, this dissertation will concentrate on identifying trade war occurrences and predicting its future consequences.

The reason why examining this event is crucial is that it can be linked to the critical government attention on this matter on a worldwide scale. The trade war between the US and China could severely affect the global trading system and construct a long-lasting atmosphere of instability for the worldwide financial system that was developed since the Second World War.

This trade conflict also involves political tensions on a massive level, since a trade conflict between growing and existing economic superpowers would inevitably have some striking negative effects for other economies.

Edward D Mansfield (1994), analyzed the views of various academics on his study, where he investigated power distribution, international trade and warfare. The author's brief explanation was that the development of nuclear weapons would have shifted the power distribution, arguing that the concentration of power and trade could cause a war, taking into account various explanations of why it could actually occur. He also argued that in order to recognize conflict in the international community, power and political-economic examination were necessary. The author here focused on the future of trade war and what could cause an actual warfare between the two nations.

In an article written by Gene M. Grossman and Elhanan Helpman (1995), the structure of protection in both cooperative and noncooperative policy equilibrium is examined. The study examined a country that sets its own trading policy without taking into account other countries and their responses. The analysis follows Putnam (1988), who proposed that foreign affairs were better perceived as a two-level game. Considering how political forces restrict foreign ties between countries.

Douglas A. Irwin (2004) in his research *The Smoot–Hawley Tariff: A Quantitative Assessment* (March 1996), addressed the factors that happened after the Smoot – Hawley tariff was imposed. In June 1930, this act led to a major decrease in U.S. imports and further led to international retaliation and lower revenue. Besides, it was determined that this tariff had an impact on the development of the United States agricultural industry and had a substantial effect on the efficiency of the world trade market and the international monetary system. This act is recognized as the start of an economic crisis including a decline in global trade, global protectionism, and the occurrence of the great depression.

Doug Campbell (2006) tackled the anti-dumping policies in his article. He argues that countries have turned to anti-dumping policies seeking trade protection. During the article, the author reflected the opinions of different economists, who believe that the anti-dumping policy generally affects the nation's economy more so than it benefits from such a policy.

In an article written by Kevin Lai and Olivia Xia (2016), the authors claimed that trade war between the United States of America and China will be economically difficult for China to face considering the number of exports of its products and services to the United States. Also, Foreign Direct Investments, as China's trade balance is indeed in deficit due to its outflows. According to the authors, the immediate impact of the trade war is greater on China than it is on the United States.

In this paper, instead of calculating the anticipated economic impacts of a trade war through the reactions of the financial markets, we will try to illustrate the anticipated consequences of the escalating U.S.-Chinese trade war by examining the debate on this issue and examining the narratives and the viewpoints of the involved parties. Also, what seems to escape the mentioned research papers is how an economic rivalry between the United States and China will lead to worst-case scenarios that may affect the whole world in the future. As for now, there are no middling grounds for both countries. Besides, whenever there is a war, there must be a loser and a winner, nothing in between.

In order to achieve the aim of the study, this research is formulated by a substantial question:

- How have the trading policies of U.S. and China reflected their attitudes toward each other?

In order to deal with this research question, the study has thrown up three-sub questions in need of further investigation:

- What are the reasons and motivations behind the trade war?
- To what extent does the trade war impact the Chinese, U.S., and the global economies?
- What are the possible future outcomes and consequences of the US-China trade war?

This dissertation suggests the following hypotheses in an attempt to give answers relating to the nature of the study as it attempts to highlight that:

- Both US and China endeavor to solidify their economy by means of global economic domination. Thus, a mutual aggressive attitude is insured.
- Political and economic reasons are involving in triggering the trade war.
- The war's impacts would eventually engross many countries on global scale. We hypothesize that the impacts would not only be catastrophic on US and China, but rather on a universal scale.
- The future outcomes come at the end of the war. Some are expert-based, while others are self-predicted scenarios which help draw a picture of how the war might end.

Therefore, the approach adopted in this study is descriptive and analytical based mostly on the analysis of secondary data. The data were gathered from newspaper articles, analysts' reports, and textbooks to identify the current trading patterns since the outbreak of this trading war.

This study is composed of three chapters. The first of which gives an overview of the historical relations between the United States and China and their trading policies. The second chapter deals with various reasons for US-China trade war, and its implications on economy. The final chapter suggests future possibilities about the US-China trade war. It is a prediction about what will happen next and the possible economic consequences.

Chapter One:

History of U.S. and Chinese Trade Policies

Introduction

The United States and China represent the world's two largest economies. The U.S. is the largest importer in the world and China is the largest exporter in the world. They are the two leading nations in economy. Tensions between China and the U.S., the world's top two trade nations, eventually rise due to their trading policies throughout history. Accordingly, this chapter highlights the historical background of the two nations, their trade policies and relations.

I.1. The U.S. Trade Liberalization under the Reciprocal Trade Agreements Program

I.1.1. The Early Years, 1934-1945

The U.S. trade policy has advanced significantly within the last 75 years since Reciprocal Trade Agreements Act (RTAA) in 1934. The act was passed by the Congress when the Democrats gained control over the House of representatives and the Senate, and the Secretary of State, Cordell Hull (1871-1955), who took the leadership role in advocating tariff[1] reductions. This regulation gave the President the authority to cut half of the tariffs for three years of mutual negotiations with several other countries (Baldwin 3).

The Trade Agreements Program was extended in 1937, 1940 and 1943 without any tariff reduction. Secretary Hull claimed that the program was not only to relieve misery conditions but to help making the world a better place at a time of growing global conflicts. In 1940, President Franklin Delano Roosevelt (1882-1945) argued, in his State of the Union’s message, that the Trade Agreements Act was “an indispensable part of the foundations for any stable and durable world peace”. In 1943, administration officials related the extension to both wartime and post-

[1] A tariff is a tax on imports or exports levied upon goods as they cross national boundaries, usually by the government of the importing country.(Lexico)

war preparations. In 1945, the Trade Agreements Program was extended along with the half tariff-cutting for another three years by President Roosevelt. He additionally brought up that a large amount of the tariff-cutting authority that was afforded in the act of 1934 had been spent and another 50 percent was required. The reestablishment bill passed in the House of representatives by a vote of 258 to 153, and 53 to 21 in the Senate. (Baldwin 3)

The United States and its trading partners set high import taxes that time. There were no international rules for trading between nations, and the few rules that existed were bilaterally negotiated. The trade negotiations were centered about manufactured goods and the elimination of tariffs.

I.1.2. The Ill-fated International Trade Organization

Representatives of 44 Allied Nations[2] met at Bretton Woods New Hampshire[3] in July 1944 formed the International Monetary Fund to ensure a stable global monetary system, and the International Bank for Reconstruction and Development to support economic recovery in both war-torn developed and developing countries. Such institutions were always foreseen to be reinforced by an international trade organization designed to promote a more open trading environment, but this task was much more difficult to achieve. The United States called its World War II's allies to discuss the establishment of such an institution, and by 1948 the Havana Charter for an international trade organization was concluded, but it has never been applied because of the American Business community's opposition. This party claimed that the extensive rules on such matters as trade policy, restrictive business practices, international market

[2] Allied nations are The Countries that opposed the Axis powers. The main allies were Britain and the Commonwealth countries, the United States, the Soviet Union, France, China, and Poland.(britannica)

[3] Bretton Woods is an area in Carroll, New Hampshire. It was the location of the 1944 United Nations Monetary and Financial Conference. (britannica)

agreements, international investment, and dispute settlement procedures contained so many exceptions that most countries could comply with the Charter's rules without freeing trade from existing limitations. (U.S. Department of State)

I.1.3. The 1947 Round of Multilateral Trade Negotiations in Geneva

U.S trade negotiators did not wait for the Congress's decision on the International Trade Organization before opening new tariff-reducing negotiations. alternatively, they invited the world's major trading nations to engage in a multilateral round of tariff cuts in Geneva, Switzerland, using their new tariff-reducing powers under the extension of 1945 Program. The United States agreed to cut 21.1 percent of its average tariff level. (Bown, Irwin 1-8)

I.1.4. The General Agreement on Tariffs and Trade (GATT)

The Geneva round of 1947 was not about the schedules of tariff reductions only but also a set of rules that cover government actions in international trade, namely the General Agreement on Tariffs and Trade. The principles are basically the ones set in the Havana Charter section. The most important ones are the most-favored-nation and national treatment rules. The most-favored-nation rule indicates that the lowest tariff applied by a GATT member on imports of a product from another member must be the rate paid by the latter country on similar products from any other GATT member. National treatment implies that a country's taxes, rules and regulations are not to be interpreted in a way that creates immunity for domestic producers. Two other GATT rules that played a major role in the us trade history, antidumping and countervailing duties. Dumping is when foreign exporters charge less for their products than they do at home or offer their products overseas cheaper than the manufacturing costs. Countervailing duties are permitted to reduce foreign countries' subsidies relating to the production or export of their products. (Majaski General Agreement on Tariffs and Trade GATT)

I.2. The Shift of the U.S Trade Policy Since WWII

I.2.1. The Eisenhower Years

President Dwight David Eisenhower (1890-1969) suggested a one-year extension of the Trade Agreements Act after a detailed review of U.S. foreign economic policy by a council composed of representatives of both Houses of Congress and citizens on behalf of the state. The majority of the Randall commission members preferred lowering of existing trade barriers through multilateral trade negotiations. Nevertheless, senior members of the Congress favored tariff modifications which would adjust the pricing in goods produced in the United States and other nations. Thus, a deadlock emerged in the Congress after President Eisenhower demanded an extension of three years of the Reciprocal Trade Agreements Act with new tariff-reducing authority. It was settled again by approving a one-year extension with no tariff reduction. President Eisenhower succeeded in extending the Trade Agreements Program in 1955 for three years with a 15 percent duty-cutting authority, and he succeeded again in 1958 in extending the Trade Agreements Program for 4 years with an additional 20 percent tariff reducing authority. The Eisenhower Administration used the tariff-reducing authority to join the fourth (1955-1956) and fifth (1961-62) GATT rounds of bilateral trade negotiations. (Hathaway 767)

I.2.2. The Trade Expansion Act of 1962

The trade restrictions were reduced on a commodity-by-commodity scale around 1947 and the mid-1950s, but this policy was not fruitful after mid-1950s for large-scale cuts.

Accordingly, GATT members demanded a "linear" or broader approach to tariff reductions. This approach was approved after the Congress passed the 1962 Trade Expansion Act. The Trade Expansion Act became the most essential piece of trade legislation since the Reciprocal Trade Agreements Act was introduced. This legislation was the President's legal order to seek tariff reductions at the next multilateral trade negotiations sponsored by GATT, later to be called the Kennedy Round. The act was significant because it formed the special trade representative's office to conduct negotiations, replacing the State Department. The reason behind this move was to address congressional issues that the Department of State was willing to negotiate trade agreements based on vague foreign policy terms. (Canto 681)

I.2.3. The Trade Bill of 1970

This act marked a dramatic deviation from US leadership for more than 30 years to liberalize trade. The committee made the President's bill one of the most protectionist legislations. It allowed every industry to claim and acquire protection when disrupted by tariffs. The European Economic Community opposed the bill and the European governments threatened to respond if the bill was passed. In spite of the strong opposition within the United States to the bill, especially by exporters and multinationals, it was passed by the House of Representatives in November 1970. The Senate was expected to pass this bill, too. It was adjourned before the vote occurred, leaving the question of trade to be dealt with again by the next Congress that was held in January 1971. (Disastrous Trade Bill)

I.2.4. The Trade Act of 1974

The Trade Act of 1974 presented the largest statutory mandate in history for initiating trade negotiations on decreasing tariff and non-tariff barriers. The president was allowed to cut tariffs by 60 percent. As a reaction to business and Congressional demand, the cost of this broad mandate was the introduction of a variety of regulations that reduced the requirements to impose restrictions on trade. These included more adaptable criteria for help from increasing import competition as well as substantive and administrative modifications to laws concerning unjust trade activity. Therefore, in tackling the problems caused by import rivalry that is considered to be “fair,” the 1974 Trade Act specified that a company was no longer needed to demonstrate that its injuries were caused by imports arising from an earlier tariff concession or that imports were the "major" trigger. The President's authority to place restrictions on quantities was increased. The President was allowed for the first time to negotiate organized marketing deals as a form of relief under the escape clause. The act also demanded the fulfillment of reciprocity of reciprocal adjustments before a trade agreement between the U.S. and any major industrial nation could be binding. The 1974 Trade Act sparked a wave of U.S. factories seeking freedom from import pressure. These included requests for anti-dumping and countervailing duties, and also restrictions on escape clauses on goods such as chemicals agricultural materials, consumer electronics, factory fasteners, canned hams, and vinyl shoes. (McElwain Trade Act of 1974)

I.3. China's Pre-Reform Foreign Trade System

I.3.1. Chinese Trade Relations with the USSR

Since 1949, China has changed profoundly in its international economic role, experiencing events such as USSR (Union of Soviet Socialist Republics) reliance, total isolation and opening trade with the West. In spite of the fact that china is becoming a market economy, its economic system's structure and foreign trade policy had still been similar to the past stages before the The Chinese economic reform strategy. The trade pattern of China relied on the Soviet Union after the formation of People's Republic of China (PRC). China was confronted with an American coastal siege with food shortages in major cities, the new communist republic's government agreed to lean to one side, keeping the Soviet Union strong both on the diplomatic and the economic agenda. All political and practical concerns enticed this stance. The newborn People's Republic basically required Soviet assistance and security to establish the nation and to prevent Western intervention. Trade was primarily carried out with the USSR and other socialist countries in this decade. The country's imports in the 1950s depended on capital goods including machinery and equipment, while it exported key raw materials like mineral and agricultural products. (Ross 439)

I.3.2. The Shift of the Chinese Foreign Trade Policy

The 1960's were an era of isolation and pragmatism developing in China's international economic ties. China halted relations with the Soviet Union and the Soviet controlled Eastern European countries largely because of political clashes. The gap on what was the right path of socialism buried the trade and economic ties between China and those nations[4]. China's international economic arrangement and engagement with the rest of the globe were at its lowest level in the history of the PRC during this decade unlike its contribution to Communist ideas and relations with the Third World[5] as it was at its highest level. China's foreign trade policy shifted from ideology base to certain degree of pragmatism after it began diversifying its trading partners at that time. Japan became China's top trading partner by 1965 after the approval of the Chinese Prime Minister Zhou Enlai. Trade with Europe was also significantly increased as China redirected its purchases of industrial machinery from the USSR to Western suppliers. Trade with Hong Kong, the British colony, also kept growing at the same period. (Wang 193-194)

I.3.3. China's International Economic Relations During 1970s

China's political and economic situation was still in a mess in the 1970s, as the Cultural Revolution proceeded; yet, relations between the country and the West improved as Mao's internationalism expanded slowly. Relations with Canada, West Germany and Japan were settled. President Nixon visited China in 1972, and China joined the UN (United Nations) in that same year. After the improvements of the political conditions, trade increased rapidly; the trading of U.S. and China increased from 5 million USD (U.S. Dollar) in 1971 to over 800 million USD in 1973. Up until that point, Japan, the United States, Western Europe and Singapore, became China's top trading partners over the next three decades. (Wang 194)

[4] The Soviet Union, Albania, Bulgaria, Czechoslovakia, East Germany, Hungary, Poland and Romania.
[5] Third World is a The phrase refers to a class of countries in the world whose economies are least developed, countries of Africa, South America, and Asia.(Dictionary Cambridge)

I.3.4. The Three Major Features of the Chinese Foreign Trade Policy

Firstly, the organization of foreign trade's system was completely monopolized by the government. In 1950 there were about 4600 private companies operating one-third of China's total trade. But only a group of state-owned business companies controlled about 99 percent of foreign trade after a few years of "socialist restructuring"[6]. Beginning in the 1950s, the government established over ten specialized international trade companies, managed by the Foreign Trade Ministry, to deal with trade in specified product areas. The second feature of the pre-reform program was the " import substitution " policy and the trade planning[7]. Chinese foreign trade pattern could be described as an easy example of import substitutionism before the late 1970s. As stated by a Chinese trade official in 1955, ‘‘the purpose of importing more industrial equipment from the Soviet Union is to lay the foundation of China's industrial independence, so that in the future China can make all of the producer goods it needs and will not have to rely on imports from the outside."(Ross, 438). China's foreign trade was entirely determined by economic planning during the pre-reform era. The State Planning Committee has formulated trading policies representing about represent the nature of the foreign trade policy of a market economy was irrelevant in deciding 90 percent of all imports and almost all exports. Under this plan, import demand was only to acquire supplies of machinery and equipment, industrial raw materials and intermediate products. Exports were considered as a mean of financing imports not just to accumulate wealth. The third feature was that the rate of exchange

[6]The view that gradual changes through existing institutions can eventually lead to fundamental changes in a society's political and economic systems.(Britannica)

[7] A government strategy that emphasizes the replacement of some agricultural or industrial imports to encourage local production for local consumption, rather than producing for export markets.(Businessdictionary)

and relative prices which typically the magnitude and product composition of China's foreign trade. Prices were legally fixed for all domestic products. (Lardy 16–17)

I.4. China’s Trade Liberalization

I.4.1. Relaxation of Foreign Trade Authority

One of the first moves at the early phase was to decentralize the power to intervene in foreign trade. In order to stimulate local and industrial departments' enthusiasm for exports, the central government granted them more authority to control exports. In July 1979, the foreign investment legislation and policy was adopted, and foreign-funded companies were given authority to import raw materials and capital goods for their production. These companies were also allowed to export their own goods. In addition, a number of special districts, twenty-nine provinces, autonomous regions, and cities were allowed to open ports for foreign trade. At the same time the state set up twenty-five general export and import firms for specialist trade under the supervision of industrial departments, such as non-ferrous metals, telecommunications, transportation, petrochemicals, and agricultural machinery. Such large and medium-sized export-oriented companies were also granted self-management powers by the state, and firms were authorized to export their goods and import the raw materials and intermediate inputs necessary for their production. As a result, the number of export trading companies grew from 12 in 1978 to a maximum number of 5075 in 1988. (Kunwang 10-11)

I.4.2. Reduction of Foreign Trade Planning

There was also a decline in the range of foreign trade policy, and the emergence of a "two-tier" method for international trade strategy and management. The system of exclusively mandatory and advisory planning was replaced by a system of combined mandatory and advisory planning. The export plan under the new system was divided into two elements: the command plan and the guidance plan. The command plan was mandatory, quantitatively defined, and applicable to specific products and was followed by a guaranteed supply of needed input to the domestic companies. Conversely, the guidance plan included value targets delegated to regional administrators, who were given great flexibility in deciding how to reach them. (Li and Wei Jiang China's 40 Years of Reform and Development: 1978–2018)

I.4.3. Tariffs Reduction

In the early 1990s, China's import tariffs reached 140 percent or more on basic goods such as tobacco. The overall average rate of security for the economy in 1992 was 43.1 percent, the higher rates focused on produced consumer goods as the average rate was 65 percent. In 1992 China initiated more efforts to liberalize imports. January 1992 import tariffs on 225 goods were lowered from a rate of 45 to 30 percent. Furthermore, in April 1992 China eliminated import surcharges ranging between 20 and 80 on 14 items. In December 1992, China also reported that it had cut tariffs to an average of 7.3 percent on more 3,371 products. (Kunwang 17-18)

I.5. Background of the U.S. - Chinese Trade Relations

I.5.1. US-China Trade Relations

Trade between the US and China grew rapidly after the two nations reestablished diplomatic relations in January 1979. The bilateral trade contract was signed in July 1979 which granted mutual most favoured nation (MFN) treatment beginning in 1980.That year, the total trade balance between the U.S. and China was around $4 billion. The trade balance in US merchandise with China was $636 billion in 2017, leaving China the main trading partner for the US. (Morrison China-US Trade Issues)

I.5.2. U.S.-China Trade Tensions

The US and China are world leaders concerning their economies, defense, budgets, and rising greenhouse gas emissions. Both of them are permanent U.N. Security Council members. They were the largest trading partners to each other in 2017.The global value of their economies as calculated by their estimated gross domestic product (GDP) can be explained in two aspects. One relates to the growth of the Chinese economy compared to the United States GDP; the other focuses on the transitions of globalization. china's economy was not as powerful as the U. S's, after it joined the World Trade Organization (WTO) it's the export-led growth rose in the 2000's, as its share of the US economy leapt from 12 percent in 2000 to more than 40 percent in 2010. (Steinbock 518)

> The defining moment in American economic history is when Bill Clinton lobbied to get China into the World Trade Organization. It was the worst political and economic mistake in American history in the last 100 years.(Navarro Death by China Documentary)

It is obvious from Peter's quote that the defining moment for China to excel, and sieze a place with the giants was the moments the World Trade Organization accepted it as a member. Clearly, Peter regrets the decision his country had made because he thinks that what made the situation to escalate to a fierce Trade War.

I.5.3. From Trade Tensions to Trade War

When President Donald Trump (1946-) won the election, he announced America's withdrawal from the Trans-Pacific Partnership (TPP), which many considered as an Obama legacy and he promised to renegotiate NAFTA which was also a Clinton legacy. He initiated the trade threats over a year of aggressive rhetoric targeting China. He was assisted by four advisers, three of them had strong relations to the U.S. steel business and they all had a track record of economic protectionism and, in certain cases, of China-bashing. (Steinbock 523)

The outbreak of trade tensions between two powerful economic actors was emerged as a severe concern without any clear evidence of its stopping. Since the US launched five 'Section 301 Investigations ' against China, both sides threatened to use tariffs as retaliatory measures. But the conflicts were resolved through diplomatic means weather through signing trade agreements after negotiations or reaching a solution under the dispute settlement mechanism of the WTO. In June 2017, Trump ordered an ' Investigation of Section 232 ', on steel and aluminum shipments for national security reasons. Despite China's immense steel and aluminum production capacity. It is expected that the investigation and the additional tariff targeted China. (Chong & Li 7)

I.6. Definition of Trade War

"A situation in which countries try to damage each other's trade, typically by the imposition of tariffs or quota restrictions."(Lexico).

“A trade war is a conflict between two countries marked by rising tariffs and other similar protectionist actions. Remember, a tariff is a tax put into place by one country on imported goods or services from another country.”(Smartasset)

“A situation in which two or more countries raise import taxes and quotas (= limits on numbers of goods) to try to protect their own economies.”(Dictionary Cambridge)

A conflict between two or more countries about tariffs on imports. This form of conflict usually occurs when the nations concerned are seeking to increase imports or exports to their own country. Trade wars have the ability to raise the cost of some imports if the nations involved fail to negotiate. (Business Dictionary).

A trade war is when a country imposes tariffs on imports of a foreign country, and the foreign country retaliates similarly.

Conclusion

The U.S-Chinese relations have gained global attention because of their trading policies involving trade imbalances and global economic domination rivalry. The tension between China and the U.S. is a persistent and a long-term issue. The trading conflict represents merely a symbol of potential conflicts between the two nations. The economic tensions between the two countries led to a trade war. This trade war will have a significant influence on China, the United States, and even the global economy.

Chapter Two:

Chronicles of the US-China Trade War

Introduction

In the sense of additional tariffs and harsh challenges, the conflict between China and the USA, the world's top two trading nations, ultimately escalate. The International Monetary Fund (IMF) (2018) denotes the economic implications of increasing China-US trade disputes and warns that if these trade risks materialize, the US and China's GDP will be diminished by 0.9% and 0.6% successively, leading to a 0.4% fall in long-term world GDP. A 2018 European Commission study further downsized its economic activity outlook for the European Union (EU), indicating that the impact of trade tensions is not limited to China and the US (European Commission, 2018). Several reporters and analysts also say that the China-US trade war may inevitably turn into a new Cold War, which would seriously jeopardize international political stability and economic surroundings.

In the light of what has been said above, we are going to dig deep in the many issues of the trade war and its implications on either contending economies, as well as the world economy. Through tracking the major events that have led the two world superpower nations toward inevitable confrontation, we humbly seek to understand and clarify the reasons behind the trade war and its resulting impacts on the aforementioned economies.

II.1. Reasons Behind the US-China Trade War

As for any war, either on the military level or on the economical one, there must be a good reason or multiple reasons that contribute in the ignition of that war. The case of the US and China is accordingly not an exception. Therefore, the upcoming reasons have led the two nations to an economic showdown and would probably lead to dire consequences had there not been any resolutions in the horizon.

II.1.1. The Genesis of the Trade War

The trade war between China and the US officially ignited in the 23rd of March 2018 when President Trump signed the “Presidential Memorandum Targeting China's Economic Aggression” and added steel and aluminum tariffs. In 2017, the WTO approved China the status of a market economy, which provoked criticism from the US, as the decision narrowed opportunities for protectionism against Chinese corporations. The very first action that triggered the friction between the US and China was after the US denied recognition of China as a market economy. The National Security embodied Trump's aggressive stance later in 2017. It imposed restrictions on Chinese investment in American technology, tightened control of exports, and extended the list of goods that can be used by civilians and the military. These goods could not be exported to China. It also prevented US companies from dealing with enlisted companies such as ZTE Corporation[1] as it was assumed that it violated the U.S. sanctions against Iran. (Vinogradov, 35-46)

II.1.2. The Affordability of Chinese Services

The most exporting country in the world is China. Its absolute advantage is that consumer products can be produced at cheaper prices than in other countries. China's living standards are lower. The lower standards mean fewer wages. U.S. companies are unable to remain competitive with Chinese low-cost. The majority do not want to pay more for "Made in America.", because they want those products at the lowest possible prices.

[1] ZTE Corporation is a global chinese technology company that specializes in telecommunications, information, and technology.(Gsacom)

Half of all Chinese imports are goods that U.S. manufacturers use to make other goods. They sent raw materials to china because of the low-cost assembly. So when they are shipped back as imports the tariffs will obligate them to increase prices or to lay off employees. Salmon, for example, sent from Alaska to China as a raw material for processing, then shipped back to the American supermarket shelves ready for sale. When Trump imposes taxes on imports of seafood products, the prices will go up 25 to 50 cents per pound. (Haddon Fish Caught in America)

II.1.3. China’s Agricultural Imports

China's import of US soybeans is one of the sensitive subjects of agricultural trade negotiations. In July 2018, China had stopped buying soybeans from The US but resumed buying soybeans from the US in December 2018. US agricultural exports were later the base of negotiations. As a result, in September 2019 China excluded soybeans and other agricultural goods from additional tariffs. (Wang)

II.1.4. The Balance of Trade Deficit

The trade war is aimed at reducing bilateral trade deficits and bringing back jobs in America. China accounted for nearly half of the US trade deficit of 796 billion dollars in 2017. The US recognizes a few other trade issues with the PRC, the most notable of which is the balance of trade deficit. The issue has started to emerge for years and still has a growing trend. The US considers trading with china is unfair according to the trade balance of the last two decades. (Suisheng, Guo9-21)

II.1.5. The Utilization of Protectionist Policies

Analysis of the commodity structure of exports and imports shows that the Chinese main imports are interdependent American products as the US imports the actual finished goods of China. 19% of Chinese exports go to the US and yet only 8.3% of the US exports are destined for China. In 2018, the US exports to the PRC ended up falling by 21% as a consequence of the application of protectionist policies, but the decrease in the trade balance between China and the US was just 12%. ((Total value of U.S. trade worldwide 2019 Statista)

II.1.6. China's Public Consumption and Technology

The trade war is expected to decrease China's high-tech capability. The US is not comfortable with China's conditions for the development of technology transfer joint projects as a supplement to the approved share capital of domestic corporations. Chinese public spending is another critical problem that causes unequal competition in global markets. The US has been alerted to the success of China in implementing a strategic plan to modernize production, enhance robot manufacturing, lithium batteries, network equipment. The US has imposed heavy tariffs raises on imports of electronic products from China by up to 25%, including telecommunications and network hardware. (Dolgov, Savinov 7-20)

II.1.7. Chinese Military Advantage

The trade war is also expected to keep Chinese military strength from growing. Markov argues that it is totally impossible for the US to allow China to maintain military-sector dominance, particularly over the long term. The US is, therefore working to ensure its competitive advantage in the national security sector and stop China from using American dual-use technologies. (Markov 110-119)

II.1.8. The Deficit of the US Federal Government

The trade war is claimed to lessen the federal budget deficit as Dongsheng Di, Gal Luft, & Dian Zhong, argued “the US will need additional sources of income like tariffs in order to balance its budget, and tariffs on Chinese products is viewed as a main source of such income”. The US federal government's budget deficit grew and exceeded 21 trillion dollars, partially attributable to tax cuts in December 2017. The Chinese government also has a far better financial situation and is capable of paying for any businesses destroyed by a trade war. The US government, on the other hand, is having a huge budget deficit of about 4 % of GDP that is expected to increase in the future. (Legrain Why China Will Win the Trade War)

II.2. The Major Events of the US-China Trade War

II.2.1. 2018's Milestones of the US-China Trade War

2018 kicked off by Trump announcing tariffs on solar panels and washing machines. Approximately 8% of U.S. imports of solar panels manufactured in china. Trump also announced import tariffs for steel and aluminum from all countries. The USA imported around 3% of its steel from China. President Trump relying on the Trade Act of 1974 Section 301, invited United States Trade Representative (USTR) to start investigating the application of tariffs on Chinese products estimated at 50-60 billion dollars, More than 1300 categories of Chinese imports. He declared that the proposed tariffs were a response to China's unfair business practice over the years. To that China responded by imposing tariffs on 128 American imports of aluminum and steel, aircraft, cars, pork and soybeans with tariffs of 25% and fruits, nuts, and steel piping (15%).(Swanson White House Unveils Tariffs on 1,300 Chinese Products)

Trump announced that the United States would impose a tariff of 25 on 50 billion of Chinese exports. China imposed punitive tariffs on U.S similar value as the tariffs of 34 billion of Chinese goods took effect in July. Tariffs made up 0.1% of the world's gross domestic product. Later in July, The US has published an initial list of the additional Chinese goods worth 200 billion tariffed at 10%, then China promised to confront US goods that worth $60 billion with additional tariffs each year.(Wei China Vows Retaliatory Tariffs on $60 Billion in U.S. Goods)

The United States trade representative (USTR) submitted the final list of 279 Chinese goods valued 16 billion dollars to be subject to a 25% tariff. China reacted and imposed 16 billion dollars of US imports tariffed at 25%. China filed two complaints with the World Trade Organization (WTO). The first one stated that US tariffs on foreign solar panels were against the norms of the WTO and weakened the worldwide solar market. China stated that the impact was directly harmful to China's legitimate financial interests. The second complaint concerned the additional tariffs. (WTO)

Tariffs have significantly raised the prices of goods in the industries affected. Tariff rates between both the US and China influenced the global trade. The pricing impacts for U.S. consumers are much worse since the two largest economies in the world have not agreed.

II.2.2. 2019's Milestones of the US-China Trade War

In the G20 Osaka summit meeting, US President Donald Trump and China's President Xi Jinping (1953-) agreed to pause the tariffs quarrel. Earlier tariffs will be retained with no additional tariffs in the future until negotiations are resumed. President Trump also said he would encourage US companies to keep selling to Chinese technology company Huawei. After meeting with President Jinping, Trump declared that China will buy massive quantities of food and agricultural goods. China denied that and the purchases did not occur. (BBC News)

The U.S. Department of Treasury formally named China as a "currency manipulator," a move that will raise more tension between the two nations. Treasury Secretary Steven Mnuchin contacted the International Monetary Fund (IMF) to remove the unfair advantage of China's current conduct. This move embodies the presidential election commitment of Trump who, on his very first day in duty, labeled China a currency manipulator. (Paletta, Rucker the Washington Post)

For the "first phase"[1] of a trade deal that included Chinese commitments to purchase more U.S. agriculture, energy, and manufactured goods in exchange, cut some U.S. tariffs, and address some U.S. charges about practices of intellectual property. China and the US reached a preliminary agreement. China agrees to buy US agricultural goods up to 50 billion, to include more U.S. financial services. The US decides to suspend new tariffs that were listed for October. The announcements in China did not express the same confidence, although a few days later, the Chinese Ministry of Foreign Affairs announced that both parties have agreed.(Staff Reuters What’s in the U.S.-China Phase 1 Trade Deal)

By the end of 2019 and after the first phase deal, U.S. tariffs on Chinese goods cut in exchange for Chinese promises to purchase more of U.S. manufactured goods. The two parties declared an opening agreement in which new tariffs will not be implemented.

[1] the U.S. and China agreement to cut some U.S. tariffs on Chinese goods in exchange for Chinese pledges to purchase more of American farm, energy and manufactured goods and address some U.S. complaints about intellectual property practices.

II.3. The Impact of the Trade War on US Economy

Due to the overwhelmingly long-run ongoing trade war between the two superpower nations; namely, USA and China which has been officially initiated in 2018, the US economy has witnessed a hard blow that disrupted the American trade balance and affected negatively its imports and exports.

II.3.1. General Impact on Exports

Between August and September 2019, US goods exports fell by $1.8 billion, from $207.8 billion to $206 billion. The American agricultural industry has slowed down enormously since the start of the trade war; mainly due to the $10.4 billion decline in Chinese demand for agricultural products from 2017 to 2018. The country's 300,000 soybean farmers have lost the most in agriculture. (Bekkers and Schroeter An Economic Analysis Of The US-China Trade Conflict)

II.3.2. Impact on Businesses

The decline in US exports has had a negative impact on companies in the United States. Trend Nation, a Las Vegas firm which manufactures thousands of products in China, has doubled its tariff bill as a result of trade war, from $800,000 to $1,6 million. Recent tariffs have resulted in a 10 percent increase in Spartan Armor Systems, an Arizona-based company for corporate amour. The US-China Trade War has led to lower profits for companies in a diverse range of industries across the US.(Bekkers and Schroeter An Economic Analysis Of The US-China Trade Conflict)

Options are limited for companies across the United States. Brooklyn Bicycle, a New York-based handmade bicycle company, lacks choices. In a recent survey conducted by Bain Company with 200 managers, 42 percent of companies expect to source material from a region other than China in the next year, and 25 percent expect investments to be shifted away from China. In the absence of experience, small businesses are often more vulnerable than large corporations, particularly in financial crisis or turmoil. ControlTek, a small manufacturing company in Vancouver, Washington, is 'shifting supply chains from China, as often as possible, and redesigning goods so as to eliminate Chinese parts,' so as to reduce the impact of trade war.(Bekkers and Schroeter An Economic Analysis Of The US-China Trade Conflict)

II.3.3. Impact on Consumers

ControlTek is rewriting contracts to promote the expense of US-China trade war tariffs to its customers. With the trade war on, bigger businesses will follow suit and consumer prices will continue to grow. After the beginning of the tariff war, the US share market has become even more uncertain, in particular with the introduction of new trade war restrictions and policies. On December 13, the US and China solidified the first phase of a trade agreement to end the war between them. The deal suspended significant tariffs from both nations scheduled for December 15, introduced new intellectual property regulations and boosted purchases of American agricultural goods. The outlook remains complicated for small businesses. Small firms will struggle as business costs begin to increase, and as policymakers use American production lines that heavily rely on Chinese producers and suppliers as chips in future negotiations. Mediators in forthcoming US China talks should note how new policies will impact local firms around the U.S. (Smialek American Consumers, Not China, Are Paying for Trump’s Tariffs)

According to Investopedia, commodities dumping occur “when a country or a company exports a product at a price that is lower in the foreign importing market than the price in the exporter’s domestic market”.

II.3.4. Uncertainty Looms Over The Trade War

As the trade war soars, many American corporations move supply chain management out of China and into southeast Asian countries, namely Vietnam and Mexico America’s closest neighbors. What influences investment confidence and long-term business strategies is that they are unsure on how to implement their five-year strategic plans, and that is why businesses dial back on spending.

II.4. The Impact of the Trade War on China’s Economy

Recent economic evidence suggests slowing down in the Chinese economy. This is deteriorating as the trade war with the US has weakened public confidence and influenced product sales like electronics and motor vehicles. China's lowest growth in the last decade is in the third quarter of 2018. As the US-China trade war sped up, automakers became extremely careful from the consumer's standpoint. Latest economic statistics say China should consider ending the US-China trade war. According to the China Automobile Manufacturers Association, total vehicle sales dropped by 11.7 percent in 2018 from the previous year to 2.38 million last month in the world's largest car industry. China's Smartphone industry showed no sales enhancement. Lately, the annual turnover of 14 Smartphone brands out of the top 20 brands declined significantly in the third quarter of 2018. Alibaba[1] amended its full-year revenue

[1] Alibaba Group is a Chinese e-commerce platform specialized in e-commerce and retails.(Investopedia)

estimated to be 4% to 6 % lower than assumed in 2018. These economic forecasts show a disruption in China's growth.(Jain and Saraswat 6)

II.4.1. Impact on China's Employment

In terms of employment, the impact can be more profound. China's customs data show that China's exports to the US are mainly labor-intensive and concentrate on electronic devices, furniture, toys, miscellaneous products, and textiles. As for the production of capital/technology intensive commodities, the main role of China in the global value chain is to provide labor services (for instance, assembling electronic devices). Therefore, China's value added in exports mainly comes from labor's contribution. To make an audacious assumption that all of the added value in exports is created by labor, as in such case the estimated impact of the trade war on employment will be the strongest.

II.4.2. Impact on China's GDP

China has a 12 trillion dollar worth of economy, estimated at current market value. A 10% U.S. tariff on Chinese imports worth $200 billion would possibly eliminate between 0.1-0.2% of GDP. A 25% tariff could significantly raise that to 0.3-0.4% of GDP, the rest being equivalent. China's good news is that everything else isn't equivalent. China can tackle some of the devastating effect by enabling its Yuan to drop, and the Renminbi[1] (RMB) has indeed dropped by around 9% by mid-April. China has many other means, particularly monetary and fiscal reinforcement. A tax reduction will take effect in September and the People's Bank of China (PBoC) has reduced its reserve requirement ratio twice in the past four months. Some of the negative GDP effect can still be partially compensated, at least in the near future.

[1] Renminbi is the official currency of the People's Republic of China.(Merriam-webster)

"Everything being equal," does not inherently work in China's advantage. China has a high level of public debt, and slower growth could make it extremely difficult to salvage its economy. In addition, high rates of leverage may lead to an adverse spiral where low growth results in financial problems and failures, leading to even sluggish growth and additional losses and failures. The people's republic of china and the PBoC have the equipment to avoid a spiral in the short - run, but they risk raising public and private sector debt by facilitating financial and currency policies.(Tai-leung Chong and Li 17-18)

II.5. The Impact of the Trade War on Global Economy

II.5.1. The Negative Impact on Global Trade

The US – China trade war is the major contributor to sluggish growth, such as issues in other large emerging market economies, pour-over from Germany's automotive and manufacturing drop, and Brexit-motivated stagnation of European economies are also contributing significantly to the slowdown. The rift between the US and China directly affects nearly 4% of global trade, about 700 billion USD. Moreover, with the consumer being the lone pillar promoting economic development, any consumer confidence shock could disrupt the economic system and invert growth expectations in 2020. John Lorié, Chief Economist of Atradius N.V. commented, “The trade war is having a profound effect on global trade. If it expands to other economies in Asia and Europe, which is very possible, we could see an even more pronounced slowing in trade. The uncertainty created by this and other economic and political developments around the globe are really challenging economic growth. While we don’t foresee a global recession at this stage, the outlook is very weak with a high risk of further slowing.”. (Gerryn Trade War Is Having a Profound Effect on Global Trade)

> It's a really worrying situation and it's starting to spill over into other parts of our interconnected world. It's not just limited to the countries retaliating against each other ... Both sides will need to show flexibility, so the US can't just insist that China just dismantle its industrial policy, but China can't deny that these policies harm its trading partners.(Cutler,Asia Society Policy Institute)

By examining the abovementioned quotation we can sense the tangible fears of the World Community from the blazing US-China Trade War which harms not only US and China, but extends to scorch even neutral nations. Wendy Cutler through his message tries to amphasize on mutual cooperation between the US and China, so that to avoid further damage and reach a middle ground.

II.5.2. The Global Economy Towards Stagnation

According to research by the Brookings Institution and the Financial Times, the world economy has undergone a period of "synchronized stagnation" with sluggish growth in some nations and no economic activity or gentle deceleration in others. Headline economic indicators have fallen to their lowest points since spring 2016, with real activity in both developed and emerging economies losing momentum, compounded by declining economic trust, the latest tracking indicator update has been found. All other leading analysts have also lost optimism concerning world economic trends, with the World Bank, the OECD, and most private-sector economists cutting their worldwide growth outlook to the lowest rate since the 2008-09 financial crises.(Giles Global Economy Enters Period of ‘Synchronised Stagnation)

II.5.3. The Trade War Impact on Other Countries

Vietnam, Chile, Malaysia, and Argentina benefited economically from the trade war as exportations into U.S. and china increased to make up the downfall of trade between these two countries. Vietnam is certainly the largest recipient as it has immediately attracted technology companies to produce high-tech goods. South Korea as well did benefit from increased exports of electrical equipment, Malaysia from exports of semiconductors, Mexico from motor vehicles, and Brazil from soybeans. Still, Alex Feldman, CEO of the U.S-ASEAN Business Council, warns that the countries cannot benefit from the US-China dispute over the long run. Saying: "It is in everyone's interest to see this spat settle and return to the normal trade relations between the US and China."(The Positive Effects of International Trade on Emerging Countries)

Conclusion

China and the US are still trapped in this tariff war, without any clear resolution in sight. Thankfully, we are still at the tariff phase, which means that neither side has deployed its devastating geo-economic instruments. Because such a tariff war could cause unimaginable harm to a weak world economy and further undermine the confidence between the two world's largest economies, it also gives China many options and opportunities. Although China's one-party state must continue to thrive by supplying its people with socio-economic products, it can use the economic pressure of the trade war to forge ahead with unpredictable policy changes to reshape its long-term export-led planning framework for a somewhat stable economy, emphasizing imported goods and expenditure. The many challenges which endanger to disrupt its economic prosperity and eventually, the hard-earned political integration of the Chinese Communist Party (CCP) have plagued China for decades of export dependency. The party leadership is, of course, mindful of these problems, and following the trade war should have introduced these changes. The latter impresses, nevertheless, on the validity and importance of these policy changes. The trade war – and the generally aggressive attitude of the Trump Administration to the rest of the globe – has brought about an uncomfortable situation for several States in China's geopolitical chessboard.

Chapter Three:

Future of the US-China Trade War

Introduction

China's increasing economic influence in recent decades, along with America's diminishing proportion of world production and foreign trade at the dawn of the twentieth century has contributed to a shift in the world's geopolitical environment and the creation of the "Group of Two" or simply G2. The dream of its absolute dominance of the global economy has led the US to come into conflict with the rising economy of China, increasing competitiveness of high-tech companies based in the PRC, and the rise in Chinese investment. US officials argue that China is following unjust trade policies, exploiting the benefits of trade liberalization and WTO membership, while at the same time safeguarding its home economy against foreign competition by offering access and supporting exports through currency depreciation. The US blames China for stealing scientific and technological information and resources from American businesses. According to us officials, this practice is considered as a flagrant breach to the international law. By analyzing this contemporary issue through data gathering with available sources, we have come to conclude the whole research with this final part, which will present the future scenarios that would conclude the US-China Trade War. Some of the presented scenarios are self-predicted, while the others are unanimously agreed upon by economy experts.

III.1. Four Possible Future Scenarios of the Trade War

What characterizes any war is that in the end there is a loser and a triumphant. Similarly, the US-China trade war is branded with brutal economic rivalry with such political tensions in the scene. This ongoing war is swinging back and forth between the two involved parties. In such an incident, both the US and China are consistently trying to claim victory upon the other by applying certain policies. By analyzing the current events upon which the trade war has evolved, and by compiling appropriate data that is relevant to this subject matter, we have come to speculate upon many scenarios that are likely to conspire in the future. Such scenarios are self-predicted events that could come to reality if the trade war persists.

III.1.1 The Inevitable Second Cold War

Chinese cultural practices and societal norms are distinctive from the American. Both of the countries will not abandon and convert their economic and political policies under practices governed by the other party. China is going to have to cut export-oriented production. Unlike the Cold War, China can win, because it has been capable of developing a prosperous and competitive economy and establish TNC (Transportation Network Companies) which have pushed their way into the Global 500. The US will surround China with a strong army, building NATO-like opponent alliances, isolating China economically, and imposing costs when China does what the US doesn't like. (Suisheng and Guo 15-21)

China will respond by pushing the US out of the APR. The US's illustration of its unilateral sanctions is only for the betterment of making more satisfying deals with china. The US will achieve its objectives by showing idle threats to its trading partner if it considers its national security and interests are at risk. The US will gradually become isolated In the international community. America's position in global supply chains and foreign trade will diminish as the country's authority declines. When any American companies come out on top, others suffer the consequences for that; the US could get excluded from a variety of international trade and economic alliances. The US will suffer from inflation which will cause an increase in the consumption of the domestic market. The unilateral US economic sanctions will drive many countries to pursue alternate supplies and markets.(Dongsheng et al. 205-216)

China has become a leader of 16 countries in the Regional Comprehensive Economic Partnership (RCEP), which extended beyond the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP) without the US; 30% of global GDP, 50% of the world population. Developing mega-union would boost China's leading position in the region, but on the other side, it can also trigger deterioration in foreign trade norms, as it does not include labor issues, human rights, e-commerce, and public procurement. Simultaneously, China's "Made in China 2025" program will decrease the country's technological development. According to Kerry Liu, despite Made in China 2025's value to the economic future, major sacrifices during the trade war would be quite difficult for China.(Liu 310-324)

III.1.2 Avoiding the Trade War

If the US respects the essential interests and concerns of China, the trade war will come to an end with a mutual agreement. China's willingness to resume its automotive trade has already been confirmed, intellectual property protection strengthened, the banking market expanded and American technology transfer bound to Chinese companies. China may approve the purchase of agricultural goods from American farmers. Edwin L.-C. Lai reports that China is ready to negotiate and willing to boost imports of the U.S. goods and services, reduce subsidies for its companies, and enhance the reach of U.S. technology transfers. Yet the previously imposed tariffs by the US are not going to be removed. The scenario of a long-term trade war is not an exception.(Lai 171-184)

Both countries have a strong interest in bilateral exports of products and services and in improving global supply chains. The negotiated settlement and the ending of the conflict is achievable because both sides would suffer further as a consequence of the dispute. China and the US are expected to stay strategic partners even with an intense rivalry. Business-to - business relations and shared knowledge of cultures will improve. China will increase LNG imports, agricultural raw materials, food, and high-tech goods. The US government must sustain a partnership of confidence with major trading partners and avoid implementing unilateral restrictions, ultimately respect the WTO laws. In this phase, the biggest US companies will play a significant role by supporting free trade and showing that a trade war against the globe is not suited to the US.

III.1.3 The Trade War Has Seemingly No End In Sight.

The trade war is protracted and large tariff barriers are not dismissed. Simultaneously, businesses in both countries adjust under trade restrictions to export-import transactions, creating trading structures to escape economic sanctions. To some degree, it can be considered unavoidable because foreign economic ties are guided by corporations that play a key role in the world economy, not by nations. External benefits are important opportunities for businesses to find ways of bypassing restrictions and blockades to maintain and increase income. Under this case, the trade deficit of the US-China rises and, according to official figures, hits a target amount of USD 200 billion, perhaps even less. Nevertheless, the goods of Chinese origin will be supplemented to the U.S. market from several countries.

As Vinogradov, Salitsky and Semenova point out, major manufacturers have already begun moving manufacturing plants to Vietnam, Bangladesh, Ethiopia and other countries with comparatively inexpensive labor force, given the fact that China mainly exports TNC products that have positioned final assembly manufacturing lines in the PRC. International companies constitute for 59% of Chinese exports to the US, and 12% are goods of U.S. companies in China. China's exports to the US are generally Chinese-assembled products containing numerous overseas materials and accessories – frequently American-branded. About 37% of US imports from China are materials and pieces on which US-based producers depend. (Vinogradov et al. 35-64)

TNC have started restructuring their worldwide distribution networks and can transfer their final assembly from China to the nearby Asian countries. This will cause a shift in China's export and import geographical structure. The intermediate ties of the global supply chain can be affordable while retaining the final assembly in China. China, for instance, sells iPhones to the USA worth 2 billion USD / year, but only a small proportion of the value of the device is manufactured in China, considering that Taiwan makes tools, which are composed of components from several nations: Germany, Korea, Japan, the USA, The Netherlands, Singapore, and other nations.(Savinov 36-51)

Trade wars contribute to shifts in export-import movements, attitude towards other countries, and the arrival of national open-trade and economic partnership. Lawrence J. Lau points out the change in china's international economic ties to EU, Asia, Japan and Russia. Analysts have emphasized the tendency to strengthen trade and economic ties between China and the EU, and the Asian market is becoming quite essential to European businesses than that of the US [4].Consumer expenditure in China has risen four times more rapidly than in the United States over the last 10 years. Badar Alam Iqbal & Nida Rahman realize that the trade war will lead to economic breakdown for both conflicting parties, but it can generate income for others: “Being the two largest economies of the world, giving in for disengaging trade with each other is bound to have a ripple effect on the global system of trade”. With US protectionism in mind, countries with large domestic markets will gain a competitive edge.(Lau 26)

Since the onset of the trade war, following the US restricting imports from China, six countries in South East Asia and Taiwan have managed supplies of nearly 1,600 new kinds of products that they have never offered in the US before. In the meantime, the Chinese market is essential for several US firms, and hence limiting access to Chinese consumers triggers considerable financial harm to corporations. Consequently, firms are seeking for appropriate ways to bypass punitive measures, advocate and advertise their financial interests. Under such a scenario, the US will accomplish its objective of reducing the trade deficit in bilateral trade with China, but with dire economic performance. (Sinitsyn and Kuimov 236-241)

III.1.4 The Possibility of a World War III

A trade war could really transform from Cold to Hot phase, which is particularly undesirable given the fact that the US permits sparse use of tactical nukes. The trade tensions between China and the US is of essential nature and cannot easily be cleared up, Terence Tai-Leung Chong and Xiaoyang Li said. The conflict is linked to the race for world economic rule. The United States has a huge advantage in cyberspace and is aiming to "digitally colonize" the world economy. Ashmanov states that virtually all neural platforms in the world are US-based, first of all Google-based and Facebook platforms.“The US shows with its actions, that they are ready to easily throw any inconvenient contracts and obligations away into the trash can, and also to ignore the UN and other international organizations, granting itself the right for unilateral military actions, the US is moving towards the role associated with the British Empire after the World War I”[12]. This is an unlikely possibility now, but is not excluded.(Li 195-202)

By behaving aggressively against China in a way that would seem to be contrary to World Trade Organization norms, Trump has made matters worse. In fact, Trump's "America

[12] Smirnov, Can the West with one click of a computer turn off our factories, banks and power station.

First" repulsive rhetoric finds potential allies. The political foundations have all been given to China: "China does not want a war in trade but we are not afraid to fight a war in trade."[13].

III.2. The War That No One Would Win

The Trump administration launched the first phase of an unprecedented trade war with China by restrictions on its high-tech products, steel, and aluminum imports last month. Trump's rhetoric slogan, "trade wars are good and easy to win" accompanied the move. In reply, China has imposed restrictions of up to 25% on 128 US imports.

In response to the American tariffs, the Chinese primary collection of tariffs was moderate. The USA has announced that the Chinese imports will undergo further tax impositions on about $60b worth of goods as a means of retaliatory attitude for the so-called 'years of intellectual property theft' and 'unfair competition from China's state-led economy.' Consequently, China's financial affairs will be curtailed. The Chinese retaliation is expected to be significantly stronger when this hazard is taken into account. The next phase may attack some $60B in US Soybeans, civilian airplanes, and industrial supplies with an increase in import taxes. In fact, China is considered as the third-largest export market for American commodities. This sudden acceleration of economic animosity is just the start of a prolonged and destructive trade war between the two rising economies in the world. The decision of Trump to rebuild American jobs and reduce American losses has a lot of its naive supporters. The Chinese counterpart is strong at the present moment and will definitely not submit to the “unreasonable coercion" from the US. (Tribune, The Unwinnable Trade Wars)

[13] Legrain, Why China Will Win the Trade War

Judging the current trade war, its intensity and momentum, the world economy may eventually reach a breaking point whereby everyone would no longer benefit, and a global recession would be inevitable. As a matter of fact, the whole issue is sometimes called as "the war that no one could win", this saying has its own dimensions due to the economic losses that every nation has sustained. From its beginning, the trade war has been a means of retaliation and increased tariffs, a real curse on both the US and China. To clarify this situation, the US-China relationship is built upon mutual economic relations that are so deep and rooted to an extent that makes it nearly impossible to put it in numbers. Therefore, this ruthful trade war that is played by both countries is based on tariffs that restrict each country's exports. This can ultimately cause a financial crisis for both nations, and lead to an economic stagnation. Hence, the winner in the end, if there is, will be considered as a loser because he will have sustained much damage more than the goals set to be achieved.

III.3. The Likelihood of Trade Coalition

It is assumed that when the Trade War reaches the pinnacle of high intensity between the two poles China and America, there would be a great disruption in the balance of the world economy. To simulate this situation for further understanding, we have to presume that there are two camps the West versus the East where the former represents the US whereas the latter stands for China.

The concept of trade coalition in this context refers to the All against All, both the US and China have their own trading allies where economical bonds are extremely strong. To illustrate, the Trade War is seemingly heading toward further escalation which in the end compels both nations to form what is called Trade Coalition. Hence, there would be a direct trade confrontation between too many sides because the war would have encompassed many economies. In such a scenario, the US and China involve their trading allies in the war so that to gain momentum and the upper hand upon the other. Furthermore, the allied nations unwillingly find themselves forced to align with either side, namely the US and China so that to keep their trading relationships intact.

The abovementioned scenario is now far from turning into sheer reality but does not mean that it might not transpire in the future. The fissure between China and America is unquestionably going to widen, and the dispute accordingly is going to escalate. Had no measures applied to deescalate the situation, the World Economy would have steeped deeper toward recession.

Conclusion

A shift in the global trading structure and sluggishness in the financial system could lead to the largest trade war in economic history. It is possible to divide the countries into two poles that align with either the United States or China. In terms of economics, politics, and national security, the US is trying to cripple its closest competitor internationally. The goal of the current US foreign trade policy is to slow down the PRC's already rapid economic growth. The U.S. top officials declare China as the most strategic rival in the future for the US. In robotics, biotechnology, and artificial intelligence, the PRC needs to achieve leadership.

General Conclusion

The biggest trade war in economic history can bring about a change in the system of foreign trade, a recession in stock markets. Nations can be split up into two blocks supporting the US or China . At the same time , creating a mega-alignment of economies as well as regional currency zones. Asia's position in the globalization process and the growth of global supply chains is likely to improve. The US is trying to cripple its main rival and retain supremacy over the global arena. Control the economy, and strengthen National Security.

The existing US foreign trade policy aims at restricting the PRC's already fast economic growth, and its rising significance in the world economy. In exchange, the Chinese government has the potential to achieving excellence in technology, biotechnology in addition to artificial intelligence. It should provide monetary support to high-tech companies, and will do whatever it can to prevent the US from halting or slowing down the modernization and digitization of China's economy.

The present situation in US-Chinese economic ties is pointed to as the Cold Trade War. Both countries have more shared strategic interests than conflicts. The reciprocal interdependence has led to talks leading to a new "fairer" trade deal. The proposed US-China trade deal should include the so-called modern trade architecture, which would not only control the use of classical instruments in bilateral trade Such as tariffs and quotas, but also other regulations, as well as the enforcement of intellectual property and technology transfers.

We have concluded at the end of this humble research that both United States and China have their own strategic plans to solidify their own economy. The result of that sheer desire often leads the two giants to a direct confrontation to prove self-existence. The ensuing results of being the world dominator are extremely lucrative, whoever reaches that position could have access to all international markets, as well as establishing a firmer national economic foundation. Furthermore, the political supremacy would have more enforcement internally and externally.

Finally, we note that all the speculations about the future scenarios are drawn from the already existing situation between the United States and China. We have sought to give an approach in which we have introduced many outcomes through which to draw a picture of how the future world economy would be.

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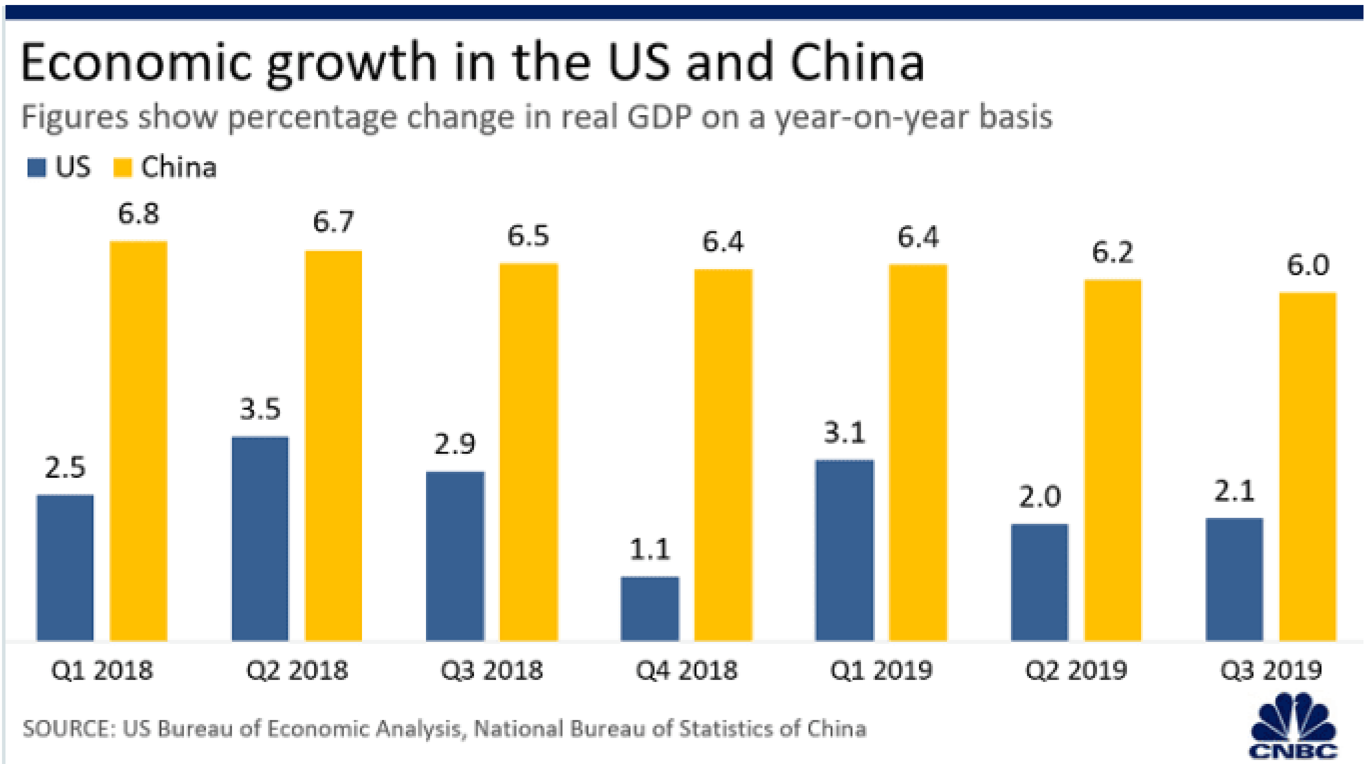
Glossary

Glossary Terms	Glossary Definition
Antidumping	A policy undertaken by a certain country in order to encourage domestic products, this process comes through the imposition of extra taxes on foreign products. (Merriam-Webster)
Cartel	An association of similar companies or businesses that have grouped together in order to prevent competition and to control prices.(Collins Dictionary)
Cryptocurrency	A digital currency produced by a public network, rather than any government, that uses cryptography to make sure payments are sent and received safely.(Dictionary Cambridge)
Protectionism	A policy of protecting domestic industries against foreign competition by means of tariffs, subsidies, import quotas, or other restrictions or handicaps placed on the imports of foreign competitors. Protectionist policies have been implemented by many countries despite the fact that virtually all mainstream economists agree that the world economy generally benefits from free trade.(Britannica)
Tit-for-Tat	Actions done intentionally to punish other people because they have done something unpleasant to you. Similarly, in the case of United States and China the term is used to describe the retaliatory actions applied against each other.(Dictionary Cambridge)

Appendices

Appendix One: Economic Growth Slows

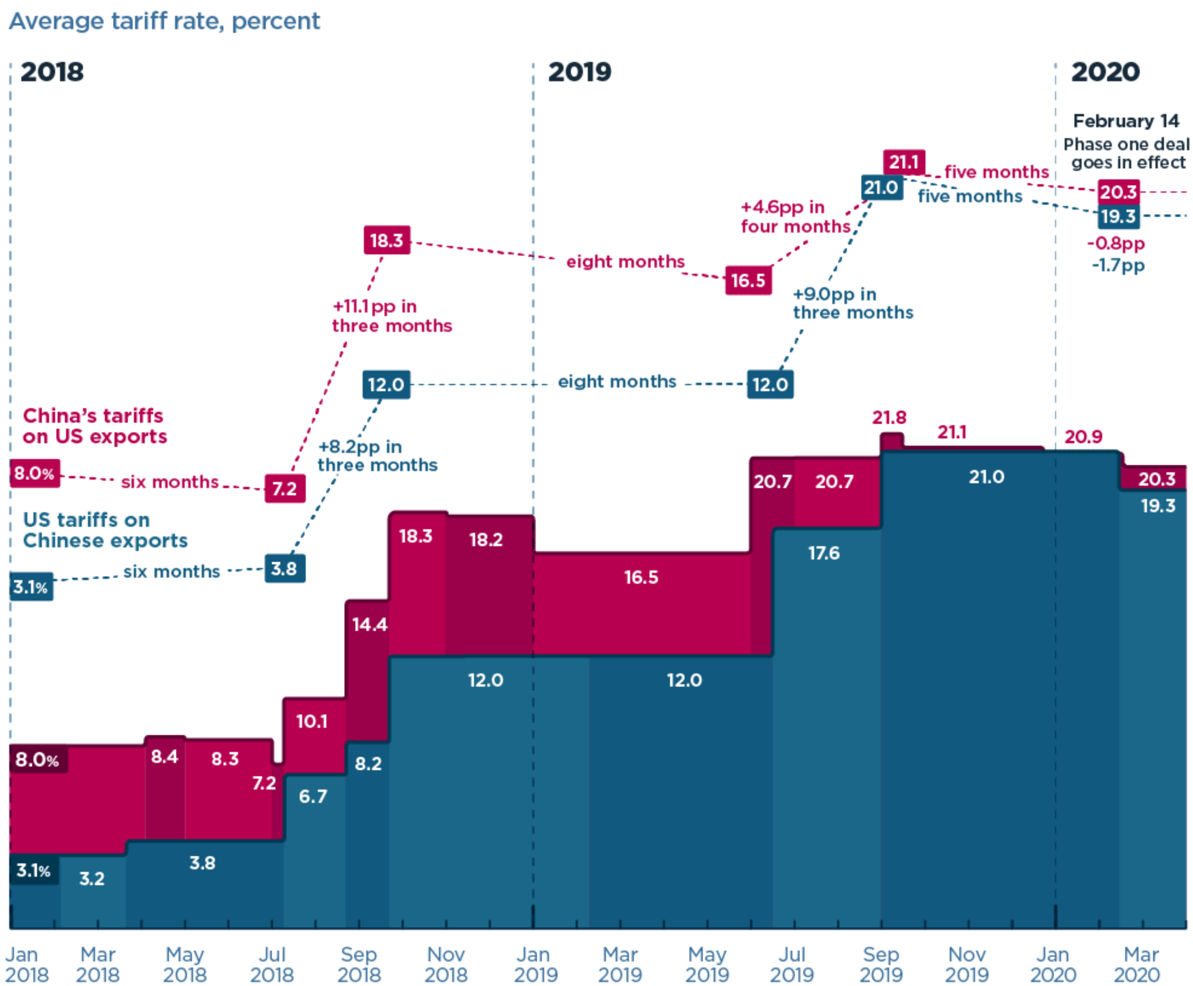
Growth in gross domestic product — the broadest measure of an economy — slowed down in both the U.S. and China last year.



The above figure shows how both US and Chinese economies were hit by the passive wave of the Trade War, both economies were negatively affected in their Gross Domestic Product growth.

(See: https://cnb.cx/2FWzgPD)

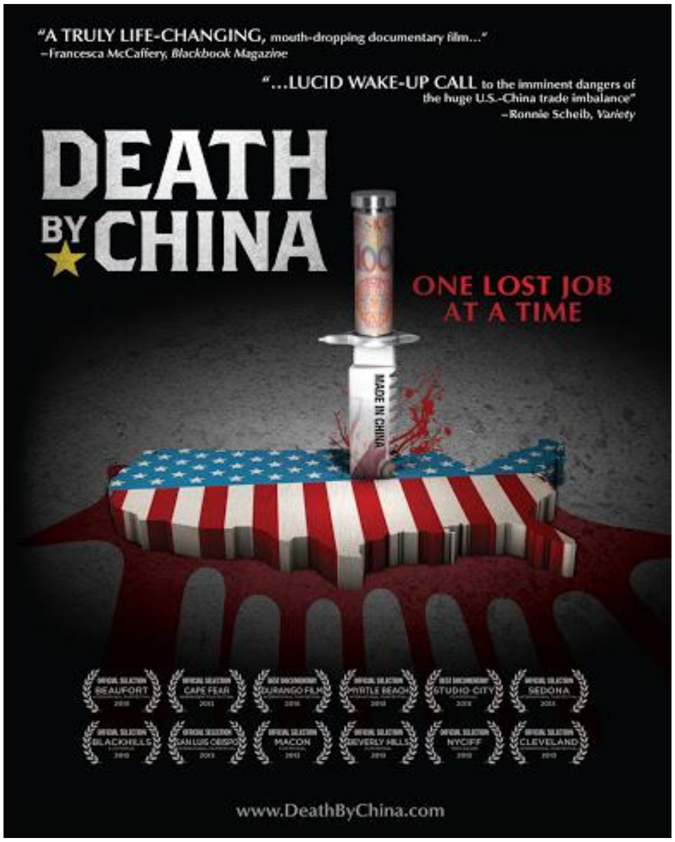
Appendix Two: US-China Trade War Tariffs: An Up-to-Date Chart



The above chart represents the course of retaliatory measures applied by each US and China against each other during the ongoing tariff war. It shows how both countries are determined to target the exports of the other.

(For more info see https://bit.ly/364a7xo)

Appendix Three : Death by China (2012)



Death by China, a documentary film released in 2012, is based on Peter Navarro's and Greg Autry's book of the same name, *Death by China: Confronting the Dragon – A Global Call to Action* (2011). The film assumes that the joining of China to the WTO has made American producers unable to cope with the Chinese government; in other words, American companies can't compete with a government. According to the film, Chinese leaders systematically violate laws on currency manipulation to ensure the deceptive cheapness of their country's goods.

(See https://imdb.to/3cpblnZ and https://bit.ly/300IHov)

ملخص:

هدفت هذه المذكرة إلى تحليل الجدول الزمني للنزاع التجاري الحالي بين الولايات المتحدة والصين. في هذا البحث، تم اعتماد المنهج التحليلي لتحليل ومقارنة الآراء المختلفة للاقتصاديين والخبراء والمراسلين. يساعدنا هذا الأخير على فهم الطريقة التي تؤثر بها سياسات للولايات المتحدة والصين على تصور كل منهما للآخر وأثر هذه السياسات على اقتصاد كل من البلدين وكذا الاقتصاد العالمي. لذلك، أشارت دراستنا إلى أنه في هذا النوع من الحروب، لا يمكن لأحد الفوز بالمعركة بسهولة وستكون مكلفة على المدى البعيد. بشكل أساسي ، خلصت هذه الدراسة إلى أن استمرار الحرب التجارية بين الولايات المتحدة والصين سيؤدي إلى حد ما لاضطراب اقتصادي قوي في كل دولة.

Résumé :

Le présent document présenté sous forme de mémoire vise à analyser la chronologie du conflit commercial en cours entre les deux plus grandes économies commerciales, les États-Unis et la Chine. Dans cette recherche, l'approche analytique est adoptée pour analyser et comparer les différents récits d'économistes, d'experts et de journalistes. Ce dernier nous aide à comprendre la manière dont les politiques commerciales des États-Unis et de la Chine influencent la perception de l'autre et nuisent à l'économie intérieure qu'à l'économie extérieure. Par conséquent, notre étude suggère que dans ce type de conflit, personne ne peut gagner la bataille facilement et cela coûtera cher à long terme. Essentiellement, cette étude conclut que la poursuite de la guerre commerciale entre la Chine et les États-Unis provoquera plus ou moins de fortes turbulences économiques dans tous les pays.