

Analysis of the Economic Impacts of the China-U.S. Trade War on China and US Economy

Chengcheng Sun^{1,a,*}

¹*Nelson Marlborough Institute of Technology, Marlborough Campus, PO Box 643, Blenheim 7240, New Zealand*

a. Lydia20020212@outlook.com

**corresponding author*

Abstract: The current trade war between China and the United States is the largest trade war on the global market in nearly half a century. The trade war refers to a series of economic and policy clashes between China and the United States in the field of trade since 2018. This trade war was mainly initiated by the United States to reduce the trade deficit between China and United States, protect the U.S. manufacturing industry, and limit the rise of Chinese technology, while involving issues such as intellectual property rights and technology transfer. As the world's two largest economies, the trade conflict between China and the United States directly affects the trend and stability of the global economy. At the same time, the trade conflict between China and the United States has also had a profound impact on technological innovation in both countries. Through a literature review, this paper comprehensively analyzes the impact of the China-U.S. trade war on the bilateral economy and employment of China and the United States, and discusses the impact of the China-U.S. trade war on the development trend of the global economy. This paper argues that governments should repeatedly study the causes and impacts of the China-U.S. trade war, and realize that the trade war is not desirable, and win-win cooperation is the direction of future development.

Keywords: Trade war, China-US trade, Employment, Economic impact

1. Introduction

This paper adopts the method of literature review to comprehensively and objectively analyze the economic impact of the trade war between China and the United States, which involves a number of aspects such as bilateral trade, employment, and the global economy. Economic development is changing rapidly, and predicting economic trends is a difficult task, which is closely related to people's future life. This paper attempts to devote itself to a comprehensive discussion of the causes, progress, and potential impacts of trade wars through an impartial analysis from multiple perspectives, so as to provide a reference for avoiding the occurrence of trade wars in the future. Under the background and trend of global economic integration, realizing the smooth development of the national economy.

Since 2018, there have been a series of conflicts and trade disputes between China and the United States involving a number of important areas such as tariffs, intellectual property rights, and technology transfer, which have mainly manifested themselves in the imposition of tariffs on each other, the adoption of trade barriers, and other trade-restrictive measures. This trade dispute between

China and the U.S. is known as the China-U.S. trade war [1]. In March 2018, United States President Trump officially signed a trade memorandum with China at the White House, announcing that the United States may impose tariffs on 60 billion dollars of imports from China. Thus, the U.S.-China trade war was officially launched. Key areas of focus for the United States import tariffs on China include steel, aluminum, and high-tech products. China imposed tariffs on agriculture imports from the United States in April, and at the end of 2018, the United States announced tariffs on \$200 billion of imports from China, from 10% to 25%, starting in January 2019, with a May 2019 start date [1]. As a result, China-U.S. trade has continued to be tense for an extended period of time.

In January 2020, the U.S. and China reached the first phase of a trade agreement, which eased China-US trade relations but did not resolve the underlying issues of the trade dispute. The global economic situation is further complicated by the outbreak of the global pandemic in 2021. The challenges to China-US trade relations intensify [2].

The China-US trade war has important implications for the economies of both the U.S. and China as well as the world and has led to a more uncertain future for the global economy. Nowadays, global economic integration is the theme of the times, and the trade war between China and the United States will bring more complicated political and economic impacts to the globalization process. According to Steinbock, in a worst-case scenario, the escalating conflict between China and the United States could turn into a “decoupling” of the two economies and lead to a prolonged global economic recession and a new geopolitical confrontation [3]. In the long run, trade friction is not desirable, win-win cooperation and mutual benefits are conducive to sustainable economic development.

2. Impacts of the trade war on bilateral trade between China and the U.S.

China is the world's largest manufacturing exporter, and the United States is an important export market for China. China's exports to the U.S. are mainly concentrated in the areas of steel, aluminum, electronic products, machinery and equipment, and home appliances [1]. Higher tariffs have hit Chinese exports to the U.S., exposing Chinese exporters to higher costs and competitive pressures. At the same time, rising tariffs have led to higher costs and supply chain adjustments for Chinese imports. For example, liquefied natural gas. The United States is one of the main suppliers of LNG to China. Following the imposition of tariffs, the price of LNG has risen sharply, causing China to turn to other energy suppliers, such as Australia, thereby increasing the cost of energy imports. Another example concerns the import of soybeans. China is the world's largest importer of soybeans, and the United States is one of its main suppliers. The cost of importing U.S. soybeans has risen in the wake of China's tariffs on U.S. soybeans, causing Chinese agricultural processors to turn their attention to other suppliers such as Brazil and Argentina. This has effectively eased soybean import pressure in the short term. However, due to limited soybean production capacity in Brazil and other countries, the overall cost of China's soybean supply chain has still risen. At the same time, soybean export restrictions have had a negative impact on United States agriculture. As a result of China's 25% tariff on United States soybean imports, the market share of United States soybeans in China has declined, causing significant losses for United States soybean producers. In order to minimize their losses, soybean producers have had to turn to other national markets. However, because of the loss of the huge demand in the Chinese market, the losses could not be fully compensated.

At present, China's exports of electromechanical and high-tech products to the United States are mainly low-cost-driven, unlike U.S. exports to China that favor technology-driven products. Therefore, when relative prices rise sharply, China's exports to the United States are vulnerable to substitution by-products from other countries. For example, the United States imports furniture, toys, and other daily necessities from China, and after the tariff increase, the selling prices of these products from China in the U.S. markets have risen sharply, leading to a decline in the price advantage of Chinese products in the U.S., resulting in a decline in the market share of the products or stagnation

of the products. On another front, higher prices for everyday items will also cause the cost of consumption to rise for the average American family.

On the other hand, one of the reasons for the outbreak of the China-U.S. trade war is the U.S. criticism of China's use of illegal and unfair means to acquire U.S. technology at low prices, thereby adversely affecting U.S. high-tech enterprises [4]. As a result, in the area of high-tech industries, the United States has imposed stricter import and export control measures and technological embargoes in China. The United States restricts the supply of core products and basic equipment, such as high-end chips and photolithography machines, to China, and the restrictions are particularly pronounced in high-tech areas such as aerospace and computers. The U.S. government has restricted China's procurement of parts and components from American companies, even putting some multinationals at risk of losing the U.S. market. The weakness of the Chinese consumer market has even affected some software companies around the world, depriving them of technical support for some of their core components, such as chips, servers, and hardware and software, which has had a significant negative impact on their business operations.

However, the favorable point is that the intensification of trade friction between China and the United States, it has promoted China's upgrading and transformation from labor-intensive enterprises to technology-intensive enterprises, promoting China to improve its independent innovation capability and reduce its dependence on external technologies [5].

3. Impacts of the trade war on employment between China and the U.S.

The trade war had a complex impact on employment in all sectors of society. According to the research, protectionist measures aim to support domestic industries and provide more opportunities for domestic employment [6]. However, such measures often have very negative outcomes, leading to losses for firms and sectors dependent on global supply chains. In the United States, industries with close ties to China, such as manufacturing and agriculture, have experienced significant volatility as a result of the imposition of tariffs and retaliatory trade measures. While the imposition of tariffs can provide jobs in targeted industries by restricting imports, they also increase the proportion of the relevant industries that are dependent on import costs. For example, manufacturing-related industries. The United States imposed steel tariffs in order to promote employment in the country, but at the same time, it also raised the cost of automobile manufacturing. This has not only had a negative impact on the automobile manufacturing industry, but also reduced the purchasing power of the population as the price of automobiles has risen, thus leading to a decline in the standard of living of the people [7].

As the trade friction between China and the United States continues to intensify, the impact on China and the United States' import and export trade is also growing. China's manufacturing and export-oriented industries have been particularly affected by the U.S. tariff increases. As a labor-intensive industrial powerhouse, China is the world's largest producer of electronic products and household appliances. Many multinational companies, such as Apple and Dell, have production bases in China. However, as a consequence of the tariffs imposed by the United States on electronic products from China, the prices of these products have risen, leading to a decline in consumer demand. Some companies may have cut back on hiring positions as a result, leading to a decline in employment for manufacturing workers. Currently, China is promoting industrial transformation and upgrading, which may also provide more employment opportunities for talents related to high-tech industries in the future.

U.S. agriculture is the first to be affected by the China-U.S. trade war, especially some agricultural products such as soybeans, pork, and corn. The imposition of tariffs resulted in higher prices for agricultural products, and a decrease in the purchasing power of the population, which reduced incomes for farmers. Some farmers are at risk of losing their jobs as a result of reduced market

demand. On the other hand, higher tariffs may cause some manufacturing firms to respond to cost pressures by cutting workers, delaying investment, or reducing production volumes.

According to Wheatley, trade war trends change the overall pattern of industrial planning, and the negative impacts of shifting employment patterns include increasing income inequality and the gap between rich and poor [6]. As noted earlier, higher tariffs lead to fewer manufacturing jobs, with a greater impact on low-income households. This is at the same time a concentrated reflection of the decline in the quality of life of the population. The widening gap between the rich and the poor is particularly pronounced in developing countries, and this has led to the inability of developing countries to compete effectively in trade on a global scale, which has resulted in the widening of the economic gap between developed and developing countries [7].

4. Impacts of the trade war on the global economy

According to the study, as two of the world's most important economies, the trade frictions between China and the United States directly or indirectly affect multiple dimensions of global trade, investment, and supply chains [3]. For example, the trade war between China and the United States has accelerated the restructuring of the global industrial chain, especially in the areas of manufacturing and high-tech industries. Many multinational companies have begun to move production lines to countries such as India, Vietnam, and Mexico to avoid excessive tariffs and increase productivity, leading to a redistribution of global manufacturing jobs and investment. The trade war between China and the United States has increased market uncertainty and led to greater volatility in the capital markets, especially in the stock and exchange rate markets, increasing investor stress and lowering investor confidence. In particular, around the time of the pandemic, the global economy experienced a large slowdown in growth and a significant decline in total trade [6].

The trade friction between China and the United States has increased turmoil in the global economy. Many emerging market countries are facing pressure from foreign capital, which is reflected in the significant depreciation of their currencies.

The impact of the China-U.S. trade war is multifaceted. The China-U.S. trade war has also boosted China's trade with other countries such as Australia and Canada. On the other hand, some U.S. industries have benefited in the short term from tariff policies. For example, in the early stages of the trade war, the steel and aluminum industries gained short-term market share through protectionist measures [7]. In general, the China-U.S. trade war highlights the negative impacts of trade conflicts, but it also reflects the structural adjustments of different countries in the face of trade frictions.

5. Conclusion

The economic impacts of the U.S.-China trade war involve a number of areas, and this paper focuses on bilateral trade between the two countries, the impact on employment, and the restructuring of the global industrial chain. Overall, the trade war between China and U.S. has had a particularly significant impact on manufacturing and agriculture in both countries. The imposition of tariffs and retaliatory trade policies has resulted in higher import and export costs, leading to higher product prices and dramatic fluctuations in industry patterns, which in turn have led to higher unemployment and a wider gap between the rich and the poor. Due to the limitations of time, study scope, and paper space, this paper cannot fully discuss the causes and background of the China-U.S. trade war. However, a comprehensive analysis of the issue has important reference value for the future development of the global economy.

No country can exist on its own, and the world is a co-evolving whole. In the short term, raising tariffs may indeed bring benefits to one's own country. However, in the long term, trade disputes will cause some social problems such as an increase in the unemployment rate and a decline in the life

quality of the residents. Trade friction will not only result in the loss of interests of China and the United States, but will also make the global economic system more unstable. It follows that there are no winners in the trade disputes. Under the trend of global economic integration, mutual benefit and win-win situation is the direction of future long-term development.

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