IJNRD.ORG ISSN : 2456-4184
INTERNATIONAL JOURNAL OF NOVEL RESEARCH AND DEVELOPMENT (IJNRD) | IJNRD.ORG
An International Open Access, Peer-reviewed, Refereed Journal

DOLLARS VS DRAGONS - THE TALE OF TWO SUPERPOWERS

Sneha Dass V
Student, B.B.A. LL.B (Hons) Sastra Deemed to be University, Thanjavur.

Cruz Joshna I
Student, B.B.A. LL.B (Hons) Sastra Deemed to be University, Thanjavur

ABSTRACT :

The US-China trade war, a complex and multifaceted economic conflict, has emerged as a defining feature of global commerce in recent years. This abstract explores the complexities and implications of this historic conflict between the two biggest economies in the world. With its roots in opposing economic theories, the trade war has resulted in tariffs, retaliatory actions, and calculated moves that have affected entire continents and industries.

This research looks at the economic, political, and technological factors that have contributed to the trade disputes in order to determine their underlying causes. It investigates the effects on global economic conditions, market dynamics, and international supply chains. Furthermore, the abstract examines how the trade war's trajectory has been shaped by geopolitical factors, intellectual property conflicts, and developing technology.

As the trade war unfolds, it brings forth challenges and opportunities for businesses, policymakers, and the broader global community. This abstract attempts to give a thorough summary of the US-China trade war by combining data from several sources, illuminating its causes, effects, and possible solutions. The complicated character of the current economic conflict and its far-reaching ramifications is highlighted by the dynamic interplay between geopolitical strategies, economic interests, and technology breakthroughs.

KEYWORDS:

United States, China, Export, Currency, Tariff

INTRODUCTION:

The economic interplay between the United States and China has evolved significantly over the course of history, shaped by geopolitical shifts, economic transformations, and diplomatic intricacies. The roots of the contemporary U.S.-China trade relations extend back to the early 19th century, marked by sporadic contacts and a burgeoning trade relationship. However, it wasn't until the latter half of the 20th century that the economic ties between these two nations truly began to reshape the global economic landscape.

This research endeavors to delve into the multifaceted historical journey of U.S.-China trade relations, examining the key milestones, challenges, and opportunities that have defined this critical aspect of international commerce.

By understanding the historical context, we gain insights into the intricacies of a relationship that continues to wield substantial influence on the global economic order.

The Historical Context of U.S.-China Trade Relations:

The aftermath of World War II marked a pivotal moment in international relations, and China's role in the global arena underwent significant changes. The establishment of the People's Republic of China in 1949, following a prolonged civil war, transformed the geopolitical dynamics in the Asia-Pacific region. The ensuing Cold War and ideological differences between the U.S. and China contributed to a period of diplomatic isolation, limiting direct economic engagement.

Bretton Woods Agreement : Held at the Mount Washington Hotel in Bretton Woods, New Hampshire, USA, in July 1944, the Bretton Woods Conference was a historic international conference. The goal of the conference was to create a new global financial and monetary order following the devastation caused by World War II and the Great Depression. Delegates from 44 Allied nations attended the meeting, which at that time accounted for a sizable chunk of the world economy.

The International Monetary Fund (IMF) was created as a result of the conference with the goals of advancing balanced trade, economic growth, exchange rate stability, and international monetary cooperation. The IMF was established to offer member nations with balance-of-payments issues temporary financial support.

The International Bank for Reconstruction and Development (IBRD), which subsequently joined the World Bank Group, was also established as a consequence of the meeting. The World Bank was founded to offer long-term financing for other member countries' development as well as for the reconstruction of war-torn Europe.

A system of fixed exchange rates, where currencies were indexed to the price of gold, was established by the Bretton Woods Agreement. The goals of this system were to avoid competitive devaluations and to promote stability. Other currencies were tied to the dollar, which was designated as the main reserve currency.

The US dollar was pegged to other currencies and connected to gold under the Bretton Woods regime. Because of this agreement, the US dollar became the main reserve currency, and central banks maintained substantial reserves of US dollars.

The US made an agreement with other countries that the US dollar should be used for world trade which is pegged with gold , and after the transactions are over between nations they can return the dollar to the US and get back the equivalent amount of gold . and the World bank would give the underdeveloped nations US dollars as loan for their trade transactions .

Birth of Petrodollars : The other powerful nations doubted how the US is able to print so much dollars and they doubted that the US has that amount of gold equivalent to the dollar they print . So all countries started to demand the US to take those dollars they have and to return it with the proportionate amount of gold . President Richard Nixon announced measures which included the suspension of the convertibility of the U.S. dollar into gold. All countries started losing the confidence they had on dollars. Nixon doesn't want the Dollar to lose its supremacy among the other currencies of the world . That's when the concept of petrodollars came into force . The US made an agreement with the oil-exporting countries that their oil should be traded in dollars and in exchange promised to give them military protection . The primary unit of currency for petrodollars is the US dollar. So because of this agreement ,the demand for US dollars has increased dramatically as a result, solidifying the dollar's position as the principal reserve currency of the globe. Petrodollar-earning nations frequently have sizable holdings of assets denominated in US dollars or US dollars. Most of the world's countries have lost credibility on the US dollar and because of these changes now the Chinese Yuan has an upper hand .

Economic Boom and Trade Expansion (Late 20th Century)**:** The late 20th century and early 21st century witnessed an unprecedented economic boom in China. As the "factory of the world," China became a central player in global supply chains. The U.S., in turn, became a major consumer of Chinese goods. This period saw a rapid expansion of bilateral trade, but it also set the stage for challenges related to trade imbalances, intellectual property rights, and technology transfer.

Trade Tensions and the 21st Century**:** In recent decades, the U.S.-China economic relationship has become increasingly complex. Trade tensions, highlighted by tariff disputes and accusations of unfair trade practices, have punctuated the narrative. The integration of technology and geopolitical considerations has added new layers to the relationship, shaping the dynamics of global economic competition.

MAIN REASONS FOR THE US-CHINA WAR :

The US-China trade war has its roots in a combination of long standing economic issues, trade practices, and geopolitical tensions. Several main reasons contribute to the trade tensions between the two nations:

US Trade Deficit -

The United States has consistently run a trade deficit with China, meaning it imports more goods and services from China than it exports to the country. This trade imbalance has been a source of concern for the US.

Tariffs are imposed to protect the businesses of the home countries . The main reason faced by the US is their trade deficit . Deficit usually happens when the country's imports exceed the country's export . The US imported 3.1 Trillion dollars worth goods and only exported 2.5 trillion dollars worth of goods. This created a 600 billion dollar Trade deficit. Among the 3.1 trillion dollar goods, 539.5 billion dollar goods come from China ; which is 17.3% of the total import to the US .But out of the 2.5 trillion dollars which goes out , 120.3 billion dollars worth of goods are exported to China from the US ; which is only 4.8% of the total export of US .

Hence , out of the total 621 billion dollar trade deficit of the US , 419 billion dollars is the trade deficit of the US with China , which is 67% of the total deficit . Even last year , the U.S. trade with China amounted to $758.4 billion. Exports were $195.5 billion; imports were $562.9 billion. The U.S. goods and services trade deficit with China was $367.4 billion in 2022.

Made in China 2025:

The race for technological dominance is a significant aspect of the trade war. China's rapid technological advancements and its "Made in China 2025" initiative, which aims to make China a global leader in high-tech industries, have raised concerns in the US about unfair competition and the protection of sensitive technologies. The "Made in China 2025" initiative and the U.S.-China trade wars are closely connected, as the trade tensions between the two countries have been fueled, in part, by concerns related to China's industrial policies, including the ambitious goals of the "Made in China 2025" plan.

The claimed forced transfer of technologies is one of the main reasons causing the trade war between the United States and China. Opponents contend that China has been obtaining foreign technology through initiatives like "Made in China 2025," which require or put pressure on foreign businesses to disclose their technology in exchange for entry into the Chinese market.

"Made in China 2025" highlights sectors of strategic importance, many of which are also essential for maintaining global technical supremacy. The United States has conveyed apprehensions regarding China's plan to control these sectors and may erode the competitiveness of American businesses in fields like robotics, artificial intelligence, and sophisticated manufacturing.

China has been charged by the United States with distorting international markets, undermining foreign competitors, and giving unfair subsidies and governmental assistance to its businesses. One area of contention in the trade war has been the belief that Chinese governmental backing unfairly benefits domestic enterprises in foreign trade. The Chinese government is pressuring private companies to adjust their vision to China's 2025 visions. .

By imposing tariffs on each other's goods, the trade war between the United States and China intensified. Imports from China were subject to tariffs by the United States in response to trade imbalances and purported unfair trade practices. China responded by imposing taxes on American exports, which sparked a series of tit-for-tat actions. The United States and China held rounds of trade negotiations to resolve trade-related concerns during the trade war. A portion of these discussions focused on issues surrounding "Made in China 2025," such as China's promises to open up its markets, safeguard intellectual property, and deal with coerced technology transfer.

A Phase One trade agreement was struck in January 2020 between the United States and China. The agreement featured Chinese purchases of more American goods as well as resolutions of some intellectual property and technology transfer-related concerns. Some more general structural problems, such as those related to "Made in China 2025," were not entirely remedied, though. Even if there have been times when trade relations have been relatively peaceful, tensions still exist, and the United States is still closely examining China's industrial policies and practices. Under many administrations, the U.S. government has remained committed to upholding fair trade standards and tackling perceived obstacles to US leadership in technology and the economy. The relationship between "Made in China 2025" and the trade war between the United States and China highlights the larger geopolitical and economic struggle between the two nations for supremacy in technology and industry. Numerous political, geopolitical, and economic factors are influencing the ongoing evolution of the trading partnership.

State Subsidies and Industrial Policies:

The US has expressed concerns about China's state-led economic model, which includes subsidies to domestic industries and strategic industrial policies. This is seen as giving Chinese companies an unfair advantage in international trade.

Providing subsidies up to 300 billion dollars with very low investment rates to the private companies to help them grow . And moreover, the Chinese government encouraged foreign investment and acquisitions and demanded the companies by encouraging them into semiconductor firms to gain access to their technology . And the Government is also mobilizing state backed companies .

Significant financial support is given by the Chinese government to R&D initiatives in key industries. This covers financing for the creation of cutting-edge technologies like biotechnology, advanced manufacturing, new energy cars, and artificial intelligence.

Chinese businesses have allegedly benefited from low-interest loans from state-owned banks, particularly those operating in sectors that the "Made in China 2025" initiative is aimed at. The goal of these loans is to support important industries' growth and development.

Businesses in strategic industries are given financial incentives and subsidies to entice them to make investments in high-value goods manufacturing, innovation, and technological improvements. The Chinese Government has implemented procurement policies that give preference to domestically produced goods, especially those aligned with the goals of the "Made in China 2025" initiative.

Tax breaks and incentives are offered to companies involved in key industries, reducing their tax burden and promoting investment in areas outlined in the initiative.

Critics claim that these subsidies have the potential to stifle competition on the international stage, giving Chinese businesses an unfair edge and raising issues with intellectual property protection and fair competition. The core of the trade disputes between China and other major economies, especially the US, has been these problems.

Geo-political Strains:

Beyond economic factors, geopolitical tensions, including disputes in the South China Sea, Taiwan, and human rights issues, have played a role in the strained relationship, influencing trade negotiations.

Tension has long existed in the South China Sea as a result of China's territorial claims, which coincide with those of numerous Southeast Asian countries. Concerns regarding China's fortification of man-made islands in the area and its effects on freedom of navigation have been voiced by the US. There have been occasional connections between the trade war and more general geopolitical rivalry in the South China Sea.

Taiwan is a delicate geopolitical matter, and tensions between the US and Taiwan have grown as a result of the trade war between China and the US. China has strongly objected to the US's attempts to fortify its relations with Taiwan, including arms shipments. Taiwan's standing in the US-China relationship is still a very delicate and complicated matter.The US-China trade war is often viewed in the context of a broader struggle for global influence. Both countries aim to influence international institutions, alliances, and norms. The competition for economic, technological, and geopolitical supremacy has taken the form of the trade war.

Currency Manipulation :

Currency manipulation has been a contentious issue in the context of the US-China trade war. Accusations of currency manipulation involve one country intentionally devaluing its currency to gain a competitive advantage in international trade.

China's yuan, also known as the renminbi, is allegedly being manipulated by the United States to give it an unfair advantage in global trade. The claim is that China maintains a depreciated currency, which lowers the cost of its exports to overseas consumers and gives Chinese goods a competitive advantage in international markets. Periodically, the U.S. Department of Treasury publishes reports on the currency policies of its main trading partners. These reports have previously classified China as a currency manipulator, though the labels have changed over time. Opponents claim that China has occasionally purposefully allowed its currency to weaken in order to counteract the effects of tariffs levied by the United States. In terms of pricing, Chinese exports may become more appealing due to this depreciation.

Because it makes Chinese exports more appealing and American exports to China relatively more expensive, a weaker yuan can exacerbate a trade imbalance. The United States' efforts to address trade deficits have revolved around this. In 2018, as the U.S. and China trade war intensified, involving tit-for-tat tariffs on goods worth billions of dollars, currency disputes grew to be a part of the larger economic conflicts between the two nations. The United States and China signed a Phase One trade agreement in January 2020 that contained provisions about currency practices. China promised not to participate in competitive devaluation and to increase transparency about its exchange rate policies as part of the agreement.

The exchange rate between the US dollar and the Chinese yuan is impacted by a number of variables, such as trade regulations, geopolitical developments, and economic conditions. Currency dynamics are complicated.Since both China and the United States are significant participants in international trade, the trade relationship and currency issues between them have an impact on both nations as well as the global economy.

CONSEQUENCES OF US-CHINA TRADE WAR :

Impact on Global Economy :

One of the main causes of the global economic slowdown was the trade disputes between the United States and China. The detrimental effects of trade tensions on investment, trade, and manufacturing led the International Monetary Fund (IMF) and other economic organizations to lower their projections for global growth. Global supply chains were affected by the trade war as businesses everywhere had to adjust to tariffs and uncertainty. Several multinational companies encountered difficulties in effectively managing their production processes due to complex supply networks involving both China and the United States.

Commodity prices were volatile due in part to the uncertainty surrounding trade negotiations and the imposition of tariffs. This had an impact on global supply chain prices as well as the prices of goods that were specifically the subject of tariffs.

Emerging markets were susceptible to market volatility and the global economic slowdown, especially those that depended on exports and commodities. Reduced demand and thrown off supply chains affected nations that had strong ties to the economies of China and the United States. Businesses were left feeling uneasy by the trade tensions, which had an impact on global investment decisions. The uncertainty surrounding trade policies and the possibility of changes to the business environment made it difficult for companies to make long-term plans.

The currency markets fluctuated as a result of the trade war. Beyond the United States and China, rising tensions had an impact on currency values due to changing expectations about trade balances, interest rates, and economic growth.

Some companies reassessed and diversified their supply chains in response to the trade war, looking for new markets and production sites. This global realignment affected trade and investment flows, affecting a number of nations and regions. Intellectual property and technology disputes have wider effects on global innovation and technological advancement. Concerns regarding protectionism and the possible fragmentation of the global technology landscape were brought to light by the trade war. The challenges facing the multilateral trade system were highlighted by the trade war. There were worries about the possible deterioration of the rules-based international trading order as the United States and China pursued bilateral negotiations. Navigating a climate of trade uncertainty was a challenge for multinational corporations. Tariffs caused additional expenses for some businesses, while risk-reduction tactics like supplier and manufacturing site diversification were investigated by others. In response to the trade war's economic challenges, governments and central banks across the globe implemented fiscal and monetary policies aimed at promoting growth and stability. The success of these initiatives differed, nevertheless, depending on the economy.

Supply Chain Disrupts :

The cost of importing and exporting goods went up when the United States and China imposed tariffs on a variety of goods. Businesses had to incur greater costs, which they frequently passed along to customers.

Businesses found it difficult to make long-term investment decisions due to the unpredictability of trade policy and the possibility of further tariff escalation. Many businesses, especially those in sectors of the economy directly impacted by tariffs, postponed or reexamined their investment plans. To lessen their reliance on China, some businesses made the decision to move or diversify their manufacturing operations. This change entailed relocating some production back to the United States and shifting it to other Asian nations like Vietnam, Thailand, or Malaysia.Companies in a variety of sectors reassessed their supply chain plans in order to find weak points and reduce risks related to the trade war. This required looking for new suppliers, reevaluating existing ones, and modifying inventory levels.

The trade war affected supply chains in the technology industry significantly. Companies reevaluated their sourcing and manufacturing strategies in response to the imposition of tariffs on electronics and technology products. Some even looked into ways to diversify their supply chains for technology. Tariffs on auto parts and components caused disruptions in the automotive sector. Numerous automakers, both domestically and abroad, have to figure out how to handle challenging supply chain situations and think about modifying their manufacturing procedures.

China's retaliatory tariffs on American agricultural products caused disruptions to the agricultural sector. This had an impact on farmers and the larger agribusiness supply chain by causing a drop in the export of crops like pork and soybeans. Logistical challenges were brought about by changes in trade patterns and higher tariffs. Businesses had to adjust to longer lead times, different shipping routes, and possible port delays as a result of heightened inspection of goods in transit. Inventory management faced difficulties due to the lack of certainty regarding trade relations in the future. Businesses struggled to decide whether to reduce inventory to save holding costs or build up goods inventories to protect against future disruptions.

Reduction of Global trade volume :

The U.S. and China imposed tariffs on each other's goods, creating trade barriers that increased the cost of importing and exporting products. These tariffs affected a wide range of industries, leading to changes in trade patterns and a decline in the volume of goods exchanged. Global supply chains were thrown off balance as businesses reassessed and modified their production procedures to deal with the tariffs and uncertainty resulting from the trade war. The entire flow of goods was impacted by this reconfiguration, which frequently involved adjustments to sourcing, manufacturing sites, and distribution networks.

During the trade war, exports and imports fell for both the United States and China. Businesses reduced their trading activities as a result of tariffs and the threat of additional tariffs, which decreased export orders and decreased demand for imported goods.

The world economy slowed down as a result of trade disputes between the two biggest economies. Businesses worldwide became more circumspect in their trade and investment activities as the United States and China, along with other trading partners, faced uncertainties about future trade relations. This reduced rate of global economic growth was a result.

The decline in international trade volumes had an especially negative impact on emerging markets, which frequently depend significantly on exports. Export-led growth declined in nations with close economic ties to China, the United States, or both, which had an effect on their overall economic performance.

Trade patterns changed as a result of the trade war as companies looked to diversify their supply chains and become less reliant on a single market. As a result of this change, some nations saw an increase in trade volumes as they emerged as substitute suppliers for particular goods.

Trade volumes were significantly impacted by specific tariffs and trade restrictions faced by industries like technology and the automotive sector. Businesses in these industries had to deal with supply chain interruptions that affected the manufacture and international sales of automobiles, electronics, and other goods.

The trade war made the state of the world economy more unpredictable. Businesses faced a difficult environment as a result of unclear trade policies and the possibility of further escalation, which affected their willingness to engage in cross-border trade. Global trade tensions were somewhat eased in January 2020 with the signing of the U.S.-China Phase One trade agreement. Partially resuming trade flows, the agreement included commitments to lower tariffs and boost Chinese purchases of American goods.

Even though the Phase One trade agreement reduced tensions, problems still exist, and later events—such as the COVID-19 pandemic—have further altered the dynamics of international trade. The future of international trade is still being shaped by ongoing discussions and prospective policy changes.

Increase in Commodity Prices :

The U.S.-China trade war had a notable impact on commodity prices, influencing the costs of various goods and raw materials globally. The United States and China imposed tariffs on each other's goods, which resulted in price increases for the goods in question. The higher costs for imported goods as a result of these tariffs were frequently passed on to consumers.

Commodity markets were volatile due to the ambiguity surrounding trade negotiations and the possibility of new tariffs. Commodity prices, including those of metals, agricultural products, and energy resources, fluctuated as market participants evaluated the changing nature of trade.A particular victim of the trade war was agricultural commodities. China levied retaliatory tariffs on US agricultural goods, such as pork and soybeans. Farmers and the agricultural industry were impacted by the drop in commodity prices caused by China's decreased demand Prices for metals and minerals, such as steel and aluminum, were impacted by the trade war. The construction, manufacturing, and automotive industries were affected by tariffs on these products due to the impact of increased material costs on supply chain dynamics and production.

The trade disputes also had an effect on the energy markets. The unpredictability of trade relations was a contributing factor to the volatility of oil prices. The course of energy prices was impacted by shifts in expectations for global demand, which were influenced by developments in the trade war . The developments in the trade war had a direct effect on currency fluctuations, which in turn affected commodity prices. International commodity trade was impacted by fluctuations in the value of the US dollar and the Chinese yuan in particular.

Global trade patterns changed as businesses tried to manage the trade war and diversify their supply chains. The demand for and prices of different commodities were impacted by changes in the sources of production and trade partners. Uncertainties surrounding trade policies caused disruptions to global supply chains, which in turn led to difficulties in the manufacturing and delivery of goods. In turn, these disruptions had an impact on the cost and accessibility of commodities. The nations that mainly rely on the export of commodities were especially susceptible to fluctuations in the prices of these commodities. The economic performance of these countries was impacted by decreased demand and lower prices for essential commodities.

The United States and China agreed to lower tariffs and boost Chinese purchases of American goods when they signed the Phase One trade agreement in January 2020. This had an impact on commodity prices and helped to partially resume trade flows. Although the Phase One trade agreement brought some respite, later events, such as the COVID-19 pandemic, added more complications and uncertainties that continued to affect the commodities markets.

Market Volatility :

The U.S.-China trade war contributed significantly to market volatility, affecting various financial markets, including stocks, currencies, and commodities.

Increased volatility was a result of the trade tensions between the United States and China in the world stock markets. Growing tariffs, the possibility of more trade restrictions, and doubts about how the trade dispute would be resolved affected investor mood and caused swings in stock prices. Technology stocks were especially vulnerable to changes in the trade dispute. Investors expressed concern over trade tensions, particularly those pertaining to intellectual property and technology transfer, as many technology companies have intricate global supply chains.

Announcements of new tariffs or adjustments to tariff rates were frequently accompanied by market volatility. The trade war caused volatility in the currency markets. The value of currencies was affected by shifts in trade policies and expectations for economic growth, especially with regard to the US dollar and the Chinese yuan.

During the trade war, commodities—including metals and energy resources—saw price volatility. Commodity prices fluctuate due in part to uncertainty surrounding trade relations and the possible effects on global supply chains and demand.

Investors frequently turned to safe-haven assets like gold, the US dollar, and government bonds during times of elevated trade tensions. This flight to safety mirrored a mindset that shied away from risk and increased volatility across other asset classes. Fears about how the trade war would affect the expansion of the world economy contributed to the market's volatility. Investor confidence was affected by the possibility of trade disruptions and tariffs slowing economic activity. The stock prices of companies involved in international trade, particularly those with substantial operations in China and the United States, were volatile. Investor perceptions were impacted by corporate earnings and guidance that were impacted by uncertainty regarding the future of trade relations. Monetary policy adjustments were made by central banks in response to market volatility. Interest rate reductions and other forms of monetary stimulus were among the policies that the US Federal Reserve and other central banks put in place to promote economic stability.

The Phase One trade agreement, which was signed in January 2020, brought some respite and helped to temporarily lower market volatility. The agreement contained promises to lower tariffs and improve trade relations, signaling a partial de-escalation of trade tensions. The COVID-19 pandemic and other later events added more ambiguities and complexity to financial markets, changing market dynamics even after the trade war ended.

Consumer Impact :

The U.S.-China trade war had several implications for consumers, affecting their purchasing power, choices, and the prices of various goods. The United States imposed tariffs on a variety of Chinese imports, which raised the cost of many consumer goods. Products that were impacted included home goods, apparel, footwear, and electronics. Tariffs frequently resulted in higher retail prices for consumers by raising the cost of imports. Concerns were raised regarding consumers' overall cost of living due to the higher prices resulting from tariffs. Households had to set aside more money in their budgets to pay for necessities as everyday goods increased in price, which might have an effect on discretionary spending. Retailers and companies that depended significantly on Chinese imports faced difficulties. While some chose to absorb the higher costs, others chose to pass them along to customers. In the retail industry, this dynamic shaped consumer experiences and affected profit margins for businesses.

China's retaliatory tariffs on American agricultural products caused the trade war to have an impact on the agriculture industry. This resulted in lower exports of crops like pork and soybeans, which had an effect on farmers and might have had an impact on food product prices.
Customer confidence was impacted by uncertainty over trade policy and the possibility of economic slowdowns as a result of the trade war. Consumers may become more frugal with their spending when they are unsure about the economic outlook, which can have an impact on the state of the economy as a whole. A few companies put mitigation plans in place to lessen the effects on customers. Renegotiating contracts with suppliers, sourcing from other nations, and taking on part of the higher costs in order to maintain competitive pricing were some of these tactics.
In order to encourage consumer spending and economic growth, monetary policies such as lower interest rates were implemented. Some relief came with the U.S. and China signing the Phase One trade agreement in January 2020. In an effort to ease trade tensions and possibly benefit consumers, the agreement contained pledges to lower tariffs and boost Chinese purchases of American goods. It's important to note that the consumer impact during the U.S.-China trade war was dynamic, and the situation evolved over time. Subsequent developments, including the signing of trade agreements and the global response to events like the COVID-19 pandemic, have further influenced consumer dynamics and economic conditions

Geo-political Tensions :

The U.S.-China trade war was accompanied by heightened geopolitical tensions between the two countries.
Technology and intellectual property rights were among the main points of contention. China was charged by the United States with unfair trade practices, including theft of intellectual property and forced technology transfers. These accusations were the center of attention for the U.S. administration and played a major role in the trade negotiations.

It was believed that China and the United States were in a strategic rivalry for influence on the international scene. The two nations competed in areas other than economy, like military might, technological leadership, and regional influence .

Both nations expressed concerns about national security. Concerns regarding possible security risks associated with Chinese technology firms, like Huawei, have been voiced by the United States, especially with regard to the advancement of 5G networks. China, on the other hand, saw American actions as an effort to restrain its development and deny it access to specific technologies. The territorial disputes in the South China Sea compounded the geopolitical tensions. China saw American involvement in the region as meddling in its domestic affairs, while the United States denounced China for its aggressive territorial claims. The general geopolitical environment was influenced by tensions over freedom of navigation and military activity in the South China Sea.

The treatment of Uighur Muslims in Xinjiang and other human rights concerns became entwined with broader geopolitical tensions. Sanctions and diplomatic tensions resulted from criticism of China's human rights policies by the United States and other nations. Some saw China's Belt and Road Initiative (BRI), an expansive economic and infrastructure development project spanning several continents, as a threat to US influence. Concerned about the strategic ramifications of China's investments in global infrastructure, the U.S. attempted to offset China's increasing sway. Taiwan's status continued to be a contentious geopolitical issue. The United States and Taiwan continued their unofficial relationship, and China took issue with American arms sales to Taiwan. The problem made the larger geopolitical relationship even more complicated. The United States and China engaged in diplomatic spats and tit-for-tat actions. These included restrictions on visas, consulate closures, and other actions that exacerbated the already tense diplomatic relations.

The trade war brought to light problems with the current multilateral trading system. Since the United States and China have different perspectives on political and economic systems, they have both gotten into arguments within international organizations and attempted to influence global governance structures.The geopolitical tensions were exacerbated by cybersecurity concerns. Both nations charged one another with conducting cyberattacks and cyberespionage. The United States expressed concerns regarding Chinese actors stealing confidential data and intellectual property.Global ramifications of the geopolitical tensions included effects on alliances, international relations, and the geopolitical environment as a whole. Every nation in the world had to negotiate the difficulties of balancing geopolitical concerns with economic interests.

Long- term structural changes :

The U.S.-China trade war triggered and accelerated several long-term structural changes in global trade, economics, and geopolitics.

A noteworthy consequence of the trade war was the reassessment and diversification of supply chains. Businesses aimed to lessen their reliance on a single nation or area, especially those in industries where tariffs had a significant influence. Global supply chains were restructured as a result, with an emphasis on resilience and risk reduction. The dangers of being unduly dependent on one trading partner were brought to light by the trade war. This insight led to attempts to lessen the economic interdependence between the United States and China, a process known as "decoupling." Governments and corporations looked into ways to strengthen economic independence and lessen vulnerabilities.

The U.S.-China competition for technological supremacy was highlighted by the trade war. Both nations made significant investments in R&D, innovation, and the creation of cutting-edge technologies like 5G, quantum computing, and artificial intelligence. The long-term strategic competition centered on the technological rivalry. The dangers of being unduly dependent on one trading partner were brought to light by the trade war. This insight led to attempts to lessen the economic interdependence between the United States and China, a process known as "decoupling." Governments and corporations looked into ways to strengthen economic independence and lessen vulnerabilities.The U.S.-China competition for technological supremacy was highlighted by the trade war. Both nations made significant investments in R&D, innovation, and the creation of cutting-edge technologies like 5G, quantum computing, and artificial intelligence. The long-term strategic competition centered on the technological rivalry.

The race for technological leadership included the establishment of international standards. China and the United States both aimed to influence international bodies that set standards, for example, in the development of 5G technology. Setting standards may have long-term effects on how technologies are embraced and integrated around the world.

Countries have reevaluated their trade strategies and pursued alternative trade agreements as a result of the trade war. Countries aimed to lessen their reliance on any one market by diversifying their trading partners. Two prominent examples of regional trade agreements are the Regional Comprehensive Economic Partnership (RCEP) and the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP).

The trade war brought to light shortcomings in the current frameworks for global economic governance. The need to reform organizations such as the World Trade Organization (WTO) grew louder as nations looked for multilateral solutions to trade disputes, intellectual property rights, and subsidy problems. The public's understanding of the complexity of international trade and economic relations has grown as a result of the trade war. Additionally, it influenced changes in public perceptions of globalization, trade policy, and the government's role in policing international trade.

Following the trade war, there were long-term adjustments that included a greater emphasis on governance, social, and environmental issues. Businesses, financiers, and legislators started to realize how crucial social responsibility, sustainability, and moral business conduct would be to determining the direction of future economic endeavors.

US EXPORTS TO CHINA :

The United States exports a variety of commodities to China, covering a range of sectors including agriculture, energy, technology, and manufacturing.

Agricultural Products:

Soybeans: One of the largest U.S. agricultural exports to China.

Corn: China is a significant market for U.S. corn exports.

Pork and Beef: U.S. meat products, including pork and beef, are exported to China.

Energy Products:

Liquefied Natural Gas (LNG): The U.S. exports LNG to China, and the energy sector has been a part of trade discussions.

Crude Oil: While not as significant as LNG, the U.S. exports crude oil to China.

Technology and Electronics:

Semiconductors: The U.S. exports semiconductors and other technology components to China.

Medical Equipment: U.S. companies export medical equipment and devices to China.

Aircraft and Aerospace Products:
Aircraft: China is a key market for U.S. aerospace companies, with exports of commercial aircraft and related components.

Automobiles and Parts:
Automobiles: While China has a large automotive market, U.S. exports of automobiles to China are limited. However, there are significant exports of automotive components.

Chemicals and Plastics:
Chemical Products: Various chemical products, including plastics and specialty chemicals, are exported to China.

Financial and Business Services:
Financial Services: The U.S. exports financial and business services, including banking and insurance services, to China.

Pharmaceuticals:
Pharmaceutical Products: U.S. pharmaceutical companies export drugs and medical products to China.

Forest Products:
Pulp and Paper Products: Some forest products, including pulp and paper, are exported to China.

Automotive and Aerospace Components: Automotive Parts and Aerospace Components: U.S. manufacturers export various components used in the automotive and aerospace industries to China.

Entertainment and Media:
Film and Entertainment Products: U.S. films, music, and other entertainment products are exported to China.

CHINA EXPORTS TO US :
China exports a wide range of commodities to the United States, covering various sectors including manufacturing, technology, textiles, and more.

Electronics and Technology Products:
Consumer Electronics: China is a major exporter of consumer electronic goods, including smartphones, laptops, and other electronic devices.
Telecommunications Equipment: Chinese companies export telecommunications equipment, including networking gear and components.
Computers and Accessories: China exports computers, computer peripherals, and accessories to the U.S.

Apparel and Textiles:
Clothing and Footwear: China is a leading exporter of clothing and footwear to the U.S., supplying a significant portion of apparel consumed in the American market.

Furniture and Home Goods:
Furniture: China exports a wide range of furniture items, including household furniture and office furniture.

Home Decor and Accessories: Various home goods, such as decorations and accessories, are exported to the U.S.

Toys and Games:
Toys: China is a major supplier of toys and games to the U.S., providing a wide variety of products for children and adults.

Machinery and Equipment:
Industrial Machinery: China exports machinery and equipment used in various industries, including manufacturing and construction.
Power Generation Equipment: Chinese companies export power generation equipment, including generators and turbines.

Metals and Metal Products:
Steel and Aluminum: China exports steel and aluminum products to the U.S., though there have been trade disputes related to these commodities.
Non-Ferrous Metals: Products made from non-ferrous metals, such as copper and aluminum, are also exported.

Plastics and Rubber Products:
Plastic Products: China exports a variety of plastic products, including packaging materials and consumer goods.
Rubber Products: Rubber and rubber-based products are exported to the U.S.

Chemicals and Pharmaceuticals:
Chemical Products: China exports a range of chemical products, including petrochemicals, fertilizers, and specialty chemicals.
Pharmaceuticals: Some pharmaceutical products are exported from China to the U.S.

Automotive Products:
Automotive Parts: China exports various automotive components and parts to the U.S.
Electric Vehicles and Components: With the growth of the electric vehicle market, China exports electric vehicles and related components.

Renewable Energy Products:
Solar Panels and Components: China is a major exporter of solar panels and related components.

Food and Agricultural Products:
Processed Foods: China exports a variety of processed foods and beverages to the U.S.
Seafood: Fish and seafood products are exported to the U.S. from China.

Raw Materials:
Minerals and Ores: China exports various minerals and ores, including rare earth elements, to the U.S.

Comparison between USA and Chinese exports :

China and the United States are two of the world's largest economies, and both play crucial roles in global trade.

Total Export Value:
China: China is the world's largest exporter. It exports a diverse range of goods, and its total export value is among the highest globally.
U.S.: The United States is a major exporter, ranking among the top exporters globally. While not as large as China in total export value, the U.S. is a significant player in international trade.

Composition of Exports:
China: Chinese exports include a broad array of goods, ranging from electronics and consumer goods to machinery, textiles, and industrial products. China is known as the "world's factory" due to its manufacturing prowess.
U.S.: U.S. exports are diverse and cover a wide range of sectors. The U.S. is a leading exporter of technology products, aircraft, machinery, chemicals, and agricultural goods.

Major Export Partners:
China: China's major trading partners include the United States, European Union countries, ASEAN nations, and others. The U.S. is a significant destination for Chinese exports.
U.S.: The United States exports goods to a variety of partners globally. Major trading partners include Canada, Mexico, China, the European Union, and Japan.

Technology and Innovation:
China: China has become a major player in technology exports, including electronics, telecommunications equipment, and solar panels. The country is also investing heavily in emerging technologies such as artificial intelligence.
U.S.: The United States is a global leader in technology exports, with a strong presence in the semiconductor industry, software, aerospace, and other high-tech sectors.

Manufacturing vs. Services:
China: Chinese exports are often associated with manufacturing, and the country has a vast manufacturing base that produces a wide range of goods.
U.S.: U.S. exports include both manufactured goods and a significant share of services. The United States is a major exporter of services, including financial, technological, and educational services.

Trade Balance:
China: China has historically maintained a trade surplus, exporting more goods than it imports. However, in recent years, efforts have been made to rebalance the economy and increase domestic consumption.
U.S.: The United States has often experienced a trade deficit, importing more goods than it exports. The trade balance is a subject of economic and political discussions in the U.S.

Global Supply Chains:
China: China plays a central role in global supply chains, serving as a manufacturing hub for many multinational companies. It is deeply integrated into the global production network.
U.S.: The United States is part of global supply chains, particularly in sectors like technology, aerospace, and automotive. However, it also has a significant domestic production base.

INFLATION REDUCTION ACT OF UNITED STATES :

The Inflation Reduction Act of 2022 will invest in domestic energy production and manufacturing, fight inflation, and cut carbon emissions by approximately 40% by 2030. It will also make a historic down payment on deficit reduction. Additionally, the bill will allow Medicare to finally bargain for lower prescription drug costs and extend the Affordable Care Act program for an additional three years, until 2025.

Over the next ten years, the new proposal for the FY2022 Budget Reconciliation bill will allocate roughly $300 billion to programs related to deficit reduction and $369 billion to programs related to energy security and climate change.

The agreement also stipulates that comprehensive legislation reforming permitting must be passed prior to the end of the fiscal year.

The Inflation Reduction Act is the largest investment in clean energy in the history of the world. The Inflation Reduction Act is going to rapidly accelerate the pathway of the US to net zero. It is a sweeping piece of legislation that is designed to decarbonise the US economy, to reshore supply chains, and also to break dependence on China.

The Inflation Reduction Act has very little to do with inflation reduction, particularly in the short term. It's a piece of industrial policy. It's a piece of climate policy. It's a piece of trade policy. It's not a piece of inflation reduction. It's full of tax credits designed to draw in investment into the US economy. it's all being funded by the federal government over the next 10 years. The IRA includes $370bn worth of tax credits, loans, and grants to incentivise domestic manufacturing. This is about a 50-year change in how the economy is going to run. Is this actually going to create long-term viable industries which are more competitive than the Chinese.

The impact on emissions of the IRA are expected to be about 40 per cent cut by 2032 if all the tax credits are taken up.

CONCLUSION:

The U.S.-China trade war had undergone various phases with moments of tension and partial resolutions. The trade conflict, initiated by the Trump administration, involved tit-for-tat tariffs on each other's goods, impacting global trade and economic stability. The signing of the Phase One trade deal in January 2020 provided a temporary truce, addressing some key issues but leaving others unresolved. Challenges persisted due to ongoing concerns about intellectual property, technology competition, and broader geopolitical issues. The Inflation Reduction Act of the US might be a great influencer in this ongoing war . The trade war not only influenced economic aspects but also contributed to shifts in global supply chains and diplomatic relations.