

ISTANBUL COMMERCE UNIVERSITY
GRADUATE SCHOOL OF FOREIGN TRADE
DEPARTMENT OF INTERNATIONAL TRADE
INTERNATIONAL TRADE M.A. PROGRAM



THE TRADE WARS BETWEEN US AND CHINA

M.A. Thesis

Ferhat ALTINTAŞ

Istanbul, 2020

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ÖZET

Amerika Birleşik Devletleri ve Çin aralarında yüksek bir ticaret hacmine sahiptir. Bu iki devlet ekonomik çıkarlarını göz önünde bulundurmak suretiyle ihtiyaçlarını birbirinden karşılamaktadır. Çin ihracatının büyük bir bölümünü Amerika ile yapmakta olduğundan, bu ticari ilişki Amerikan Başkanı Donald J. Trump tarafından endişe ile karşılanmaktadır. Trump başkanlığa seçilmeden önce seçim kampanyasında, ulusuna önceliğinin Amerika olacağı ve ülkesini daha iyi bir konuma getirmek için onları ithal ürünlere karşı koruyacağını sözünü vermişti. Bu yaklaşımın temel nedeni, Amerika'nın Çin ile yapmış olduğu ticarete her geçen yıl ciddi manada ticaret açığı vermesi ve Birleşik Devletlerin Çin'e bağımlı bir ülke olması yönünde ilerlemesiydi. Trump yönetimince adil olmayan bu ticari ilişkinin, Amerika'ya karşı bir tehdit unsuru haline geldiği düşünülmektedir. Bu maksatla Amerika ticari savaşın fitilini ateşlemiştir. Bu savaşın amacı Amerika'yı daha üretken ve iş olanakları bakımından daha zengin bir ülke konumuna getirmektir. Bunda dolayı Amerika, Çin'e karşı uyguladığı ek gümrük vergileri kapsamındaki çeşitliliğini arttırmıştır. Çin ve bazı gelişmekte olan ülkeler (Brezilya, Türkiye ve Rusya), Amerika'nın kendilerini tabi tuttuğu ek gümrük vergisi uygulamasına bir misilleme ile cevap vermişlerdir. Bu savaşta her iki taraf ciddi oranda kan kaybetmektedir. Trump yönetimi korumacı anlayışta ısrarcı olmaya devam ederse, Amerika'da enflasyon artacak ve buna bağlı olarak halkın alım gücü azalacaktır. Ancak Başkan Trump, ulusalcı yaklaşımla kendisinin siyasi bir kazanç elde edeceğini düşünse de ek gümrük vergileri dünya ekonomisinin gelişmesine ket vurmakla birlikte dünya ticaret pazarının büyümesine de engel olmaktadır. Bu çalışma ile Amerikan ile Çin arasında süregelen uluslararası Ticaret savaşının ortaya çıkışı, gelişimi ve ülke ekonomileri üzerine etkileri incelenmektedir.

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

ABSTRACT

The United States and China have a high volume of trade between each other. China is dominating the world market and earning the highest level of income from the exportation. China delivers the most significant amount of the export rate to the United States. These trade relationships have some concerns by the United States' President Donald J. Trump. Before he became president of the US, he made a promise to his nations to protect his country from exportation. When he became president, he imposed the highest tariff to protect his country from export goods. The main target is China and other countries, which makes the trade with his country. For this intention, The President lighted the fire of trade war. This war aims to bring back job opportunities and make America a more productive state in the world. Therefore, he is extending the list of tariff ranges during trade wars. China and some emerging states (Brazil, Turkey, and Russia) responded to the war with retaliation. In this war, both sites are losing. If the Trump administration insists on protectionism, it will cause high inflation and lower purchasing power in the US. However, as President Trump considers the political interest in this dispute to influence his nation, but his approach impacts the world economy. Tariffs cause global market economic growth. Most of the investors awarded this uncertainty environment. They are expecting to clear this chaotic situation soon. The war can end with the role of the World Trade Organization. WTO is the most proper trade organization to arrange a settlement between his members.

Keywords: International Trade Wars, American Economy, Chinese Economy

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I dedicate my thesis to my baby daughter Gülce who is going to be born in July and my beloved wife, Merve.

Ferhat ALTINTAŞ

July, 2020

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LIST OF ABBREVIATIONS

BCE	:Before Common Era
BLS	:Bureau Labor Statistics
CE	:Common Era
CFIUS	:Committee Foreign Investment United States
CPI	:Consumer Price Index
EC	:European Community
EU	:European Union
GATT	:General Agreement on Tariffs and Trade
GDP	:Gross Domestic Product
IMF	:International Monetary Fund
ITC	:International Trade Centre
MFN	:Most Favorite Nation
MTS	:Multilateral Trade System
NTB	:Non-Trade Barriers
OECD	:Organization for Economic Cooperation and Development
R&D	:Research and Development
SG	:Safeguard
TFTEA	:Trade Facilitation and Trade Enforcement
TPA	:Trade Promotion Authority
UNCTAD	:United Nations Conference on Trade and Development
US	:United States
USSR	:United Socialist Soviet Republics
WHO	:World Health Organization
WTO	:World Trade Organization
WWII	:World War Two



1. INTRODUCTION

The United States and China are holding the most significant economic power and international trade ability in the world. The world's giant economy is not welcoming Chinese goods domination in their country. The thesis is going to study several questions answers, which are why China's trade domination bothers the US President, and what kind of role does Chinese trade policy play in the US and the world? Why do they have the highest volume of trade relationships between them? Why these countries are declaring the trade war with each other. What are the main clauses for that? The trade war one of the leading causes is an economic interest that gains from international trade. When a state realizes that the deal, related interest is declining, and foreign-made goods dominate the local market, countries are looking for solutions to minimize this matter. The President of the United States' Donald Trump found the way of treatment for these concerns in his country. He pulled the trigger of the trade war against the United States trade partner countries, especially for China. The reason is that China delivers the highest number of exports to the United States. Trade war began in 2018 on Trump administration's concerns. This war without a missile. Their main gun is a tariff in this conflict. The tax has a different impaction, which is used by importer and exporter countries to protect their market and gain significant income. The protection ability of tariffs takes place for the local market to keep foreign goods away from home. Therefore, Trump administration aimed to protect a local seller from the Chinese goods dominations in his country. The trade deficit is addressing the balance between import and export rates. When the imports are higher than export, which causes the gap, countries are minimizing the trade deficit by applying the tax or implementing the quotas on certain goods. President Trump imposed taxation on the steel and aluminum industry to reduce the trade deficit (Neena, 2019).

Tariff regulation controls by one of the institutes, which is called the World Trade Organization (WTO). Whoever is belongs to WTO, they accept the rules and rules under the memberships. This study is going to mention WTO roles in this war. The World Trade Organization can detect the tax rate, tariff, Quotes when the WTO member imports and exports goods from each other. The factors in these war trade policies that are shaped by the politicians. The wave of tariff impacted trade volume in the world, which caused the chaotic

environment for global economic developments. That adverse developments are troubling the investors, which causes the improvement of the global financial market. The world's two biggest economies have a considerable challenge for the moment. It seems this dispute will take an extended period, especially during the Trump administration. President of the US expects that the protectionist approach will bring him political interests, and more job opportunities for his nation. However, he underestimated the US export level because American export companies pay to employees' 18 percent more than non-export intensive industries. The data estimation equalized \$1.300 extra income per year for each employee who works in the export industry. International Trade provides purchasing power to the middle class of Americans with import goods flows. Trade makes the ability of employees more sufficient. According to data, the United States has 39 million jobs that relied on trade. American manufacturing raised jobs rate 80 percent based on trade-related production in the last 25 years, about 300.000 people (Soroka, 2016).

Also, international trade income ability supports developing states. The main concern for the developing countries balance between imports and export. While trading with others, trade partners want to do less import and more export to have the benefits from foreign trade. Upon this approach, People and states gain economic advantages (Riker, 2010).

The President applied the protectionism mentality to get more economic advantages from international trade. From this aspect, He asked the war. However, he does not estimate the US companies' export level with China and others. China is the third of the biggest importer country for the United States. Therefore, the export industry's related job rate is lowering. This situation spilled over all the states. It calls emerging nations. When the United States launched the new tariff policy in 2018, the retaliatory response appeared in US trading countries. The rising tariff caused the \$ 450 billion of global trade, which calculated 13 percent of the US imports of commodities and 2.5 percent of foreign trade goods (Kolb, 2018).

What are the reasons behind the disputes? The global trades are becoming more competitive each year. So, what is the globalization role in this war? This study will explain the advanced causes of globalization's impaction on the trade war. One of the biggest factors is technology.

It plays a significant role in this war. It will analyze each state's investments in technology, which calls R&D what and how they improve it. However, the study will point out the country's level of education and population size. The is workforce is necessary for production because china has the largest population in the world how the Chinese government turns this opportunity into action. These developments are beneficial for Chinese export volumes (Devarajan, 2018).

In the second chapter of the study, the definition of the tariff and restrictions is on the trade war. The role of tax and importance for domestic and the global trade system, and how does tariff impact the local and international market economy? Type of duty that can apply under certain circumstances.

In the third chapter of the study, explaining the trade war and global trade process from historic trade routes to recent times. How international trade plays an essential role in shaping the countries' economies in the futures and the world trade organization roles for creating a sustainable multilateral trade system for the world to eliminate trade arise issues in the world.

The fourth chapter of the study describes the US President Donald Trump's trade policy creation and approaching China and other trade partners. The United States additional tariff implementation and nature of trade war to protect his nation. Trump's trade war impactions and results in the US, China, and emerging countries in the world.

2. TARIFF AND RESTRICTIONS ON TRADE WARS

The tariff is one of the words that takes place since the world trade has existed. The tariff defines as a tax on import and export goods—the price charges based on goods value and quantity. While goods are crossing the custom process, tariff exposes by the countries to each other under specific rates to gain revenue from the tax. If the rate as tariff goes beyond the logic rates, it uses for restrictions to protect local producers against the import goods. Therefore, tariff calls trade guns to save a country from foreign goods (Humphery, 1987).

The tariff is an affection that includes many things in the world, such as trade, production, consumption patterns, and welfare. These subjects do not have the only influence by itself. Especially tariff creates an obstacle for the prices domestically and internationally. Therefore, non-discriminatory tariffs and liberalization trade policies have become necessary for macroeconomic, social, and labor markets (Shafaeddin, 2005).

That is why trade restrictions must minimize economic interests. According to the IMF report (Ranil, 2019)

Trade policy plays a vital role in economic development if a state welcomes foreign investments for trade purposes activities, which is a surplus for the economy. When the economies open to the world's foreign direct investments, that contribute to sustainable economic growth. The East Asia region tariff dropped from 30 percent to 10 percent. It attracted foreign investors. Their investments made developing countries more productive states in the region. The poverty rate declined 14 percent between 1993 and 1998. There is an example that compares outward oriented and inward-looking economic developments. The example proof that outward-oriented countries grow faster than inward approach. Such as India, Vietnam, and Uganda. They grow faster and decrease the level of poverty. In these positive impacts, their sharp tariff reduction was in the lead. The IMF calculates When the trade barriers eliminate “the gains from eliminating all barriers to merchandise trade range from US\$250 billion to US\$680 billion per year (Staff, 2001).

This reform benefits tariff-related implementations. Reform happens based on tariff reduction, which positively contributes to their trade activities. Reforms and tariff reduction make developing countries more prosperous in competition. The wide range of products which produce by the developing countries is becoming able to spread all around the world. These types of implementation bring income to developing countries. This treatment provided welfare gains for developing countries. The figures below compare the restrictions and trade liberalization results for the tariff in the world (Przemek, 2003).

Before the trade war took place, the tariff rate was not as high as now. According to the UNCTAD article, the average tariff was less than 1 percent for developed countries between 2002 and 2012. The average tariff was 4 to 10 percent for the developing countries in these years as well. The lower import tariff helped to develop countries' trade ability. When they sell the goods abroad, they did not pay enormous taxes in developed countries. Tariffs and trade play essential roles in countries' development and incomes. From the Silk Road, the appearance to General trade tariff agreement, the world trade has witnessed many changes which did not help to trade appropriately. The most significant step put forward to the creation of GATT to shape and organize the new world trade system under specific rules. The GATT and the World Trade Organization shaped the international trade system's new face with numbers of supportive trade organization. Each organization has significant contributions to the trade and economic system in the world. The tariff and trade section is going to analyze the trade process before the GATT founded in 1947 how the trade process was before the GATT taken in place. Economic interest and security concerns were some of the main reasons for the Second World War. Therefore, Winston Churchill and Franklin D. Roosevelt agreed to the Atlantic Charter. The world's two most potent leaders issued agreement because of the world and trade chaotic environment. The main reason for the charter was for a better world and peace. There were many different clauses under the Atlantic charters. For instance, clauses 1, 6, and 8 implied establishing peace and abolishing the Nazi power in the world. Clauses 4 and 5 referred to economic concerns. The US and the United Kingdom wanted to take a further step to clear chaotic economic situation for their countries and the world. They wanted to have equal terms of trade for each country that should exist on the planet. Each economy deserves an abundance of trade income. Thus, the

world needed one system which should create to organize specific rules to shape the trading system for each country in the world. From this perspective, the GATT foundation laid (Ruggiero, 1995).

The GATT started to take place during the Second World War. The primary process and negotiation began in September 1941. The process took off for the most critical and challenging issues to overcome. The United States wanted a new trade system according to most favorite nation principles (MFN). The US demanded the have concession for the parties under the MFN principles. Among the WWII, the US secretary of State Mr. Cordell had forced MFN trade before the world war two ended. He wanted to protect US exporters from the Second World War regimes perspective, especially from the United Kingdom Commonwealth of Nations. President Harry Truman politically supported the Cornell approach for the US trade demands from the creation of the GATT. One of the reasons was to make the free trade movement for US goods. Because of the great depression of America in 1929, the US Congress created the law passed in 1930 called Tariff Act on the other that known Smooth-Hawley Tariff Act, which caused the raising of tariff for 20.000 products (Nottage, 2012).

When the Franco-British Commercial Treaty was over in 1860, the United Kingdom becomes the primary protector of the MFN principle. Upon this date, the UK developed the system continuously for the Commonwealth nation, which kept the tariff level low for the nations, which was beneficial for third countries. This approach turned in the protectionist approached in 1898. Because of the United Kingdom and US tariff policy agreements creation of the Ottawa System of Imperial Tariff Preferences has appeared in 1932. The United States exporters have harmed from the various agreements all around the world. Before the Second World War took place, the UK and the US agreements hurt each other. The United Kingdom MFN trade principle and the United States Smooth-Hawley Tariff Act did not work for the world economic power. Therefore, each agreement did not last long. Upon these trade agreement trails, GATT became one of the worlds (Santana, 2008).

The General agreement and tariff trade foundation was founded in 1947, which has been signed by 23 nations that dominate the world's trade. At the beginning time, GATT comprised the limited implementation of trade. The agreement enlarged at the Havana Charter in 1948 with international trade Organization involvement. The ITO offered to widen the application area of the GATT for international trade. The suggestions contained the agreements on goods, restrictive business practices, economic development, employment, and an organizational structure. However, ITO did not acknowledge it as an authorized organization. Therefore, the GATT became the strong force for the essential paper works and international cooperation on trade matters. The GATT purposed to overcome the two most important subjects. These explained from the preface of the statement—the reduction of tariff and abolishing the trade discriminations related barriers to the commercial agreements. The first object reduction of tariff carried out six multilateral trade negotiations since 1947. The negotiations brought up a thrilling conclusion. The Kennedy round determined the rate of tariff on dutiable nonagricultural products, for average 9.9 percent in the United States, 8.6 percent in the European community, 10.8 percent in the United Kingdom, and 10.7 percent in Japan. The GATT negotiations, the level of tariff all on dutiable reduced to 59 percent in 1932 in the United States. The rate dropped to 25 percent in 1946 before the Kennedy round. It went down to 12 percent. The bottom rate got down 9.9 percent, as determined in the Kennedy round which is still valid today (Baldwin, 2020).

The second and critical subject considers the non-discrimination on trade as it seems one of the most criteria for international trade, which is followed by tariff subject. These two objectives designed the import and export transactions between the trade partners. The main goal for these subjects keeps both in balance to complete each other. The attempt of tariff change and nondiscrimination trade practice brought the equality of each country's tax charges on import and export goods, which were successfully delivered by the GATT administration. It did not confirm each state at the same level for the tariff by the GATT. Countries categorized as developed and developing. There were prior privileges before the GATT created. These exceptions were the formation of customs unions and free-trade areas. These are implemented by the GATT as well, which are encouraged for countries' trade. On the other hand, there are some restrictions which are harmful to international trade. Therefore,

GATT acted against them to eliminate these unwanted trade barriers. Those are quantitative restrictions used to get a mark of origin, sales and other indirect taxes, and the various government fees and non-tariff barriers which are applied to gain an extra income from the custom tax charges (Kay, 2020).

Upon minimizing tariff rates and removing the trade barriers, the GATT put another step toward raising economic growth in the world. The GATT creatures believed that economic subjects would lift by the cooperation of politicians. If they have a peaceful approach, the global economy and politics will be better. These took the place of the GATT articles to design equality everywhere who have trade with each other. Also, GATT added more articles to the draft, which targeted to global economic contributions for the world. Therefore, GATT examined each industry differently. Industries and sectors trade with each other all around the world, but they realized antidumping trade practices. This unfair trade practice harms the local producers in the country. So, GATT applies some implementation against this type of trade practices. Thus, the local producer can be supported by the government's incentives to protect domestic producers. GATT's main point is to make sustainable protection for each member, primarily focusing on developing countries. The GATT provides some privileges to developing countries such provision of the custom arises expenses free trade and trade liberalization for them (Hilpod, 2003).

One of the GATT encourages the developing countries to set up some industries in their country to bring more economic interest and job opportunities for the public. Therefore, a quantitative restriction on trade to meet balance-of. These two organizations have some common points, which are the extension of multilateral trade systems and non-discriminatory trade practices—the OECD founded in 1948. The primary aim of the OECD in trade areas is to promote and expand the world's t-payments problems associated with development programs. Upon the fair trade and economical approach of the GATT, the foundation cooperates with a couple of organizations called Organization for Economic Cooperation and Development (OEC trade on a multilateral and non-discriminatory basis with the creation of peaceful and less barrier trade in Europe. The OECD memberships included at that time eighteen European countries plus Canada, the United States, Japan, Australia, and New

Zealand. OECD convention approaches the regional trade agreement different than GATT. The convention does not apply detailed articles to determine prohibited activities. The committee takes place the issues for the current issues in the regions. For instance, the European governments can interrupt the foreign supplier exportation to European states. The committee is proposing the raise the exportation income rate for the developing countries. To succeed in extra income for developing states, the committee generates preferences tariffs for exportation from developing countries. Therefore, OECD persuades the well-industrialized state to give tolerated tariff for developing nation gain (Knapp, 1994).

Most of the developing countries are members of this board. The trade development board has four central committees on goods, on fabrications, and invisible financial related to commerce. The committee's duty on goods bring sustainability and increasing the income that comes from primary export products which produce in developing countries. This guidance is led by the committee to lift the economic interest for them. The second mission of the committee is manufacturing, which considered under the tariff preferences. The committee demanded the exception for some industries in the developing countries to apply tariff preferences. The tariff rate would create a privileged situation from the developed industries' domination if it could happen, which would make them a step ahead of the developed industries. It has not fully applied. The committee also takes the role of trade agreements related to Shipping and on Invisibles and Finance. These subjects do not consider by the GATT which have significant roles for the developing countries (Greenwald, 1967).

The following organization is the European Community, which is focusing on regional trade agreements with economic relations and political development. The European Community regulates trade transactions between the members. Notably, the EC considers free trade in the region. Therefore, European Community treats the members equally for the tariff concerns. The EC remove the many nontariff products and devices from the trade. European community controls the government's purchase and tariff implementation on goods. Especially the EC creates a standard policy on certain goods and transactions such as agriculture and transportation. All these subjects shaped under uniform treatment by the EC. The uniform tariff aims to shape the standard purchasing policy for the region by the

government to eliminate tariff affection the trade for these areas. This approach creates equal treatment for each member of the EC. They have trade relationships based on conventional currencies, fiscal policies, and monetary transactions, which keep them under the same umbrella. The GATT to all trade-related organizations have been focusing on the same target to reduce or eliminate the trade barriers in the region or worldwide to make better trade transactions (David, 1975).

2.1. Tariff History

The tariff is one of the words that we have seen it as a debatable subject recently in the - international trade area. Where does this word come? When we look at the history of the tariff, which comes from ancient times. The tariff appeared in trade relations around the Mediterranean Sea between Arab and European merchant's trade transactions period. This word came from the Arabic language to the European language. Thanks to the vast trade channels of Islamic families—such as the Cairo-based Fatimid Empire, engaged in the Mediterranean in the 10th through the 12th centuries—several terms linking to commerce entered European languages from Arabic. According to the Arabic language, the mean of tariff originating from "ta'rif" meaning to information or notification from the verb "'Arafa," meaning "to make known." Arab merchants used those words to address foreign merchants entering fees to other countries' ports. According to the source of Sicilian, the word converted into tariffs in the 14th century. The word used to charge a fee along with Moorish times. The word of tariffs spread to other nations, which involves the trade activities in maritime republics, for instance, Venice and Genoa, and other Romance languages followed suit, with "Tarifa" entering Spanish and Portuguese and "Tarif" entering French. The word first made its appearance in English in the late 16th century, initially mimicking the Italian "tariffa" before the spelling settled as "tariff. The word also used describes taxation in accounting besides usage import and export in history (Zimmer, 2018).

According to H. Asakura's book, which is World History of the customs and Tariff, the first tariff has appeared in the city of Palmyra in AD 136, the desert in Syria. The first tariff detected as privilege taxation collected for the local customs duty by the Roman Emperor Hadrianus. The custom tariff called a part municipal tax, which written on stone in Greek

and Aramaic languages. According to the Asakura research, when a person entered the city of Palmyra with a load of farm purposes paid three denarii after leaving paid three denarii as well. Besides, some tariffs charged changed based on goods value and quantities. For instance, when a camel carried Wool dyed purple, good paid three denarii, and salted goods carried by donkey paid three denarii. When a donkey entered the city with a load of aromatic oil, jar paid seven denarii for importation and exportation. Each tariff measured the value of the goods by categorization. Asakura revealed the study of Kausalya's Arthas that written 2.300 years ago that was around 300 BC. Upon the ancient time to recent times. The tariff witnesses many changes and regulations. The first custom duties used the tariff for income from the transportation of the goods. Early history mentions the port tariff between the 17th and 18th century (Satapathy, 2020).

Airplanes and vehicles did not exist at that time. There was no regulation for the tariff rate, which was detected by the countries. By the 17th and 18th centuries, tariffs only charged for the import goods at that time European power dominated the world. European domination implemented a low tariff rate for imported goods. However, when free trade began to take place in the late 19th century. The tariff began to lose popularity during that time. The new trade system minimized the tariff rate and instead replaced the free trade understanding by Great Britain and France. The new trading system created a preferential tariff, which was for foodstuff and raw materials. The reason was organizing the export and regulating domestic production from the colonial dependencies of Great Britain and France. The other European nations were not on the same page as Great Britain and France. They raised the tariff rate until the Great Depression. Since World War II, free trade began to dominate the world, which has simplified. The tariff-related trade approach lost its importance. The new perspective of the world trade began to create new agreements under the worldwide recognized organizations. Therefore, the most favored nation clause and trade agreements created. Those are breaking down the iceberg between states. Countries implemented trade deals with each other to move trade barriers. The next step took place by the United States to remove facts of the high tariff rate act from the Hawley smooth tariff. That was usually created in 1930 to protect to raise tariffs to protect domestic producers, however, after World war II. The US pushed away from the impaction of the tariff act. The United States became

a pioneer country for one of the most prominent trade organizations called the GATT foundation. All unsustainable and non- disordered trade developments made the necessary to appear in this organization in the world. After the Second World War in 1947 and became the legal trade authority, which is called general agreement tariff and Trade (GATT).

2.2. Types of Tariff

2.2.1. A Most-Favored-Nation Tariff

There were two types of MFN tariffs, which were conditional and unconditional, which started in the 18th century. Until the late 18th century, unconditional MFN tariffs provided all nations with no privilege. It confirmed as a nondiscrimination trade practice for every nation. Before GATT founded, there was an MFN signed agreement between the United States and France in 1778. The treaty provided a grant to France as a partner of the US. Also, the United States offered the grant all third parties under the conditional situation. If compensation obtained, similar compensation would require as a condition of granting the concession to France. The agreement process was used most of the nation all around the world. However, in 1860 Great Britain launched free trade understanding because conditional MFN was an advantage only for France. Britain's free trade practice brought back the unconditional MFN for the countries which became popular at that time conditional MFN lost validity. The United States took action to legalize unconditional MFN to clear the complexity. Therefore, the US created in the 1933 Tariff Act for the MFN. It was committed itself to unconditional MFN in 1934. Upon these developments, the United States became the pioneer of making an unconditional MFN cornerstone for the GATT. Therefore, this essential subject took place in GATT as a first article (Rubin, 1981).

The GATT signing brought a balanced approach to all GATT members for the tariff under the MFN. The most favored Nation Tariff aimed to keep all members under the same umbrella. Besides, the MFN tariff allowed some exceptions for some developing countries, such as detected local tariffs. When a country creates regional trade agreements with other partners, they can designate the tariff based on their demand, which is called a preferential tariff. MFN began based on these developments to make better trade transactions between members. However, the GATT did not go beyond the preferential tariff since founded. In

1958, the most crucial action came up, which is permitted to GATT members to have customs unions and free trade areas. This action took place in article 24. It pursued by the US-Canada auto pact in 1965 and the Generalized System of Preferences in 1971 (Ludema, 2002).

In the Tokyo Round, well developed and industrialized countries began to raise their voice because of small countries choose the trade barrier reduction of the large countries. This properness brought them to benefit from MFN. However, the United States did not approve of this usage of the benefits for the small countries. Therefore, the US acted against that with the trade act in 1974. The trade act demanded conditional MFN to the Tokyo Round, which concluded the couple codes bargained as “plurilateral” agreements, applying only to GATT members who signed with them. The Uruguay Round (1968-1994) finalized and shaped the MFN tariff understanding. The round abolished the GATT for the free trade problems. Because of this issue, the World Trade Organization placed instead of the GATT to regulate trade transactions better than the GATT process. Most of the trade organizations merged them into the WTO, such as GATT, GATS, TRIPs, and TRIMs. The new MFN understanding under the WTO brought some exceptions for the sectors. For instance, financial services and information technology (Cebi, 2002).

Under the WTO, most favored nation treatment continued. Any member cannot discriminate against each other when a member provides the favor to another member who should apply to the others. The WTO is so strict about the MFN treatment. MFN has some exceptions under certain conditions. For instance, countries can establish free trade agreement which can apply only certain commodities that can trade within the groups with discrimination against the from the outside. In addition, developing countries can have exclusive access to the market. When they want to protect their domestic market, they can increase the trade barrier against these countries. Also, MFN targets treat foreigners and locals equally. According to MFN, the goods imports and the goods produced locally, which should treat equally. MFN focus on equal trade without discrimination and purposes the eliminate the trade barriers. Therefore, MFN When the obstacle removes from the trade, more trade practices in the world are encouraged. The main trade barriers are custom duties, import bans, and quotas. Establishment of the GATT in 1947, to founding, of WTO eight rounds of

trade negotiations delivered. Each round main topic was lowering tariffs and approach each member equally to create a better trade environment all around the world. At the end of the rounds in the mid-1990s, industrial countries' tariff rate fallen to less than 4 percent. All these developments made the trade better under certain conditions. The MFN encourages the all trade partner without having discrimination to each other to do equal trade practice since the trade has existed (WTO, 2018).

2.2.2. Specific Tariff and Ad Valeron Tariff.

The specific tariff applies to certain goods. It has a single charge for the entry. Every specific tariff has an equivalent ad valeron tariff. For instance, for the specific tariff, we can look at the well-known example, which is the US charge \$ 0.51 tax for each wristwatch from importation if the one thousand watches arrive at the US custom, which equals the \$510 tariff. In this process, expensive or cheap watches are not necessary. It considers the only name of the entry-based quantity of units or weight. The reasonable prices are not extraordinary. Ad valeron tariff estimates based on the value of the goods. When the excellent import value is 5.000 \$, If the ad Valorem applies 5 percent. Another 250 \$ would pay for tariff charges. When we look at these types of tariffs, ad valeron tariff brings more income than a specific tariff. When a country applies the Ad Valorem tariff profit-maximizing company increase its production (Durgeylan, 2012).

2.2.3. Quotas

The quota is the restriction—the state policy-imposed limit for the imported goods. The regulation allows targeted specific numbers of goods can flow from one country to another. The main reason is the quota to keep domestic producers secure against the import goods. A quota is different from the tariff because the importer country does not gain any economic interest from the quota. The tariff is negotiable that countries can detect the numbers which do not refuse the limitation. Quota aims to keep certain goods safe against the outcome goods. This restriction keeps the imported products price high and low rate purchase for them. Quotas make domestic products more attractive in the market. Quotas, for the short term, support the domestic producers when it estimates the long run impaction of the Quotas, which is not suitable for the country and consumers. Domestic producers play with the price and

lower the goods if there is no competition on the restricted good. When a country imposes quotas exporter country, which brings up the retaliation, another country applies the same way, which causes the complexity between two countries' trade relationships. Upon these developments, both sides lose economic interest in the international trade (Smith, 2019).

2.2.4. Non-Tariff Barrier

The word Nontariff barrier detect by governments based on the country's trade influence. Trade Tariff barrier is the limitation for goods flows one country to another. The restriction takes place with quotas, embargoes, sanctions, and levies — non-trade tariff barriers shaped by political and economic developments. When the goods flow between two countries, which have some taxation that calls tariffs, also, based on countries' trade policy, they impose an extra implication on foreign trading import goods. The barrier is more harmful than import tariffs from a financial perspective. Tariffs can target at some import goods which can impose a tax on the goods. Nontariff barriers target all type of goods which is coming to the country. Besides, nontariff barriers approach the import goods with limitations. Non-trade barriers ban goods from flowing countries (Inn, 2013).

NTB has appeared in the early sixties. Since 1960 which started the spread all around the world. It is sometimes intensely active all around the world. When the country realizes economic alert, this alert appears from the trade deficit; therefore, the state urges the protectionism. The policymakers approach that legislative way, which creates some legal imposing against the import goods. The protectionism idea takes place with quantity restriction. When the quantity limitation does not help to reduce the budget deficit, administration authority takes place with the administrative protectionist approach. This protectionism can be domestic public safety and product disclosure conditions such as labeling and restricting free trade under the quotas determined by the government. All these types of developments damage the countries' trade income and feed trade complexity worldwide. NTM policy measure affects the world trade more than another custom tariff. All these affections cause price raising and economic concerns in the countries. Most of the analyzes address one of the essential impactions of the NTN, which is for developing countries. These countries have limited ability to produce for import and export. When tariff

imposes, it takes place against their exportation, which causes weakness of their trade ability. Therefore, NTM is impacting to all around the world trade relationships under the different subjects (UNCTAD, 2013).

2.3. Protectionism

The protectionism is one of the general trade policies to support domestic producers by the policymakers. Therefore, the government detects protectionism under certain conditions. When a state wants to minimize the level of import, they apply the protectionism. The purpose of protectionism is to support local producers. When the study observes the part of world protectionism gradually is changed. Before the nineteenth century, protectionism was not widespread at that time. The new American policy, according to data for all import commodities tariff rate was 15 percent average in 1790. However, the number did not stabilize because of the United States' finance war in 1812. The reason was raising the export rate—one of the reports created during the Alexander Hamilton. The purpose of the proposal to protect American manufacturers. He offered that to congress, which was refused by the administration. Along with the Jefferson administration, the congress declared the embargo on international trade. From December 1807 to March 1809. The purpose of the embargo was for the elimination of international trade. Economists comment on that incident with comparison welfare and free trade (Irwin, 2006).

The study, which was taken place in 1950 by author Viner, mentioned that countries should cooperate with the other states to be beneficial for both sides. The level of the gap for the trade can fill with imports and exports. It can clarify the role of comparative advantage in this situation. The model of comparative advantage encourages the state for integration with others who make better products. Also, it provides an opportunity cost—the integration approach for trade support by the developing and developed countries. The integration brought free-trade activities that helped to eliminate tax in foreign trade. This movement did not support one of the groups (Jose, 2005).

However, the US tariff act for the protectionism was available for December 1807 to March 1809. The embargo caused prices raised, and ports volume of the ship lowered, which impacted the job loss. The impactation became 5 percent of the GDP in America. This embargo slightly changed the production level of the American manufacturer. Along the 1820 import rate increased; therefore, the average tariff went up to 60 percent in 1930. That tariff rate was higher than the Hawley-Smoot tariff of 1930. After the past ten years from 1820. The tariff rate fell the 20 percent (Douglas, 2006).

Countries categorized as developed or developing. When the study observes them, tariffs and protectionism have a different meaning for developed and developing countries. Tariff policy detects by politicians based on trade activities that can bring advantages or disadvantages. For developed countries, tariffs are used as a trade gun to protect the domestic market or create a way of income. Developing countries' perspective seems to be an obstacle to growing their commerce volume to developed countries. Each side wants to have benefits. Therefore, trade policymakers must consider the implementation of the tariff for protectionism policy. From the economist, aspect states do not count other countries' situations. They observe their environment. That is why trade policymakers shape international commerce in their country based on trade flow and income contributions to the welfare (Conybeare, 1983).

Tariff liberalism can contribute to industrial developments in developing countries when the developing countries observe their tariff rate, which seems higher than in developed countries. The reason is that developing countries aim to get fiscal revenue from trade taxation. The figure and table below which point out the level of trade taxation between developed and developing countries. Low income and middle-income level countries gained 4 percent income from trade taxation, which is one of the contributions to GDPs from 1995 to 2000. The trade tax income rate is 1 percent in developed countries. 34% of the total income of less developed African countries was import duties. These numbers were exceeded by 50 percent from 1999 to 2001. This data proves that high trade taxation does not mean that a high level of income from international trade. The less developed countries average

tax rate is 18 percent. From this perspective, less developed and expanding countries should reshape their trade taxation policy (Kowalski, 2003).

2.4. Tariff and Domestic Production

Tariff one of the taxes that charge during the goods flows between two countries. Each country uses tariff taxation based on some regulations. However, sometimes tariffs use as a secret weapon to protect the domestic production industry. When the domestic industry faces foreign goods domination in the local market, the usual imposing tariff rate increases unexpected rates to protect domestic producers. Japan applied the high tariff on multiple agricultural products for domestic protection purposes. For instance, it was 1705 % on konjac, 1083% on the pea, 778% on rice, 593% on peanuts, and 482% on butter. Japanese unexpected raising of the tariff did not welcome by the World Trade Organization. The world trade has already been suffering from the tariff, which exceeds the border. Therefore, an alternative way is called a subsidy. It purposes the local help producer financially to overcome expenses and compete with foreign products in the market. For example, South Korea applied the subsidy on agricultural goods to compete with the European Union and the US. Agriculture's goods in the local market. South Korea supported around 20 and 70 billion dollars per year. The result appeared that South Korean's agricultural products competed with foreign goods and prices lower thanks to competition between domestic and foreign products which contributed to the welfare of the people (Ogawa, 2013).

Developing countries are the most fragile states that tariff impacts more than developed countries. When the tariff rate is not hurting the developing countries, they can deliver their economic strategy. Also, positive economic developments have positive impacts to lower poverty in the country. According to OECD empirical study in 2003, there are relationships between tariff reduction and welfare in developing countries. Tariff rates should do only developed countries for developing. These actions should take both sides when the developing country reduces the tariff level, which will help them access the world market. This approach will lead to liberalism.

The current example is US. President Donald Trump's Trump's tariff policy. He applied the high tariff rate to protect domestic producers. His tariff policy did not include governmental

subsidies. It only aimed to raise tariff rates high as possible to keep away foreign goods from the local market or made them expensive with tariff raising. This action brought a financial return to the US and provided price advantages to domestic producers. For instance, we can look at the imports to the United States from Mexico and China. After Trump's administration, tariff imposition, foreign-made beverages, and foreign-made car prices went up. Domestic companies are becoming more competitive with foreign producers. These competitions bring an extra profit advantage to domestic producers. Therefore, the price goes up, which causes inflation. On the other hand, foreign countries respond to the US. Tariff policy with retaliation causes the export companies' difficulties in selling their goods in other countries. The one side keeps domestic producers safe; the other side causes the exportation income the country (Randle, 2017).

The safeguard measure came into action in 1994 under the article XIX by the General Agreement Tariff Trade institute. It considered as emergency action against to increased import of products. When foreign-made products dominate the local market, Safeguard measures play a vital role in protecting domestic producers from foreign goods. The measures target the temporary MFN import restriction on import goods. Safeguard created due to the Uruguay Round with GATT members. The member's common point was a grey area measure for the application of SG. It defined the for-restriction limit import on certain products. The safeguard agreement brought two critical words to mention, in which case SG can be available for the members. They called severe injury and threat. The authorities must apply investigation to explain the level of sales, production, productivity, capacity, utilization, profits and losses, and employment of the domestic industry. That is the first step that indicates how to safeguard action that can be applied. The next step is a threat. Although the injury process did not result in absolute numbers to apply a safeguard measure, GATT members could apply the threat word to make safeguards available for them when the World Trade Organization came into force after GATT. The safeguarding policy is changed. It called a new safeguard under different conditions. The WTO prohibits such measures and has specific provisions for eliminating those in place at the time.

This new safeguard aims to treat all members equally against the import goods domination in their local market. Also, safeguard must be applicable for domestic producers and consumers as well. Therefore, WTO multilateral surveillance and institutions (Articles 12-14) takes place (Safeguard, 2018).

The WTO brought special safeguards to measure the quantity and price-based impaction on import goods domination. Quantity based safeguards found to minimize imports and increase domestic price and production. When the WTO analyzed the price-based impact of the safeguard on wheat, the importer country saved the domestic producer, causing the price to rise in this country. The other side exporter country faced difficulties in selling goods. Because of that, the exporter country lowered the price in their local market. It called price-based discrimination safeguard (Hertel, 2010).

When the safeguarding policy created the end of the Uruguay round by GATT, one of the essential things addressed, which is discrimination, GATT's first article mentions that each member cannot discriminate against each other under the Most Favorite Nation Tariff regulation. MFN tariff is only tolerating discrimination for developing countries under defined rules. Therefore, the World Trade Organization mostly supported the developing country members under the non-discriminatory basis (UN, 2003).

The world trade organization created Selective safeguards in the transitional agreement on textile goods under article 9, which aims to protect developing countries. Usually, a developing country can apply the safeguard against developed countries' goods to stop the domination of their local market. However, article 9 mentions that safeguard should not apply to goods made originally in the developing country member. The share of imports of the goods worried in the importing Member does not exceed 3 percent, provided that developing country Members with less than 3 percent import share collectively account for not more than 9 percent of total imports of the product concerned. Also, developing countries have privileges rights to extend the safeguard measures under article 7 by WTO. The extension can be up to two years. Also, under paragraph 3 of article 7 and paragraph 5 and article 7, developing countries can apply the safeguard again during the safeguarding process to have further protection after the two years safeguard process ending. WTO brought up adequate

safeguard protection for the least developed countries for the sudden volume changes affection the prices in 2015. Safeguard is applicable for bilateral and multilateral trade. Bilateral safeguard is more effective than multilateral trade. Bilateral trade is between a couple of countries and mostly addresses the free trade area between countries. Multilateral trade by the WTO power tries to keep all developing countries safe under specific safeguard measures. Safeguard is the key to protecting both developed and developing countries under certain circumstances. However, it is more helpful and profitable for developing countries. If it takes a long time which is not suitable as well for the consumer and exporter countries that sell goods to developing nations (Viljoen, 2012).

2.5. Tariff and Economic Growth

The tariff rate is generally detected between the countries or under the authorized trade organizations such as GATT or WTO. Governments use multiple tariffs purposes. For instance, it uses it as a protective tool for the local producer to protect imported goods, which sometimes uses as income. The protective purpose tariff creates an opportunity for the local producer, which is a supputation from the government, to minimize import goods' affection. On the other side, protective tariff causes inflation because of local producer domination of the market. Imposing tariffs have both negative and positive impaction on the economy: the affection measures countries' economic power and world market domination. When the tariff retaliation comes from the other countries, which is questioning countries' economies with three crucial subjects, domestic production, jobs, and consumers, when a tariff protects the trade policy, that is advantageous for producer and job creation. However, it has a disadvantage because of rising prices. The approach of tariff must be balanced. Also, tariff raising causes export countries' production, which alerts the global market. When the exporter countries are not able to sell, and the goods stay home country that causes the deflation in exporting country (Furceri, 2019).

International trade is one of the most significant income gates for the countries. When a country wants to develop an economy, it needs financial support. The most significant support of slice comes from trade and production. According to research, if a state meets most of the importation needs, that causes inflation in some cases. Most of the country uses a different currency than its currency for international trade, which causes the country's economic growth. On the other hand, if a developing country imposes a tax on importing goods to protect the local producer, that will also cause a high market price. For developing countries, the tariff is the biggest obstacle to gain enough income from international trade. Therefore, developing nations must have open trade policies to bring more foreign investors. The ability of foreign investors that provide products in the country also contributes exportation level. According to IMF, East Asian countries welcomed the foreign direct investment that decreased the country's poverty level, about 14 percent, which was equal to the 120 million people in those countries (John, 2020).

The tariff can feed the economy under certain conditions. The study analyses the two high tariff countries Canada and Argentina. These two countries' economic growth more than most of the countries in their region. When their tariff policy analyzed, which seemed their economy, growth did not come from a protective tariff policy, which addressed their agricultural products. In addition, Argentina and Canadian governments did not prioritize the protective tariff, and they applied the revenue tariff. The revenue tariff charges tax from import and export goods. The process brought an extra income in these countries' economy (Douglas, 2002).

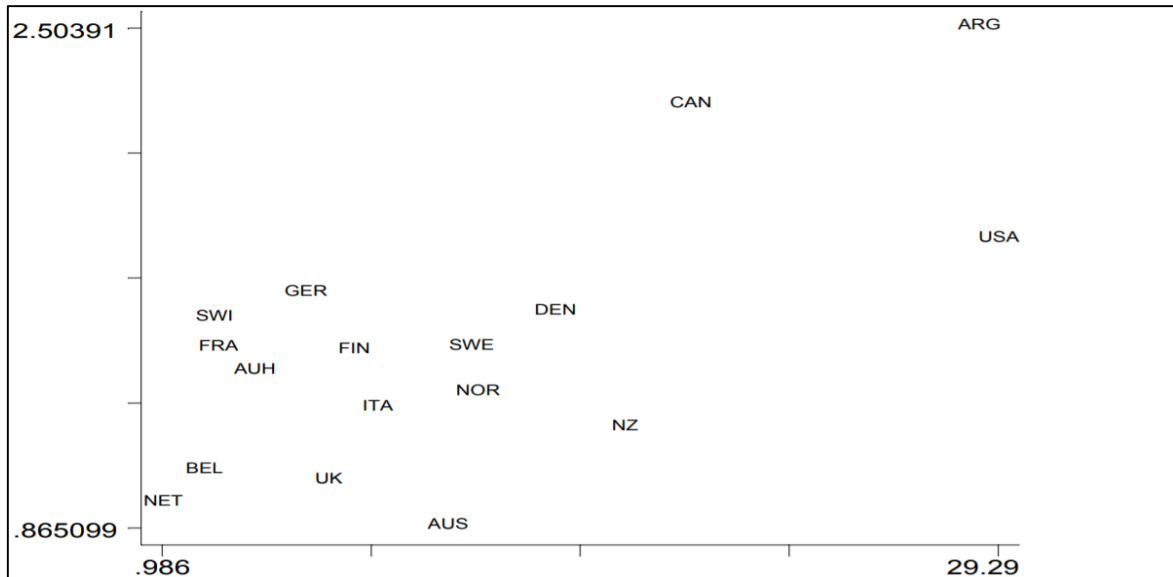


Figure 1: Tariffs and Growth, 1870-1913 Core Countries

Source: (Douglas A. Irwin, 2002)

The figure 1 indicates the average tariff rate in 1870, which presents 17 high-income core countries' GDP per capita GDP between 1870 and 1913. The figure mentions the growth rate of genuine relationships between economic growth—the custom income estimates based on the value of imports. The average result is 0.68 percent in these core countries. Argentina, Canada, and the United come forward as high tariff countries. When the figure estimates without these countries, the correlation goes down as 0.08. When the time considers, there was a labor shortage, and on the other side, lands prospered. The new world economy had rapid growth, but European countries did not deliver that because of the shortage of employees. Therefore, Netherland applied the high tariff to gain interest from that (Schulari, 2002).

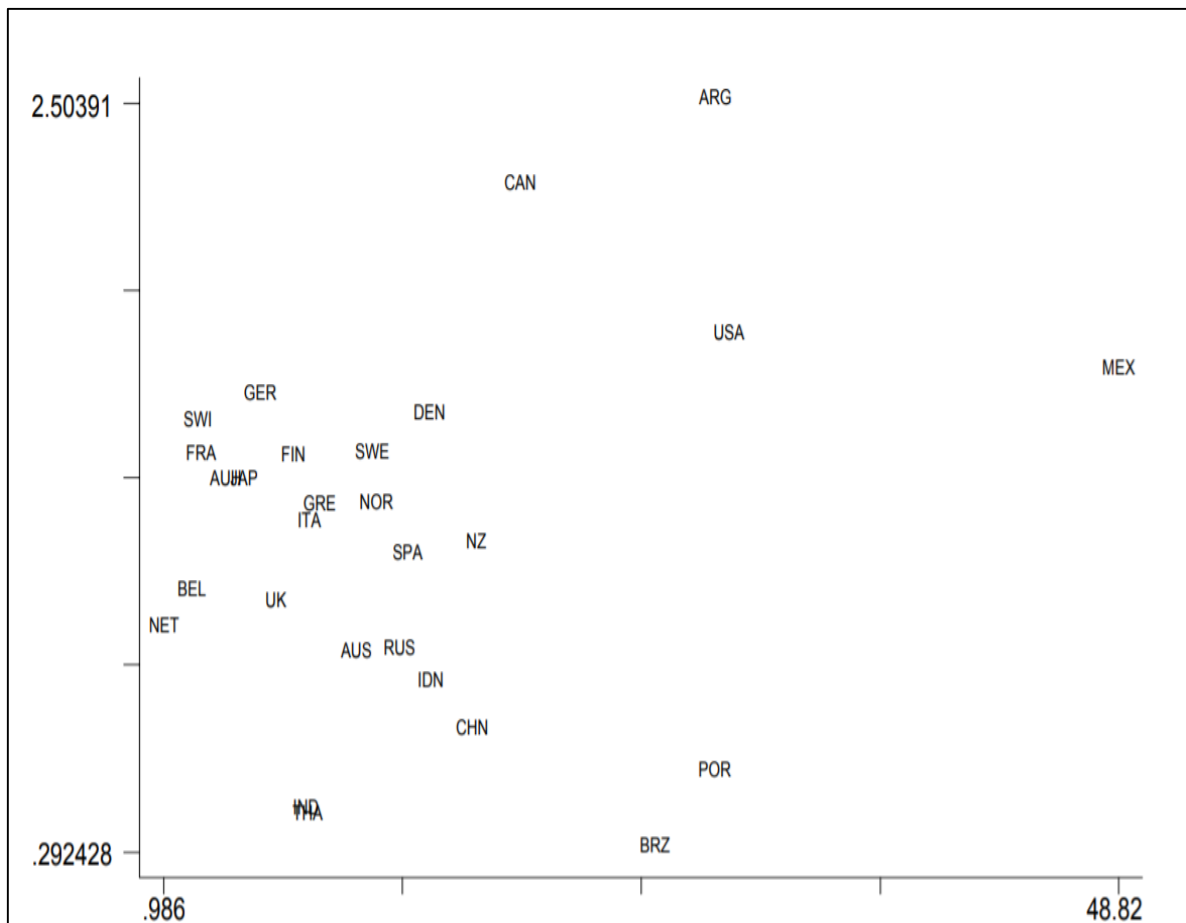


Figure 1: Tariffs and Growth, 1870-1913: Core and Periphery Countries

Source: (Douglas A. Irwin, 2002)

The figure 2 shows that low-income countries as an example. When we look at the figure that mentions Portugal and Brazil, which had high tariffs, but they did not have enough economic growth performance. However, they decreased the tariff rate from 0.68 to 0.20. The analysis indicated that high tariffs did not bring to high growth the country's economy in the 19th century. Also, Argentina succeeds in the highest growth with the highest tariff, but that was not enough by itself. The main achievement reasons were that their export

capacity was high, and Argentina had many foreign investors. Also, Argentina created one of the best trade policies. Therefore, in the 1880s, Argentina builds thousands of kilometers of railroad track and other infrastructure-related public works. That movement helped Argentina's export expansion, especially for wheat and livestock. Besides, Argentina's staple agricultural and cattle products boosted the economy thanks to high-volume exportation. The Canada and Argentina trade approach proof that high tariff rate does not help countries economic growth (Solomou, 2011).

The recent and most affected tariff war is occurring between the United States and China. The US President Donald Trump applied a high tariff for import goods to make the economy more prosper, but the consequences are disappointing the US economy. According to research, the president's trade protection policy with the implementation of tariff barriers against trade partner countries caused the increase of consumer and producer costs. The consumer cost an estimated \$78 billion annually. Donald Trump's trade policy is alarming in the United States, and high tariff-based trade generates inflation and affects the economic benefits of competition. All these developments are becoming an obstacle to of US economy's growth. The president's tariff approach retaliation that threatens the almost \$ 500 billion of traded commercial goods annually (Jacqueline, 2020).

3. INTERNATIONAL TRADE AND HISTORY

The trade arises from the needs. Each person or country is not able to produce their needs by itself. Thus, to meet needs, the circumstances apply to bring the necessities from out of the country. As a result of this, the international trade process begins based on demands. The division of labor plays a vital role during the production of the work. To produce goods most of the countries cooperate. The sharing of work between the two states is part of international trade to gain more economic interest. Therefore, the comparative advantage model is the key to the production and service, which addresses the country that is eligible to meet demand better than others. That is a surplus, which supports the economy (William, 2018).

Trade is a magic word that contributes to financial income to the countries. International trade defines goods or services to move from one country to another. The study analyzes the history of trade, this movement and process were not as smooth as today. The routes were limited, which was not as recent. The incense route that linked India, Arabia, and East Asia flourished between the third century BCE and the second century CE. The Grand Trunk Road that connected Calcutta to Peshawar was a highly developed trade route for over two thousand years. The first century and most important trade route was the silk route. It was 4,000 miles long that connected China to the Middle East, North Africa, and the Mediterranean. Because of unacceptable developments, some routes lost validity. The evidence can be seen from the viceroyalty of Peru route. People used to transport valuable goods on this road. It was the most famous trade route in the late sixteenth centuries. The primary source of this route was silver mines and luxury goods that flowed on this route. The type of commodities was hats and mirrors, pepper, and porcelain. However, when the silver mines lost the productivity ability in the eighteenth centuries, the route became history. The most popular products were Silk, satin, musk, amber, myrrh, porcelain, spices, slaves, and saltpeter, which used to spread all these goods to Silk Road (Francine, 2013a).

Trade always needed something that can measure for value. The evolution of hunter and gatherer ability revealed something considered as goods. After the Neolithic revolution, trade started to take place. The main point did not aim to earn financial interest because, at that time, money did not exist. Instead of money, the other means of trade was valid. It was called

an exchange. One good that be taken from one side, the other proposed some value that could equalize each other. For this purpose, while silk trading going in Northwest Europe, the other parts of Europe's merchant generated the products less volume but High value. Thanks to these developments they afforded to imports goods worth with exchange. The vehicles that used were not fast and Productive as recent (Erin, 2019).

The caravans have been driven place at that time, which used to travel between Fertile Crescent and Mesopotamia the Levant for three millennia ago. Time by time trading routes enlarged too far parts in Asia and Europe. The Roman Empire played an important role during the extension of the trade routes. They merged to important routes to each other such as Europe, western Asia, and Northern Africa. However, it did not induce long-distance trade, which continued. In the 8th century Carolingian Empire, people started to travel a long distance, and they went to regions to regions to make a trade during the 8th-century era. Historians had a document which mentioned in European imports goods. They were spices, exotic medicines, and a new drug that the Arab pharmacologist developed all. The middle age was an essential era for trade developments. Trade took place from popular cities, which were Venice and Genoa. The revolutionary development came from the invention of America by Christopher Columbus in 1492. This discovery transferred the East Indies via the Cape of Good Hope by Vasco da Gama in 1498. These developments were a significant impaction on long-distance trade. It spread to the rest of the world. Europeans reached the Atlantic Ocean, which provided significant trade abilities to go furthers. These inventions were the most significant step in the global integration market. Some historians insisted that global integration was before the ages of discovery. Along with these inventions, Indians delivered essential roles for the development of European economies in these centuries. The trade volume was low until the 19th century (Francine, 2013b).

3.1. Trade War and History

Trade war defines as a political interest tool to fight and compete with other rivals in the trade field. When the economic concerns and trade interest decline at home. The domestic politic changes the face of directions to out of the country. Trade war gets into action the way of protectionism for the nation from the import threats. The main dispute tools are restrictions

such as tariffs and quotas to provide economic advantages to their own country. The conflict is not happening by itself. The retaliation gets into action from the other trade competitors. From this approach, Each state sanctions to each other. They are not welcoming to certain import goods from targeted countries. The primary purpose of this dispute raising the tariff on each other for exporting and importing goods. That means that commodities are welcoming costly to each nation (Elhanan, 1995).

According to the study, any country by itself is not able to produce everything. For these purposes, there is a comparative advantage model. If a state production cost lower than others, it should produce goods. From these approaches, companies compare the production cost of goods all around the world. If the domestic goods price is higher than the world market price, which is pushing companies to importation, therefore, they apply to import and bringing goods out of the countries to home. There are some advantages and disadvantages of imports. When the goods flow from abroad to the home country, it might cost less than the local market's price. However, if a state cannot compete with the world market price, the comparative advantages model hurts production and causes the trade deficit and job crisis in countries. In these situations, trade policymakers apply to urgent decisions. As the United States of America President, Donald Trump did against the Republic of China to reduce Chinese import goods domination in the United States. These two countries' trade journey began with signing the bilateral trade agreement diplomatically in 1979 between them. The trade volume started to rise rapidly. The import and export total amount was \$ 4 billion after the agreement signed. The total goods flow (import-export) between the US and China reached \$600 billion in 2017. China gained the most substantial trade partner status with the United States (Polachek, 1980 a).

The recent example is from the trade war between the US and China. The US President leveled out a specific range of the products in this war. He raised the Import tariffs from 2.6% to 16.6% on 12,043 products equal to the \$303 billion (12.7%) of annual US imports. However, the other countries did not remain indifferent to this practice. They retaliated the same way—the tariff rate raised against US export goods. The numbers changed under the retaliations; 7.3% to 20.4% on 8,073 export products equalized \$127 billion (8.2%) of annual

US exports. The study observes each state's actions in the trade dispute incidents, which realize that they defend their vulnerability via the protectionist approach against the competitors (Fajgelbaum, 2018).

According to the study, the international relations theory which advises that when the states earn from the trade, prevention must prepare against conflicts. Especially, policymakers consider that issue. The more goods come to the country, which causes the level of income and job crisis. According to the United States, former state secretary Cordell Hull; trade exchange with other country bring benefits to each side when the economic concern arises between two states, which might end up the militarized conflicts. Therefore, countries must arrange a trading policy for beneficial economic matters (Benjamin, 2013a).

The reason behind the trade wars is by providing more job opportunities and economic interest in their nations. After Trump's administration raised the tariff on imports goods, the import and export volume numbers are changing in the US. These implications can be beneficial on one side of the country on the other side of the country can be suffered. From the negative approach, trade war takes place under certain conditions. When the state suffers from trade deficits, it means that the country imports more and exports less, which causes the state budget system, and it causes economic problems. Politicians who shape the international trade policy can apply that dispute as the US president did. He wanted to protect his nations from the import goods for these significant reasons, and he applied the trade war to protect his country, and this war spilled overall around the world, which caused economic causes in the world (Katja, 2013b).

According to Henry Kissinger, he was the former US secretary of the State. He made a speech in Beijing. He mentioned that cold war implications are we still feel. If the US and China have an economic conflict for the next years, it will impact the global market. The reason is that the US still applies to economic sanctions China with power off tariff. China is standing in this situation, friendly to the US. However, the United States does not want to minimize this economic conflict if the Trump administration insists on increasing tariffs, which will impact the US economy in the long term. China, one of the biggest economies as we are. We must be a careful level of economic development. The global market expects that economic

conflict should down soon; otherwise, that will cause the world economy. Former US Treasury Secretary Hank Paulson emphasized that America cannot isolate the trade with China. If the US stays away from China, Europe will get more benefits from the Chinese trade policy because China will drive the trade policy based on European countries' demand. These contrary affections cause the financial market. New York is one of the world's financial centers when the economic deficit happens in New York. The other part of the finance center, such as Tokyo and Shanghai. If the United States will continue the economic concerns. The New York financial center will suffer without having Tokyo and Shanghai economic support. According to IMF Managing Director Kristalina Georgieva, China feed the sources of the global market. According to data of the IMF, the Chinese firm's shareholders brought up to one trillion dollars sources. China delivered remarkable developments recently, which shapes the world market. This openness is bringing foreign investors the local market to see the opportunities. Investors are happy to be in the Chinese market. Furthermore, they gain more benefits than other foreign markets, and Chinese states support them friendly. Thanks to the Chinese understanding of the world trade policy. China took the second-largest economy title in the world (Correspondent, 2019).

There have always been battles for trade since the world has existed. The conflicts take place with violence and sanctions. Begin of the first century to now, and countries used targeted a different type of wars between each other. Wars become bloody and harmful in history. The wars are detected based on time and economic and political situation. The conditions were hard for the merchants who used to transport their goods on the trade routes. Therefore, every merchant did not prefer to travel alone during their goods movements, but accompanied was not enough to protect their goods from the robbery and thefts. These types of incidents caused by the level of profits for the merchants. Merchants used to hire people to protect their convoys, which caused their level of profits. Transaction of the medieval period to the early period of modern area, the way of shipment started to change (Lacey, 2016).

The new routes for the trade emerged When the route of Europe and Asia lost the validity because of collapsing of Constantinople in 1453. Seaway was not active before medieval times. The seaway used to travel near to the coastline, which was not fast and sufficient.

When the era of maritime took place, it provided to developments for the shipments such as shipbuilding and navigation ability. Ships used to travel long distances with more varieties of goods. This change seemed positive improvements for the security of commodities transportation in a seaway. However, for that time, pirates took place; they targeted commercial vessels. Pirates sank many ships. The seventeenth and eighteenth centuries were the most fertile years for the pirates. They collected valuable goods from sank vessels such as gold, silver, and spices. States supported some pirates. They had privileged status from the kingdom. The pirates had royal statues that had more booties than others, which caused the controversy between them. This chaotic situation did not end until the seventeenth century. During the seventeenth century, European expansion was taking place. At that time, cultural violence was active. Dutch started to search mystic spice routes that were in Banda Island. Dutch campaign caused genocide in there. The Dutch East India Company started to dominate the route. They also targeted the Spanish and Portuguese company's ships. Each state wants to get more advantages from the spice routes. Dutch violence destroyed them (Matheson, 2014).

Technological and Democratic developments started in the late seventeenth century. The developments made transportation more secure. The level of production and industrialization lifted by democratic developments in the late eighteenth and nineteenth centuries. This improvement expansion affected city developments. The other technological developments raised the volume of the trade, such as steamships and railroad inventions. Also, some chemical improvements contributed to the volume of international trade. Chemical innovations helped to raise the level of food production. Since the developments during the eighteen and nineteen centuries, essential trade dominant countries started the conflict. They were France and Britain. They wanted to control the routes and had more benefits from these innovations. Therefore, they declared the conflict with each other. This dispute transformed the new world. Britain and France had the alliance to stay secure with each other. In these circumstances, the other nations want to have some share of these interests. British were backed up by the Algonquin, and the Iroquois supported France. Behind the alliances, there was two foremost trade opportunity which was fur and gun. They used to trade these two

critical subjects. However, this beneficial trade caused many lives. The English East Indian company wanted to have hegemony on French East Indian companies (Reamer, 2014).

From this perspective, the two most significant power forced each other to get more benefits on the Indian lands. Therefore, English Indian companies moved to India. The reason was unsuccessful in Dutch domination in the space trade. English Indian companies saw many opportunities that were proposed by Bengal. The commercial activities were textiles and saltpeter. The saltpeter was the most wanted product in this century because it was the most critical content in gunpowder. Time was not ending warfare between European countries. East Indian companies gained advantages from the arms trade and international trade. These opportunities enriched them mutually. This power helped them to vanish France Indian Company in India. British companies had some authority in India. They wanted to have some roles and statues in the government of Nawab of Bengal. The study realizes that based on this incident, each state wanted to gain interest with each other. One used the ability of the commercial product. Therefore, the others fought for that. However, the winner wanted to have more facilities in their lands, such as British Indian companies. They had an administrative authority, which made them powerful. The domination took a hundred years. Over the years, they became international trade's most powerful state in the world. This power fed by conflicts and violence (Coppolaro, 2013c).

3.2. Multilateral Trading System and GATT

The system created to make the trade process more effective and productive in the world. The multilateral trade system aims to unite countries to make a trade with each other under the specific regulations. The rules purpose to minimize obstacles between trade partners. Especially, MTS wants to organize each side trade activity equally. They should not discriminate their trade and apply the additional tariff to protect themselves. Historically, many trade incidents happened, all of which injured trade partners and caused the world's chaotic commercial environment. The study realizes a couple of unfair trade examples that affected the domestic and international markets profoundly. The first example is Corn Law in England that was created by the British government to protect all domestic producers in 1846. The law did not only include corn, which applied all types of grains. The law raised

the tariff rate against import grains, which did not allow them to the country, but that caused high inflation in the country, and people to lose the ability to purchase power. Also, it created the Great Famine in Ireland from 1845 to 1849. The government changes the policy after work (Lampe, 2009).

The second example that the study reveals is the Tariff Act in 1930, also known as Smoot-Hawley Tariff. It created under Herbert Hoover administration in 1930. The act targeted to protect domestic producers. Therefore, it implemented an additional tariff on 20000 import goods, which were approximately between 40 and 48 percent. However, it did not result as the Hoover administration expects, which caused the prices to rise. Especially on the food prices. The act's primary purpose was to protect US farmers against European farmers import goods. However, the high demand for agricultural products did not meet by the American farmer who turned out the food shortages and high inflation rate in America. Most of the economist have a common point that addresses the Great Depression; one of the leading causes is the Smoot-Hawley Tariff. The reason global trade volume went down 65 percent was that Americans did not find enough food out of the US because of the Tariff Act implementation (Kimberly, 2019).

Upon these random tariff implementations by one country to another, the world suffered from hunger and faced complex trade activities. The GATT (The General Agreement on Tariffs and Trade) founded on 1 January 1948 with 23 members. The reason for founding the GATT to regulate the multilateral trade system all around the world. Notably, before the GATT founded, the recent Tariff Act by the US caused the unbelievable result, which forced the local and international market in huge controversy. Therefore, the GATT became the inevitable trade organization to clear trade disputes all around the world (Ali, 2017).

The GATT witnessed eight different rounds from 1947 to 1994, which are "Geneva (1947), Annecy (1949), Torquay (1950-51), Geneva (1956), Geneva (1960-61) - also known as the Dillon Round, the Kennedy Round (1964-67), the Tokyo Round (1973-79) and the Uruguay Round (1986-94)". All these rounds debated and negotiated products base tariff implementation to one country to another. Each contracting party demanded regulation based on their production and needs (GATT, NT).

The Multilateral Trading System began the order by the General Tariff and trade Agreement organization. The first four rounds' main subjects were tariffs. The reason that each country should not be able to implement tariffs on one to another is when a state wants to find a solution to the trade dilemma, which leads them protectionism by implementing an additional tariff. Therefore, Most Favored Nation Tariffs created by the GATT. The subject aims to offer an equal tariff policy to all members. Additionally, the MFN tariff granted some privileges for developing countries, such as detected local tariffs. When a country generates regional commerce agreements with other associates, they can assign the tariff based on their demand, which is called a preferential tariff. MFN set based on this process to make more reliable trade transactions between members. Nevertheless, the GATT did not go ahead with the preferential tariff since founded. In 1958, the most critical action came up, which is authorized to GATT members to have customs unions and free trade areas. The action took place in article 24. It persevered by the US-Canada auto pact in 1965 and the Generalized System of Preferences in 1971. All these implementations and rounds gradually lowered the tariff level and created a more stable trade environment. The average tariff rate was 40 percent before the GATT took the place which reduced gradually and saw the most profound number 5 percent at the end of the round eight via GATT efforts (Chad, 2015).

3.3. WTO Roles and Trade War

The WTO is the most potent trade institute in the world. It founded on January 1, 1995, as a continuation of the General Tariff and Trade Agreement (GATT) institute. The WTO followed the regulation of the GATT and extended rules. It aims to peace and stability in the multilateral trading system when international trade in turmoil. The recent and harsh trade dispute between the United States and China causes an unstable and chaotic trade environment in the world. The United States applied the WTO to add an extra tariff on import goods from China to the US. Therefore, applied section 232 to implement this request, but national security is not right issuing the impose an extra tax on the Chinese goods. Another application appeared that addressed section 301, which indicated “Trade Act of 1974 to say that China is acting in ways that are unjustified, unreasonable, or discriminatory.” Each application accepted and implemented under WTO rules; however, world trade and China harms by these questionable decisions (Hufbauer, 2018).

US and China imposed over \$ 500 billion tariffs on each other, which is entirely against the WTO trade approach. The United States acts without considering the WTO's power, which causes WTO dignity and sanction ability to control trade around the world. President Trump's America First trade policy is declining the WTO's existence that forces the system to return the pre-WTO era. The Trump administration threatens and does not recognize the WTO's arbiters. The United States is using the trade arsenal advantage, which is section 301 created during the Trade act of 1974. Section 301 is an invisible weapon for the United States, but this article is against the WTO trade policy. Trump administration takes the WTO organization under control based on their benefits from trade (Baschuk, 2019).

The United States takes a slow process for trade disputes between China. The US participant took two years to negotiate the steel and aluminum case, which have not resulted yet. “Stephen Vaughn, who served as general counsel to the US Trade Representative during Trump’s first two years, said many disputes would be settled in the future by negotiations. Critics say this means a return to a post-war period of inconsistent settlements, problems the WTO’s creation in 1995 designed to fix.” The United States international trade approach only considers its interest. It seems WTO will not play active roles to stop this dispute (Blenkinsop, 2019).

3.4. Trade War and Global Economic Impacts

Trade represents prosperity and power. The word symbolizes the level of development and welfare. When the war acts bloody, which affects the region, that does not spill all around the world if it has limited impact based on state power. However, If the war is happening between the two most significant economies in the world from different continents, that is causing an enormous amount of the consequences around the planet, especially If this dispute is happening between the United States and China. The circumstances create an unpredictable end. The dispute gets into action by US President Donald Trump. He signaled to trade war before implementing an extra tariff based on solar panels and washing machines that comes from the US to all around the world in January 2018. The first additional tariff movement followed by other tariff implementation against China and trade partners. White House tariff created economic affection on China and to all the world (Effect, 2020).

According to the research of the Central Bank of Finland, the tariff increasing slows the 0.7 percent GDP rate in the world in 2019. This estimation designed before the year 2019 end. Trade war already lowered the trade volume between two states. President Trump's attitudes messaged to China and other countries about the trade dispute. This dispute turned into conflict by the Trump administration. However, the White house's tariff policy approaches twisted the world trade market. US and China trade negotiations create a negative atmosphere in the world. Notably, US president's statements and social media messages turned the problems into a controversial situation in the world (Lauri, 2019).

According to IMF estimation, the world growth rate slowed down 3 percent globally in 2019. That was the most profound rate in a decade. This fallout impacted the 20 largest economies all around the world directly. According to the European Union's Economic and Financial Affairs Commissioner Pierre Moscovici, the trade war mainly injured export and allowed trade in European countries. These countries feel pain. The German Finance minister mentioned that Germany's 40 percent GDP relied on export in 2018. Also, most well-developed economies as well. The unpredictable circumstances that arise from the trade war which causes the unsafe economic environment. For instance, one of the German trade group BGA recalculated the forecast for export. The reasonable expectation lowered 1 percent because of unsustainable economic developments caused by the US and China. Most of the companies considered the uncertainty of trade war affection. When they shaped their investment plan, export, and import process, one of the other economic impactions addresses Asian countries. Japan exports the most significant number of the car to the US. However, Trump's unforeseen trade war policy created a skeptical perspective. Therefore, Japan's cabinet office addressed the minimize the car production level for export purposes. Trade war first impacts farmers in the United States. The reason is that China imports the most considerable amount of agricultural goods from the US. However, China's tariff retaliation on US export goods damaged this sector profoundly. Also, US steel and aluminum tariff policy created uncertainty of transmission for North America free trade for new passage. That caused an economic slowdown. According to Christopher Cabaldon, the mayor of West Sacramento, California, for \$100 million infrastructure project bit, offers came 80 percent

more. Because construction companies considered the future tariff policy of Trump administration could cause the material prices to exceed expectations (Heather, 2019).

According to International Monetary Fund Managing Director Kristalina Georgieva, “By 2020, tariffs already imposed or announced would shrink global GDP by 0.8%”. This number estimated as equal to the economy of Switzerland. This impaction is not able to predict based on current situations in the world. The reasons are two significant recent developments. For 18 months, two nations had many rounds to negotiate to reduce the financial result of the trade war. Each round disagreement cost them a billion-dollar and affected the world economy. Finally, two sides agreed to implement a phase 1 agreement to minimize trade war affection between two states under specific demands of the United States. This process can consider as a positive development for the world. On the other hand, the COVID-19 outbreak is dominating the world and significantly injure the giant world economies. Upon these developments, 2020 seems an unpredictable year on economic developments. However, IMF announced the GDP growth rate at 3 percent that went down from 3,2 percent in a July forecast IMF addressed the fallout source US and China trade war. Because the world GDP rate has not seen this fallout since the financial crisis happened a decade ago (Fitzgerald, 2019).

Emerge market countries' economies highly dependent on world trade. They shape economic policy based on international trade developments. Even trade war rumors were enough to decline the growth rate of world trade for the EM. The trade growth was 4,6 percent in 2017. It fell to 2.6 percent in 2018 after tariff implementation. Before the trade war, get into action in April 2018. Economic development created hope for the global economy. Also, it contributed to emerging countries' economies and equities in the world trade market. When the trade war began, which impacted the 8 percent fallout to equities value of developing countries, the emerging market faced a \$10 billion net outflow in two weeks. The US tariff implementation and China retaliation caused the level of EM export level. In the first quarter of 2019, 14 percent of export declined in emerging states. The example shows that trade tension caused 7 percent semiconductor sales declining of South Korean companies to China during the first month of 2019. The other example indicates the China trade to sub-Saharan

Africa. The trade level reached \$120bn in 2012-14. When the trade war hit which caused 40 percent fallout of Chinese export to Africa (Tran, 2019).

The world and emerging markets export rates fall so deeply, which also creates concerns for the investor. Because of the trade war, the chaotic environment of foreign direct investment is declining. According to the consulting and research firm Rhodium Group, China's acquisitions and investments dropped enormously. First five months of the year, 92 percent of Chinese investment declined in the US which equaled the \$1.8 billion (Borzykowsk, 2018).

According to a study that organized Pictet Asset Management which indicated 45 countries are vulnerable to a trade war. "Taiwan, Korea, Singapore, Hungary, Malaysia, Thailand, Vietnam, Chile, and the Philippines are among the most dependent on global supply chains and would thus be susceptible to a breakdown in trade. For example, Malaysian exports are about 60% dependent on global supply chains, while the rates are about 48% for China and 40% for the US". Another study that designed by Development Bank of Singapore which mentions trade war reduced the economic growth 0.4 % for Korea, 0.6% for Malaysia and Taiwan, and 0.8% for Singapore, and double these rates in 2019 (Khor, 2020).

All these countries impacted the trade war negatively, which turned the opportunity in some nations. The US implementation of massive tariffs declined most of the export from China to the United States. The US has demanded of products that must meet. Therefore, the US substituted loss of export from Asian emerging countries, Mexico, Brazil and the European Union (Cristina, 2019).

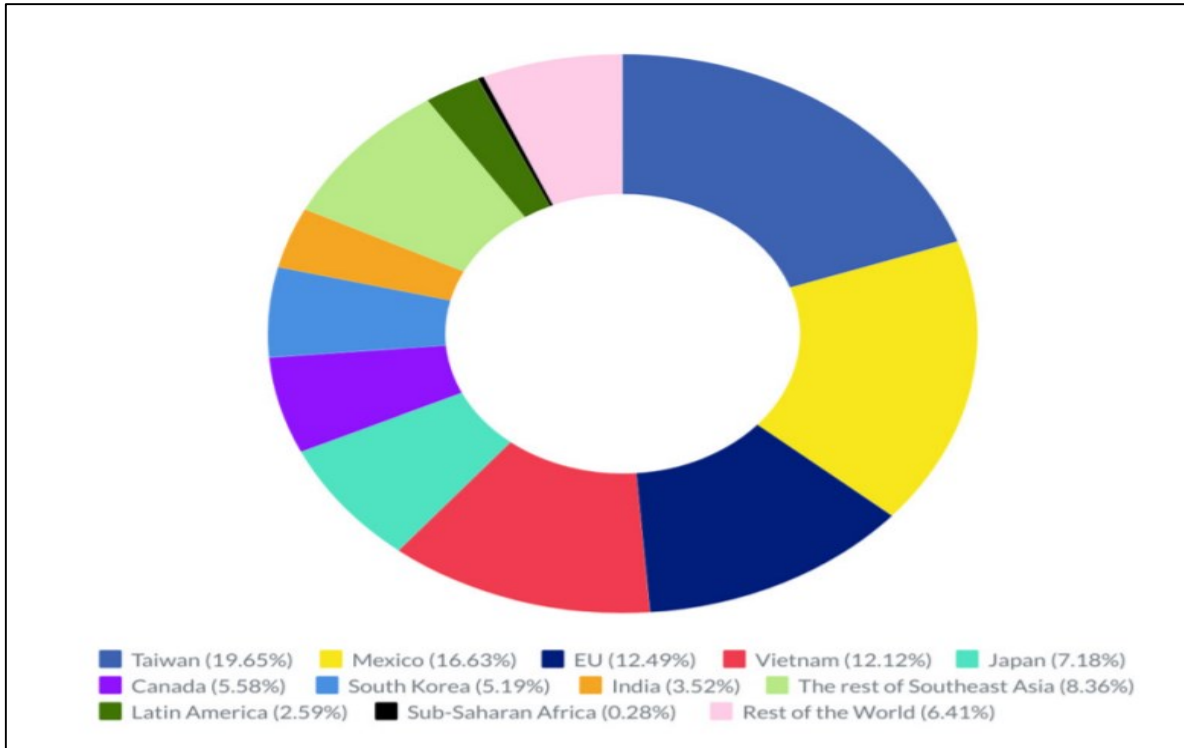


Figure 3: Diverted The US Imports from China

Source: (United States Census Bureau Data)

According to the Manila-based Asian Development Bank, “Asian countries to the US rose by 10 percent over the previous year in the first half of 2019, even as exports from China fell by 12 percent. Exports from Vietnam to the US jumped by 33 percent and from Bangladesh by 13 percent.” That report indicates that trade war is changing the sector dominant countries such as Bangladesh raise the share on textiles, and Vietnam takes over the electronic market. Upon these developments, Vietnam’s economic growth additionally 2.3 percent, which affected the other economies the same percentage, such as, Philippines, Thailand, Malaysia, and Bangladesh. On the other part, Bangladesh forecast appeared as 8 percent for the next year, which confirms as the fastest growing nation in the region in 2019 and 2020 (Harding, 2019).

The trade war, one of the biggest winner countries, is Mexico. According to the US census, since the trade war began, for the six months of 2019, the United States and Mexico exported and imported \$309 billion valued goods that just over 15% of all US trade. Canada followed the trade volume with the US \$306 billion after Mexico. At the beginning of 2018, China was the leading trade partner of the United States, with \$300 billion. After the trade war, 10 percent trade declined at the beginning of 2019, which caused a \$30 billion loss of the trade between the US and China in the first six months of 2019. These declined reached \$50 billion ends of 2019 (Kopf, 2019).

US tariff implementation alerted most of the investors Who has the plant in China. One of the companies which produce plastic in China that name calls Fulling Global Inc. They decided to move to a plant from China to Mexico. The company invested 2 million to build a new factory in Monterrey, in the northeast of the country. The production began in 2019. They sell paper cups, straws, and papers to the US market. According to UN statistics Mexico exported an additional \$3.5 billion products since the trade war took the place (Alejandra, 2019).

Taiwan has seen the highest numbers of export to the US since the trade war began between the US and China. The report released from the German statistic firm, which indicated that Taiwan export rate increased 21,3 percent to the US. At the same time, China's export level to the US declined 13 percent. Taiwan's total export rate reached to US \$40.2 billion in 2018. According to the UNCTAD report, Taiwan added \$4.2 billion worth to the previous year's export rate to the US in the first half of 2019. Notably, US imported office machinery and communication types of equipment from Taiwan. China lost the \$ 10 billion machinery equipment export to the US in the half-year of 2019, which proves that the US subsidized the leading supplier of the Country for the moment (Everington, 2019).

4. TRADE RELATIONSHIPS BETWEEN THE US AND CHINA

The US and China historically had some conflicts the each other, which arose from the regional wars that brought both sides against each other based on their economic and political interests. That period covered the date of the founding of the People's Republic of China on October 1, 1949, to US president Jimmy's Carter full recognition of China in 1979. Carter's

administration approach brought the new phase of relationships between the two nations (China, 2020).

Carter administration voluntarily supported PRC leader Deng Xiaoping administration to encouraging reform and opening at the work conference in 1978. However, the US government formally invited the first time Chinese leader to America. The invitation accepted by the PRP leader to visit America. These mutual gestures built the process of normalization between the US and China. The next following month, President Deng declared the US and China normalized the relationships. The statement took place in the airplane. When one of the ministers of Deng questioned him what made you accept the US invitation, he answered that If China wants to have abundance and power, which directly address the US support (Stinwell, 2019).

The United States and China trade relationships began during the normalization. They signed the bilateral trade agreement diplomatically in 1979 between them. The trade volume started to rise rapidly. The import and export total amount was \$ 4 billion after the agreement signed. The total goods flow (import-export) between the US and China reached over \$600 billion in 2017. China gained the most significant trade partner status with the United States (Blarcom, 2010).

The increased import and export level between the United States and China provided mutual benefits to each side. The United States played an essential role in the development of China. Also, the Chinese cheap labor ability and the government trade policy attracted many American firms to make a direct investment. The process of investment machinery equipment and technology transfer made a considerable contribution to the Chinese state for the development both financially and technologically. Chinese import goods lowered the price inflation in the US that provided better life conditions the Americans. On the other side, US companies selling goods to Chinese as well. China has converted a value center of many American companies. Most of the US firms created technological hubs in China, which spread all goods all around the world from there. Also, the US service sector ability gained revenue from the Chinese companies by service in the environment, education, and finance

sector. From 1979 to 2012 US and China total trade increased 226 times in these years which equaled the \$536.2 billion in 2012 (Jianguo, 2014).

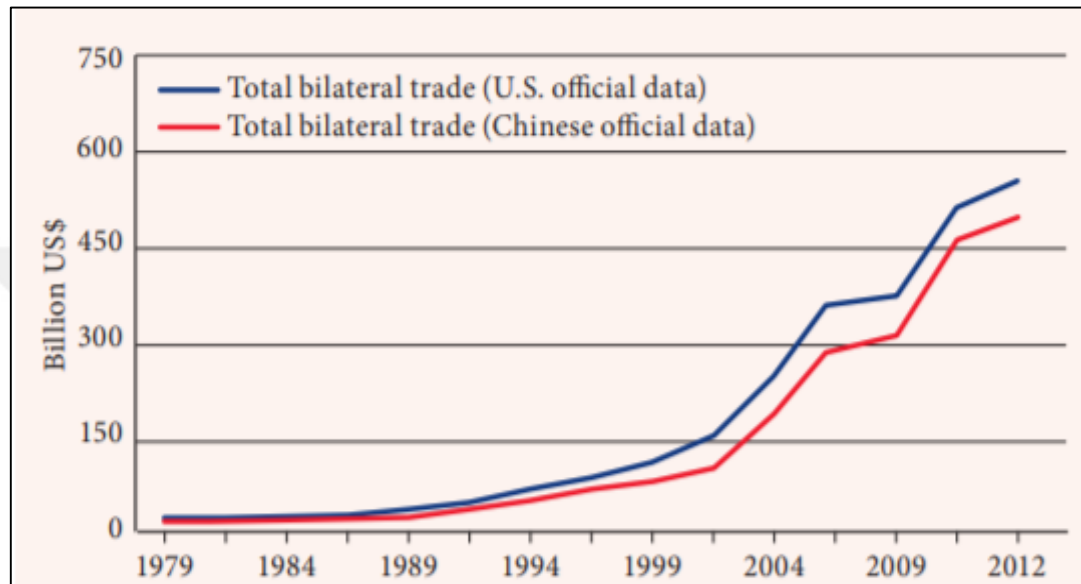


Figure 4: US-China Trade in Goods, 1979-2012

Source: (Chinese Statistics from Chinese Customs Yearbook; US Statistics from USITC Data web and Census Bureau)

This volume of trade supported to US economy. The report was prepared by Oxford economics for the US and China business council in 2017. Trade trafficking between China and the US provides 2.6 million jobs in the United States. These job opportunities partially were created by the Chinese companies in the US. When we look at the numbers of benefits the US is having from China. We can realize that China imported \$165 billion in commodities and services from the United States in 2015. The total trade amount estimation equals 7.3 percent of all US exports, contributing to 1 percent total US economic output even though the high importation of China to the US causes manufacturing job losses in the US. Most of the American companies export to essential products to China. Examples include cars and trucks, construction equipment, and semiconductors that provided Americans jobs. Likewise, US companies provide business and financial services to China, which totaled \$6, 7 billion

in 2014, and the total number in this field reached \$7.1 billion in 2015. Upon these developments, the export level growth rate predicted \$520 billion for the United States in 2030. Also, China is one of the biggest customers for US agricultural products. China exported \$15 billion in agricultural goods from the United States in 2015. Illinois and Texas took the \$ 1 billion benefits from the exportation of the agricultural product. Chinese importation helped to decrease the inflation in the United States. Thanks to low-cost Chinese products, Americans saved 1 to 1, 5 percent from their shopping. Household gained approximately \$56.500 in 2015. The United States gained rapid growth for production in 2003. The developments of the production outpaced the world's biggest economies. According to Oxford economics estimation, US industrial production raised 40 percent from 2003 to 2016. This growth rate equalized to for each year as 2, 5 percent (Economics, 2017).

The recent President of the US Donald Trump have concerns for this long-term trade relationships. His political interest and nationalist approach are ruining this association. Trump administration is performing America's first trade policy based on his political campaign before he elected President. Therefore, he wanted to protect his nation from any non-US made products. His trade perspective created manufacturing jobs, and the US government should not allow foreign-made goods, especially from China. The main reason is China's high export level in the US. This mentality created a protectionist trade strategy to save the US and make it great again. For this reason, he stood a harsh attitude against China and other trade partners of the US. President Trump began the tariff performing gradually against all US trade partners and main target to China. These tariff practices create trade war in 2018 between the US and China. From 2018 to present, each side is hurting each other from different sectors. China is lowering the export level to the United States and declining the financial income of the country. The US is looking for products to meet demand from other countries, which causes the prices to raise inflation. The assessment addressing that each side is suffering financially, economically, and politically from trade war tariff implementation. Especially, Trump administration is going out of the trade policy. The job creation rate raised temporarily, which is turning down recently, and instead of building plants, most of the needs come from different countries as costly besides of China (Jeffrey, 2019).

4.1. Trade War Between the US and China

There have always been battles for trade since the world has existed. The conflicts take place with violence, sanctions, and tariff. Begin of the first century to now, and countries resorted to different types of wars for the trade between them. Trade Wars become bloody and harmful in history because trade routes were limited, which was not as recent. The first century and most important trade route was the silk route. It was 4.000 miles long that connected China to the Middle East, North Africa, and the Mediterranean. The route conditions were dangerous for the merchandise. They robbed and lost their goods. Consequently, the merchant did not prefer to travel alone during the transportation of their products but accompanied was not enough to protect their products from the robbery and thefts. They used to hire people to protect their convoys, which caused their level of profits. Transaction of the medieval period to the early period of modern area, the way of shipment started to change. Europe and Asia lost validity because of collapsing of Constantinople in 1453, which emerged the new routes for the trade. Seaway was not active before medieval times. The seaway used to travel near to the coastline, which was not fast and sufficient. When the era of maritime took place, it provided to developments for the shipments such as shipbuilding and navigation ability. Ships used to travel long distances with more varieties of goods. This change seemed positive improvements for the security of commodities transportation in a seaway. However, for that time, pirates took place; they targeted commercial vessels. Pirates sank many ships. The seventeenth and eighteenth centuries were the most fertile years for the pirates. They collected valuable goods from weakened vessels such as gold, silver, and spices. Some pirates supported by states (McKenzie, 2013).

The international trade is gradually changed each century. However, trade wars are stable; they only change the method and reasons. Nineteen and twenty centuries of the trade war have the essential ideas, which are financial contributions for the economy, the balance of trade for import and export to eliminate trade deficits, and job creation for people, and protect the local market against foreign goods domination. Each reason contains political interests as well. Usually, every country can make a trade with each other to meet their needs under certain circumstances. For example, when a state has a production ability that competes with world market prices, it is an opportunity for the producer to sell goods out of the home

country. That goods movement from home to abroad calls export. If a country has a high export rate, which confirms that country has developed an industry or service sector, which are the most supportive factors to dominate the world trade. For instance, these countries are holding the most significant production in China, Germany, Japan, South Korea, and the United States. On the other hand, some countries are not able to produce their needs because the production cost is higher than the world price. Hence, they apply to import. This transactional flow between two states seems that each country gets benefits and meets their needs (Polachek,1980).

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

Historically, the United States and China had several short-term standing issues that were not like it now. Before the trade war took place during the former US president Obama administration, he launched some investigation against China. He applied to the 301 section. Application of the inquiry: The main reason was the United Steelworkers petition for

incentives given to 154 Chinese companies for wind energy, solar energy, high-performance batteries, and alternative fuel vehicles by the Chinese government. Upon this encouragement, US authorities claimed that which was a violation of the rules for the World Trade Organizations. So, the US knocked on the door of WTO to clear this issue. WTO brought a solution to the problem with the dispute settlement framework in 2010. China accepted it to modify subsidy policies to remeasure the budget given to the industry for wind power and electrical equipment (Xiaoyang, 2019).

US and China faced this type of short-term dispute during the Obama administration. President's approach was different from recent President Donald Trump. He was behind the multilateral trade agreement—all these issues sourced because of the increasing level of trade between the US and China. Enormous numbers of trade flow provides some benefits and losses in the United States. The report was prepared by Oxford economics for the US and China business council in 2017. Trade trafficking between China and the US provides 2.6 million jobs in the United States. Chinese companies in the US partially created these job opportunities. The numbers are beneficial to the US economy. Additionally, China imported \$165 billion in commodities and services from the United States in 2015. The total trade amount estimation equals 7.3 percent of all US exports, contributing to 1 percent total US economic output even though high importation from China causes manufacturing job losses in the US. Most of the American companies export to valuable products to China. Examples include cars and trucks, construction equipment, and semiconductors that provided Americans jobs. Likewise, US companies offer business and financial services to China, which totaled \$6, 7 billion in 2014, and the total number in this field reached \$7.1 billion in 2015. Upon these developments, the export level growth rate predicted \$520 billion for the United States in 2030. Also, China is one of the biggest customers for US agricultural products. China exported \$15 billion of farm goods from the United States in 2015. Illinois and Texas took the \$ 1 billion benefits from the exportation of the agricultural product. Chinese importation helped to decrease the inflation in the United States. Thanks to low-cost Chinese products, Americans saved 1 to 1, 5 percent from their shopping. Household gained approximately \$56.500 in 2015. The United States won rapid growth for production in 2003. The developments of the production outpaced the world's biggest economies. According to

Oxford economics estimation, US industrial production raised 40 percent from 2003 to 2016. This growth rate equalized each year as 2, 5 percent (Economics, 2017).

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

Before President Donald Trump was elected, he had given the world the message that he would create a new trade policy. The new system firstly addressed the import and export level of the United States. According to the World Bank data, "United States had a total export of 1,665,302,936.59 in thousands of US\$ and total imports of 2,611,432,490.16 in thousands of US\$ leading to a negative trade balance of -946,129,553.57 in thousands of US\$

in 2018". In this balance, China's import rate amount plays a significant role. The United States Census Bureau data: The United States imported 539,675.6 goods from China and exported 120,148.1 to them. The trade balance is -419,527.4 that numbers almost represent half the amount of the US annual trade deficit. The President's concerns increased every year because of the trade deficit rising since he was elected November 8 in 2016. Thus, Donald Trump mainly targeted the US and China trade volume to minimize the US trade deficit. He mentioned that our domestic production should down the trade amount. He also believes that domestic production will bring back to job opportunities to Americans. Before the trade war in 2018, the Trump administration applied some restrictions against China to minimize the trade deficit. According to the China Briefing Website, trade war had some timeline since Donald Trump took office. The first action was reconciliation. Hence, the Chinese presented Xi Jinping visited Trump's administration on April 6-7, 2017, at the Mar-a-Lago estate in Florida. The visit aimed to resolve trade disagreements in 100 days by dialogue between the US and China. However, two sides failed in a lower trade deficit in 100 days (Chipman, 2017).

Also, President Donald trump applied to section 232 investigation to safe national security the import of steel and aluminum. The reason was that the Chinese production level was taking over the US market, which was hurting steel and aluminum producers in the United States. These implementations did not find enough by the President of Trump. He signed the declaration against China, which was under investigation section 301. The chapter points out China's intellectual property rights dangers that take place in the US. Therefore, he imposed an additional tariff on Chinese imports. The action did not welcome by the Chinese side. China threatened the US with response days after Trump's statement. American President shaped the list of the goods that will impose additional taxes. The list contained 1.334 Chinese goods, which were equal the \$ 50 billion worth. It estimated as an extra 25 % tariff. China responded to the United States with 25 percent tariff retaliation, an estimated \$ 50 billion on 106 US export goods such as soybeans, automobiles, and chemicals. Trump administration also targeted the Chinese companies in the US One of the biggest Chinese telecommunication company ZTE banned for seven years because of US sanction violations. President Trump also demanded to reduce the trade deficit in \$200 billion in two years, which

did not result as well. All these unending demands formally named the trade war on July 6 in 2018 (Alexander, 2020).

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

4.2. The US and China Trade War and Tariff Waves

The tariff waves have a story before the recent President of United States Donald Trump was elected. He pledged to Americans to create new international trade understanding to make America great again. Therefore, he named this trading system America first. After he elected on November 8th in 2016, he began to shape the US's international trade system upon America's first approach at the beginning of 2017. Trump's administration launched an investigation against China's unfair trade practices. The United States impacted the Chinese

government on steel and aluminum import threats to national security. The subsequent investigation came up about the Chinese government's gaining technological ideas from the United States and putting in danger to intellectual property and innovation. Two sides of the government visited each other to minimize tension. However, President Trump was feeling bothered between the US and China trade volume. Therefore, Trump administration gradually began to trade protection policy. The first movement took place global safeguard tariff application on washer machines and solar panels. Import. The tariff rate raised between 30 to 50 percent on these goods. These raise targeted most of the countries. China was not alone by itself in this improvement. Also, other tariff implementations launched by the Trump administrations, which targets all US trade partners. However, the United States specifically drove the new tariff policy to China, which imposed a 25 percent tariff on 818 imported Chinese goods that estimated \$34 billion. That is called the first list of tariff implementation, which officially pulled the trigger of a trade war between two nations on July 6th in 2018. After the declaration of the trade war to China. The second rumors began to impose against China. The Trump administration applied the second wave of tariff under a certain level of the goods. The list addressed the 284 Chinese product range, mainly Iron, steel products, and electrical machinery. The tariff raised to 25 percent on the second list of goods, which is valued by \$16 billion. This retaliation came from China to the US. China responded 25 percent tariff measurement against 545 US-made products, which equaled to 34 billion dollars. The goods are agricultural and automobile products. The most significant tariff imposed took place via list three tariff implementation to China. That list contained 6.000 Chinese made goods, which valued at \$200 billion. Tariff rate estimated as 10 percent on these commodities. Among the trade war, these three lists expanded and minimized based on negotiations (Melina, 2020).

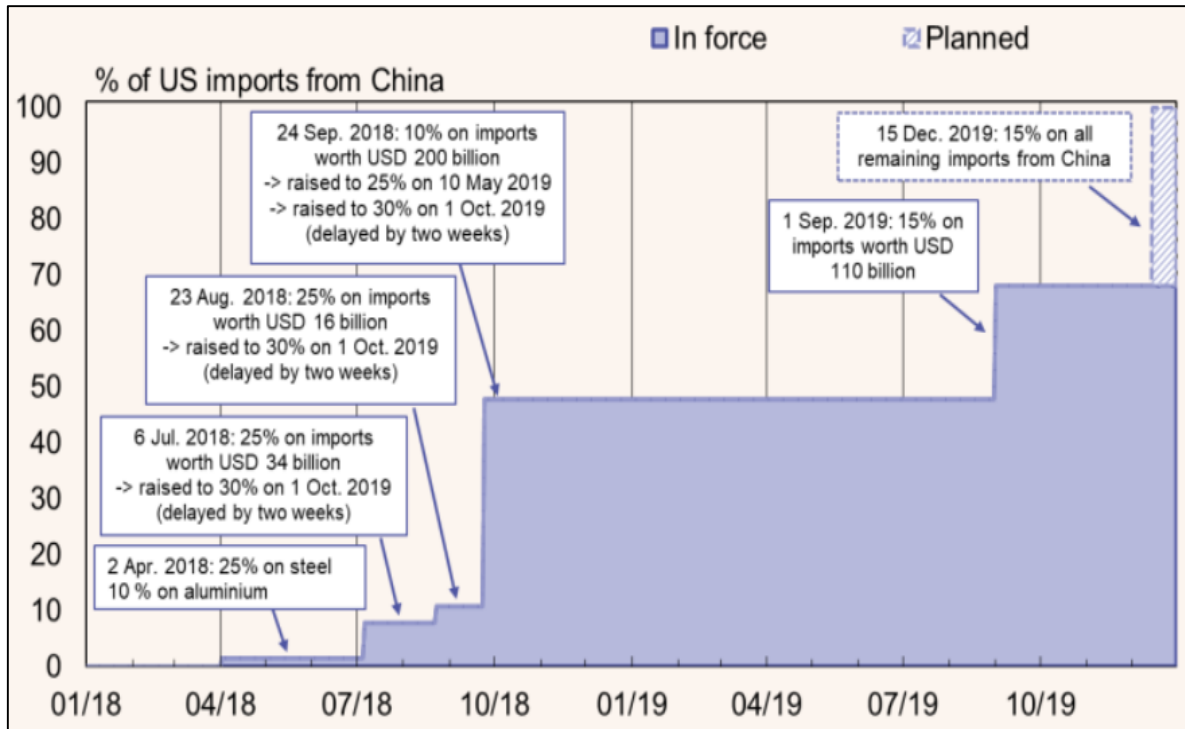


Figure 5: Since The Beginning of September, US Tariff Increases Cover Roughly 70 % Imports from China

Source: (Macro bond and Calculations by the Bank of Finland)

The reason for imposing 30 percent to 50 percent more tariff on solar power and washing machines are protecting the local producers in these fields and bring back to jobs in this market. The decision has made under the US sectoral biggest companies' application. Whirlpool Inc., one of the biggest washer machine producers in the US, applied white house to slow down washer machine imports from the South to the United States. US Solar panel producers who are Suniva Inc. and Solar World Americas followed the same path to compete with outsider solar panel manufacturers. Upon raising of tariff in these range of products made the producers happy (Brad, 2018).

However, this tariff moves on dryer machines cost the raise of the price an extra \$92 last year in the US. According to "Aaron Flaaen, of the Fed, and Ali Hortacsu and Felix Tintelnot, of Chicago, estimates that consumers bore between 125 percent and 225 percent of the washing

machine's costs tariffs. The authors calculate that the tariffs brought in \$82 million to the United States Treasury while raising consumer prices by \$1.5 billion". The tariff aimed to protect producers against Samsung and LG as washer machine companies. So, these companies applied to raise the price to compensate of loses from the tariff rate (Tankersley, 2019).

Samsung Electronics and LG Electronics decided to build factories in the United States based on Trump's trade policy America First in 2017. When the second wave of tariff implemented as 50 percent on washer machines spear parts that created, another became obstacles to reduce prices. In the beginning, all part of the components is not able to produce in the United States. According to one of the Samsung officials, that moves to threaten the other investors. Also, it will cause washer machines' prices as well. Samsung has a couple of plants in Vietnam. Samsung planned to bring some components to the US from Vietnam to temporarily meet production needs until reaching the US's full parts production ability. However, this approach did not welcome by the US authority. Also, investors faced quota on foreign components made products. This action created difficulties to meet supplier needs for foreign manufacturers in the United States. Donald Trump's safeguard decision against external components hurt domestic producers as well that includes the Whirlpool too. Many domestic washer machines companies supply components of washer machines out of the US. The consequences appeared "The tariffs exceeded the harshest recommendations from ITC members, with a 20 percent tariff set on the first 1.2 million imported large residential washers in the first year, and a 50 percent tariff on additional imports". Also, white house 50 percent tariff on essential spare part caused the raise of washer machines price between \$50 to \$400 (Park, 2018).

The other product range is a solar panel that faced the tariff imposed like a washer machine at the same time. Trump administration applied a 30 percent tariff on imported solar panels, which caused unexpected results in January in 2018. The aim was to bring back jobs to Americans. According to Petersen Dean's Liardon, who is the board member of the solar panel producer SEIA group. Before the tariff argument and intention took place, which caused the cost price and job losses in this sector. In 2017 and 2018, more than 18.000 people

become jobless in the solar panel industry. California is the mainland of the solar panel industry. The weather conditions are the most proper state to gain solar energy in the US. Also, state policy encourages people to build solar panels on their homes. According to Abigail Ross Hopper, president and CEO of the SEIA, solar product prices are booming, and solar panel energy is becoming less competitive against other sources of energy. Additionally, According to Returners “The US solar industry warned on Tuesday that the Trump administration’s tariffs on imported panels would cost the United States 62,000 jobs and \$19 billion (£14.81 billion) in investment, an estimate the White House dismissed as “fake news” (Jim, 2019).

President Trump signed additional tariff implementation on steel and aluminum that comes from Mexico and Canada to the US. The 25 percent amount of the tariff applied to steel and 10 percent on aluminum. This tariff implementation did not welcome by Mexico and Canada. They threatened to the United States, and If these tariff rates did not remove, the North America Free trade agreement would not approve by them (Penny, 2019).

According to the CNN report, raising the tariff on steel and aluminum industry brought advantages and disadvantages to the US. Most of the steel producers closed in 2015, because of import steel domination in the market. Initially, Trump’s plan seemed to breathe to the steel industry in the US. One thousand people lost their job in the steel industry in 2015. The tariff implementation created 150 jobs at the beginning of the project. These numbers extended to 2400 jobs in 2019 in the US. These advantages were benefits to producers and the jobs market. Nevertheless, tariff increasing caused the steel and aluminum prices 25 percent, and the steel industry grew 5 percent last year. The domestic steel producers used the tariff increase as an advantage to raise the prices. Price increasing causes \$650 an extra payment for the steel consumers. Besides, the tariff policy impacted to automaker industry. Each car’s production cost raised \$400. Tariff policy seems short term benefits to job markets but hurts the consumers and other steel-dependent industries. Therefore, Automakers and US Chamber of Commerce urged Trump administration to decline an additional tariff on the steel industry (Soergel, 2019).

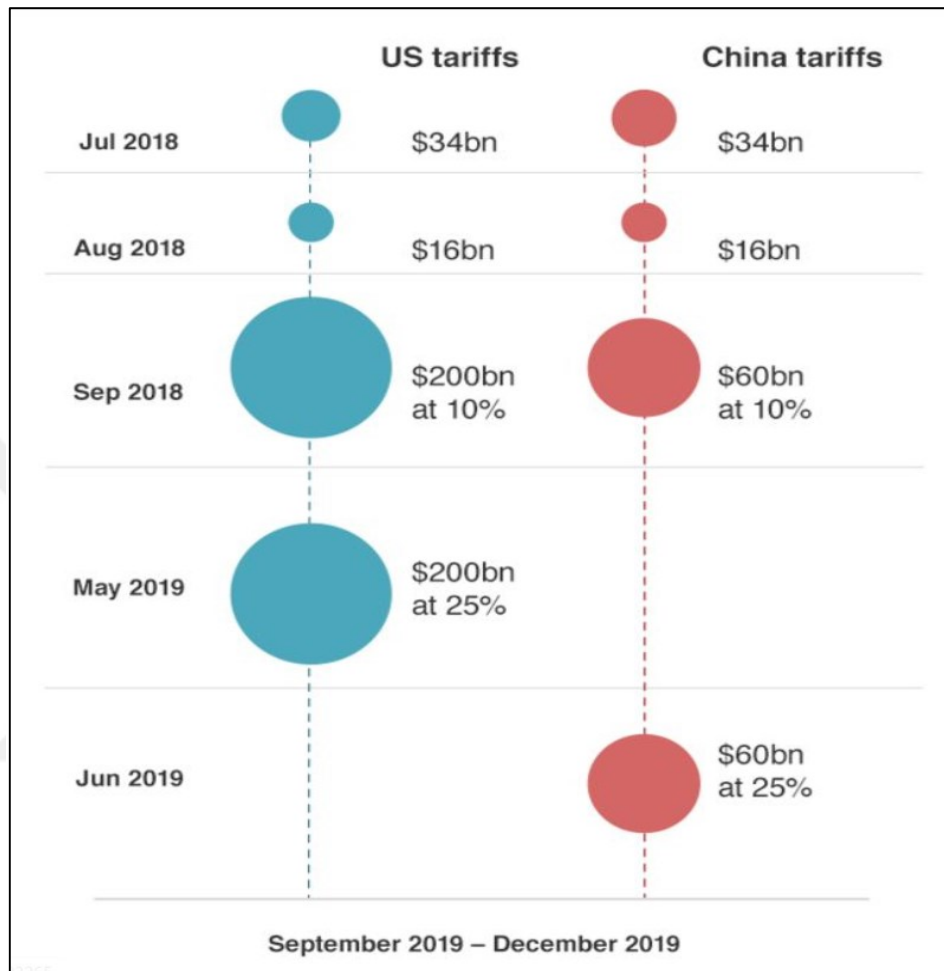


Figure 2: How the US-China Trade War Has Escalated

Source: (BBC Research)

The figure above defines the tariff timeline between the US and China trade war. Upon trade war process first list created under the safeguard section investigation 301, which accuses China unfair trade practice and technology transfer and intellectual property. The improvement initially raised 25 percent tariffs and covered 818 products, which valued at \$34 billion in July 2018. The US urges China to stop gaining the design of the products from US firms. Chinese trade policy should not imitate the design and product ideas without having Consent from the authorities expose met. US tariff application targeted to specific ranges of products line such as commercial dishwashers and aircraft tires to turbines. Also, China

responded the same way to the US with a different product range. China President's Xi Jinping applied \$34 billion worth tariff on US goods which covered American-made agricultural, marine products and car components (McKelvey, 2018).

The first list of tariffs imposed did not consider by the Trump administration. The White House released a new tariff list to Chinese import goods in August 2018. The second list equaled to \$16 billion, which applied the 279 Chinese products line. Tariff rate reached 25 percent for these products category. The retaliation came after the US additional tariff announcement by China. XI's administration moved the same worth of the tariff to US import goods, which level out the 333 US goods. That contained large passenger cars, fiber optical cables, and motorcycles. Each side executed to \$50 billion tariffs to each other from July 2018 to August 2018. Trump's administration did not welcome the Chinese escalation. Therefore, \$200 billion worth tariff implemented on Chinese import goods. Tariff level raised from 10 percent to 25 percent on the range of products in September of 2019. China responded that by \$60 billion, additional tariff US import goods. The main products are "fish meal, wood waste, paper, and paper waste, metal scraps, and various types of bicycles and cars, among other products." The last and most significant tariff launched in May 2019. That pointed out \$200 billion worth on Chinese goods. The tariff rate reached 25 percent on products. The Trump administration designated \$450 billion worth tariff on Chinese import goods between July 2018 to May 2019. China responded the \$170 billion valued tariff on US import in these years (York, 2020).

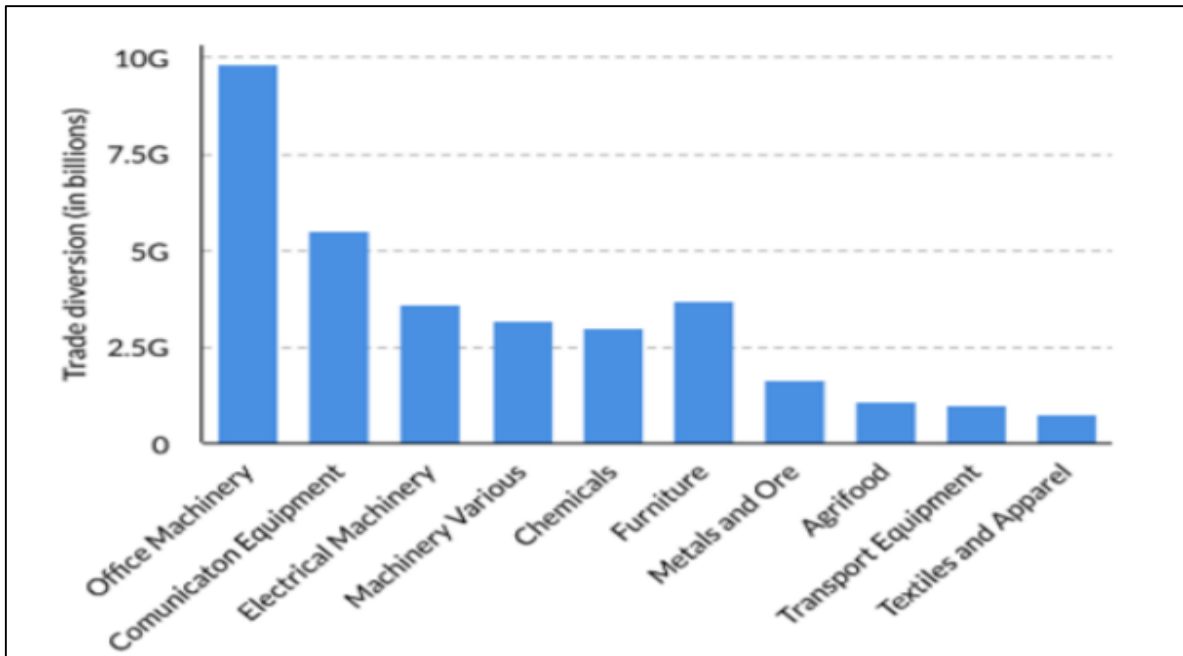


Figure 3: *Most Affected Sectors in Trade War in the US and China*

Source: (The United States Census Bureau Data)

The figure 7 mentions affected sectors by US tariff implementation on Chinese goods. The range of products previously imported from China which are substituted by other countries for the moment. The US began importing from the Southeastern and south Asian countries such as Taiwan, Vietnam, and Bangladesh instead of China. The United States hi-tech equipment and agricultural food export to China declined because of China’s tariff retaliation. Trump’s additional tariff on steel and aluminum impacted machinery sectors and caused the prices worldwide (Morris, 2020).

4.3. The United States Trade Policy

According to the World Trade Organization US 14th trade policy review, the United States has changed its trade policies since 2016. Trump administration targets to control national security and strengthen the economy. These priorities are going to shape of 2018 trade agenda. The US has been extending the economy for the ninth sequential year. The United States rose the GDP rate of 1.6 percent in 2016. The GDP rate growth of 2.2 percent in 2017.

In 2018 the US had 4.1 percent before the term of 2018 finished. The United States is the biggest economy in the world and highly dominating the world trade system. It is the leading player in the global market when the changes occur in this country, which impacts the world economic system. The United States' recent economic crisis affected the world in 2008. The United States has the most significant capital flows in the world. It makes the US dollar the most potent currency in the world. If the trade flow is low, that causes the value of the dollars. The United States is one of the biggest export countries in the world; for that reason, the US must consider the trade's economic interest. The export range type covers the machinery and mechanical appliances, representing the quarter of the US export rate. Also, automobiles and chemicals have other entry of the export subject, but their export rate is not stable. The export numbers for cars and chemical goods declined between 2014 to 2016 before the growth in 2017. The United States also one of the biggest purchasers in the world. The US imports a wide range of equipment, technological devices, mineral products, and chemicals. We can see the detailed chart below, which mentions the share of each sector for exports and imports. In addition, the other chart indicates the import and export transactions between US and trade partners all around the world. The US main trade partners are the EU-28, China, Japan, Canada, and Mexico (Policy, 2018).

The United States is one of the countries that takes the highest volume of foreign investment. America is an attractive market for foreign investors because the US has a consuming culture and a higher education system, a skilled and productive workforce, a business environment that encourages innovation, legal protections under the open market policy. The source of the investment mainly comes from the EU-28 (59% of the FDI stock in the United States in 2017), Japan (12%), Canada (11%), and Switzerland (8%). The FDI attained a record amount of US\$468 billion in 2015 and US\$472 billion in 2016. The chart below which shows specific investment amount and sectors. The Presidents of the US launched the new trade policy in 2018, which focuses on the critical subjects based on Trump administration. The policy considers the foreign market to gain more effective domination for the fairer approach the American employee. Based on these considerations, the US government applies five different criteria first, and the most crucial subject in the United States national security policy aims to protect the US government from unexpected threats from the outside of the US. The second

criterion for trade that should be supportive of making the US economy more robust. The third action is implementing the best and more profitable trade deals for the economic interest of the US. The fourth criteria are the US; the trade law should apply for each trade agreement. The fifth and last criterion is modifying the multilateral trading system. The first criteria mention that national security is a priority for the United States. Trump administration believes that without having national security, the US cannot make the economy more robust. The approach addresses the multilateral trading system. The US has trade volumes in most of the countries that have existed in the world. Trump administration priorities the control trade transactions under the multilateral trade system. Therefore, national security comes into prominence (Daniella, 2019).

The US congress summarizes the main structure of trade for the TPA (Trade Promotion Authority). The structure aims to make trade agreements more applicable under US trade laws. However, trade agreement negotiation takes an essential part in the congress. Therefore, trade negotiation object shapes the based-on Trade Facilitation and Trade Enforcement Act of 2015. TFTEA divided the trade object into three categories: overall objectives, principal objectives, and capacity building, and other priorities. The overall objectives focus on the US trade negotiation to gain an open market with equality and eliminating the obstacle that causes the US investors to dominations for the world trade. That is why the overall subject's approach addresses the weakness of international trade and investment disciplines for the US and foreign investors (Matthew, 2011).

4.4. China Trade Policy

China's trade policy is changing gradually since China established. The transformation process began by converting political understandings and trade dependences. China's trade model created under the Soviet Union's influence. Also, China had political problems with the United States, which caused the American coastal blockade against China that caused the lack of food access in urban areas. The incident forced China to rely on the Soviet Union and

allowing them to run China's economic and political subjects. The USSR's domination in China took 12 years between 1948 to 1960. The USSR policy suffocated China. Chairman Mao Zedong untied the political and economic relationships with the Soviet Union. Therefore, He adopted the new strategy, which called a great leap forward. Mao aimed at diverse trade partners and involved more trade activities with other countries. China's prime Minister Zhou permitted trade activity with the neighboring country Japan in 1960. The trade volume enormously increased, and China had the highest trade amount in this trade process. China became the top trade partner of Japan in 1965. However, China increased the level of trade with European countries and changed suppliers for industrial equipment instead of the USSR's head towards Europe. China began to normalize process with other countries such as Japan, Canada, and West Germany between 1970 to 1972. Besides, China became a member of the United Nations, which provided political stability to make a better connection with other nations in 1972. Finally, The United States' full recognition of China brought the new phase in China's trade system and boosted the trade (Wang, 2007).

China rises world power since the trade normalization process began with the United States since 1979. The first phase of the trade development began by opening trade doors to out of China and cooperating with the United States. China's trade growth rate of 9.6 percent was annually between 1979 -2005. One of the most significant trade economic growth comes from China's open trade policy to all foreign investors after the US. The investment policy of China attracted many giant companies to move their investments in these lands. The Chinese government did not only bring investors to the country but also controlled the industry to develop the manufacturing process. Therefore, the government's domestic production ability inspects by the state authority if there is a fragile manufacturing ability, which supports by incentives and encourages them to make better products to export their goods all around the world (Larry, 2015).

The reform process began in 1980 for the trade. At the beginning of the year, trade volume reached \$37.6 billion. Each coming year China increased the trade volume, which reached \$474 billion in 2012, which equaled 12 percent of the world's total trade number. China delivered better international trade than domestic trade. The GDP rate rose 10 percent

between 1980 to 2012. Import and export level claimed up 15.6 percent annually during these years. Chinese manufacturing ability increased industrial production, which supported China's export level. China expanded industrial goods selling worldwide, which reached the number from 7.9 to 17.7 percent between 2000 to 2012 (Hilpert, 2014).

The rapid growth of China's trade one of the keys is becoming the members of the World Trade Organization. The former president of China, Hu Jintao, said that; being part of the WTO is a milestone for China. HU administration created new reforms and named it the first trade policy for the world. Joining WTO takes us into the new ear for the trade in the future. WTO provided tremendous economic contributions to China. The government's trade policy brought many foreign investors to China, making the state the largest investor-taker country in the developing countries. The economy reached the 2nd most significant GDP rate all around the world. Thanks to production ability and foreign investors' support level of merchandise export took first place in the world. At the same time, the trade process and know-how transfers from the other countries increased the import level that made China 3rd largest commercial service importer in the world. China became more open to all global markets and stood against the protectionist trade mentality, which was confirmed by the former foreign minister of China at the speech of WTO Doha Conference. He gave a speech at the Seventh WTO Ministerial Conference. He declared that China has ever been a steady advocate of the multilateral trading system, a committed supporter of the free trade policies, and an enthusiastic associate of the Doha Round talks (Jiabao, 2011).

4.5. Reasons of The Trade War Between America and China.

Before the recent US president, Donald Trump elected. He mentioned many times, trade relationships with China, and he pointed out everything obviously against China. The president confirmed that China as a theft state stealing our value and damaging our economy. He was so angry with China because of the domination of the Chinese product in the United States. He believes that all goods come from out of the US, which all take profits from the

US. Therefore, he targeted all countries who are doing trade with the United States. China is the most affected state in this group. The trade deficit is the biggest issue for the trade war with the US and China because China delivers the most significant export to the United States. According to data China export to us \$539 billion Chinese goods. The US sold \$120.3 bn goods to China in 2018. When the numbers calculate that determine the US deficits, which appeared \$419.2 bn, these numbers are growing since the US and China have trade relationships (Rushe, 2019).

When the study analyses the current situation after the United States declares the trade war, what are the numbers? According to the author Jeff Cox, the US trade deficit rises more than expected numbers. The US trade deficit increased in August, which was not expected numbers for the United States. America expected importation numbers to down because of imposed taxation for China and the European Union. However, the deficit went beyond expectations. According to economics surveyed by Dow Jones approximate import rate for each month was \$54 billion. The number appeared in July \$54 billion import and in August reached the \$54.9 billion. Based on annual estimation for the import after the trade war. From 2018 August to 2019, August's total import rate pre-estimation number was \$261, 4 billion, which did not meet up the year's prediction for the import. The number raised to \$ 262.8 billion. The export expectation was \$ 207.4 billion, which exceeded the calculation. The export number seen to \$ 207.9 billion. When we look at the total import and export rate for the year, \$ 57.2 billion gaps appeared. The leading cause of the rising came from the demand for healthy shopping appetite, which causes the US economy to slow down the process. Although trade deficit expectations did not meet for the US However, the volume of trade with China fell. The falling rate was 3.1 % for the month. The total number became \$231.6 billion annually, which equaled the 11.4 % decline from the same period in 2018. US trade deficit with Germany raised. The numbers of the import increased \$ 7.1 billion, which reached annually \$ 12.1 billion. That became the record rate between the two countries. When we look at the total trade volume with E. U and the US, the total import rate declined for the European Union. The EU import rate to the US dropped to 23.7 percent. Usually, this rate was going up to 8.1 % before the trade war happened. Besides, the US is still threatening Chinese goods for imposing an extra tariff with a value cost of \$300 billion, which has not

met the tariff subjects before. The recent statistics for the auto export glad for the industry. The auto-export increased \$ 14.3 billion that the highest numbers since July 2014. The petroleum deficit went down to \$300million, which was the deepest on the record (Jef, 2019).

4.5.1. Technology and Trade War

One of the biggest reasons for trade war China's technological developments in most critical fields and technology transfer from the United States. Trump administration has concerned the way of Chinese government investments the Technology. China has an industrial policy for 2025 that introduced in 2015, which targets ten strategic significant high –tech fields such as aerospace, robotics, biotech, clean-energy vehicles, and information and communications technology. China's President Xi aims to replace these technologies domestically instead of foreign dependency in ten years. Trump administration sees these technological developments as a threat. Another reason for Trump administration is China's military technological enrichment, which seems to be another threat to the United States in the future. Chinese government technology investment encourages Chinese companies to purchase US-based firms to transfer technologies to China's lands (Jie, 2018).

Upon these developments, the Trump administration launched an investigation against China's technology and innovation policy under section 301 to protect intellectual property rights against Chinese companies' domination in the US. Therefore, the Trump administration founded the organization, the Committee on Foreign Investment in the United States (CFIUS). The committee observes the transaction between US and Chinese companies. The committee detection stopped two incidents. The CFIUS suggested the Lattice Semiconductor Company as unfavorable purchasing by the Chinese related company that was blocked by the Trump administration in 2017. The recent incident happened in 2018, which was attempted by the Singapore-based Broadcom firm to buy US chipmaker Qualcomm. That purchase also seemed suspicious by the Trump administration. Therefore, that blocked by the US authority. Moreover, Trump administration took further actions to secure American companies more. So, he signed an extension of the Foreign Investment Risk Review Modernization Act in 2018. The main reason for the act is to observe Chinese

transactions against the US companies and other foreign investors' domination in the US for technological sectors (Murrill, 2018).

One of the Chinese telecommunication company ZTE banned by the US Department of Commerce. Because of doing trade by the US sectioned countries North Korea and Iran. ZTE is using the technology of American for years. It seemed like a violation of the rules by the US authority. From these developments, US authorities implemented criminal charges against Huawei, another Chinese multinational technology company. Moreover, Trump administration has encouraged the allies that contain Germany, Italy, and Japan to stop this company 5G services in their countries. Based on these developments' president announced national emergency actions against the US technological telecommunication companies. Therefore, the Trump administration signed the Executive Order, which forbade US firms to use technological and informational data that Chinese companies use. This sanction is mainly targeting Huawei. In addition, the US Department of Commerce stipulated the prior authorization for the US companies' exportation to Huawei and its affiliates. The US companies are disturbed by this implementation. Therefore, the Commerce Department postponed this action temporarily. However, President Trump softens the trade policy against Huawei, which perceived as the possibility of tolerating the export limitation of trade between the US and China for the trade talks in the future. President Trump considers this talk as minimizing way of trade deficit. President Trump is eager to utilize Huawei as leverage in this trade negotiation to make the trade talk foggier. This behavior regarded as decoupling from China. The Trump administration trade policy caused long-term considerations technological supremacy between two nations (Karen, 2018).

Trump administration divided two different groups, and each group has different opinions to trade with China for the trade talk. The one side represents the National Economic Council Director Larry Kudlow and Secretary of the Treasury Steven Mnuchin. Even though they used to have a nationalistic perspective before they join the Trump administration, Mnuchin wants to lower the tension of trade between China, therefore he reported to reduce the tariff rate for the Chinese companies. He aimed in this action to stop unfair trade practices and policies, especially to control the theft of IP and forced technology transfers. On the other

side, Trump's President Trump's trade adviser Peter Navarro and US trade representative Robert Lighthizer, focus on structural changes with China. The Secretary of the Commerce Department Wilbur Ross wants to change the global trade rules for the United States. Also, he believes that the US should separate the trade activity with China. That will be more beneficial for the US in the long term. According to their opinions, the US must take action against China for transferring technology and capital flow. If the US applies the way of stopping IP transfer and technology transfer, that will keep the United States away from the cyber-attacks. This type of approach makes China more determined to have leaderships of the technology field in the world (James, 2019).

China is enormously investing in the Research and Development sectors to develop technology and Science. The government is increasing 17 percent of the R&D investment every year. According to the US National Science Foundation's report, R&D investment increased from \$722 million to \$2.2trillion between 2000 to 2017. The United States increased the R&D investment, an average of 4,3 percent every year from 2000 to 2017. According to 2017 data, "In 2017, entire US spending on R&D tallied up to \$549 billion (PPP), while China did not come too distant second with \$496 billion. Globally, the US and China considered for nearly half of the world's global R&D total in 2017 at 25% and 23%, respectively. China's rapid progress can be seen by its spending levels at the turn of the century when R&D expenditure only totaled \$33 billion while US investment came to \$269 billion (McCarthy, 2020).

4.5.2. Trade War and Trade Deficit

One of the significant reasons for the trade war is the general trade deficit of the United States, especially that which addresses the most significant trade volume between the US and China. These two states began to extend their trade relations since 1979. Each side mutually

benefits from each other. At the same time, the trade gap is enlarging from one side to another side. China's export level reached the highest number of exports in 2018, its recorder's most significant number of US trade deficit between China. So, Trump administration has seen the trade war with additional tariff implementation as a cure to reduce the trade deficit in the country (Swanson, 2019).

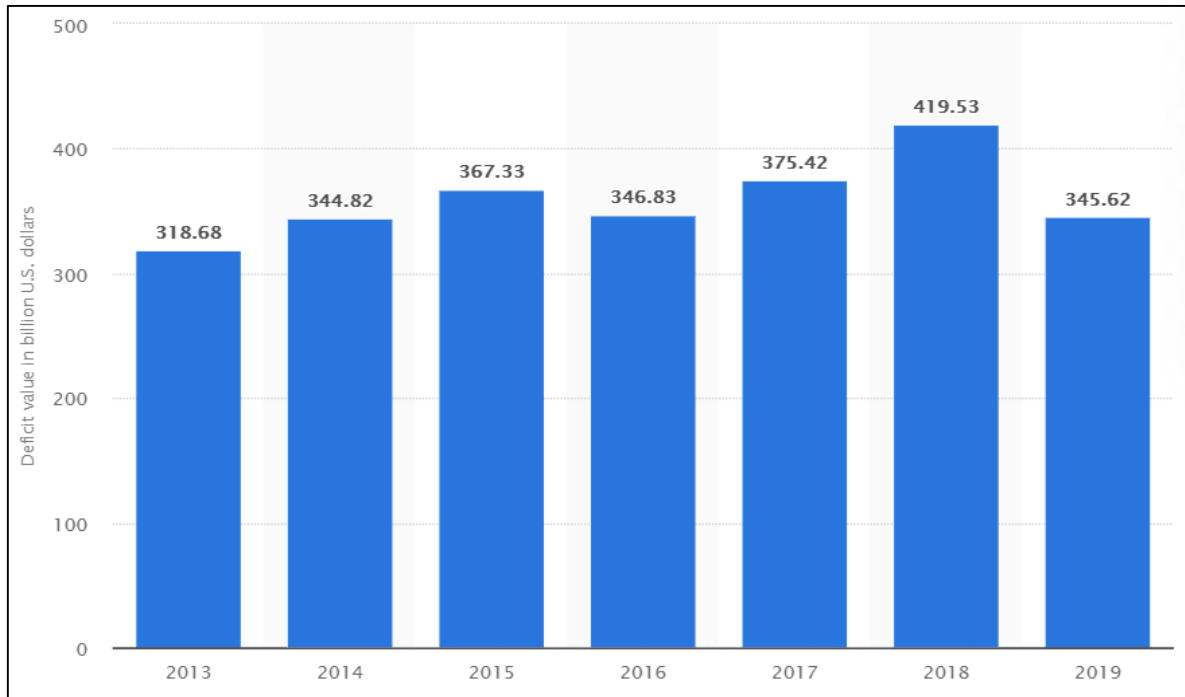


Figure 4: United States Goods Trade Deficit With China From 2013 to 2019

Source: (The United States Census Bureau)

The additional tariff implementation to China began officially began on July 6th in 2018. US, and China tariff imposed, and retaliation equaled over \$ 500 billion valued goods. In this trade war mid of 2018 to the end of 2019 US only declined \$73 billion Chinese imports.

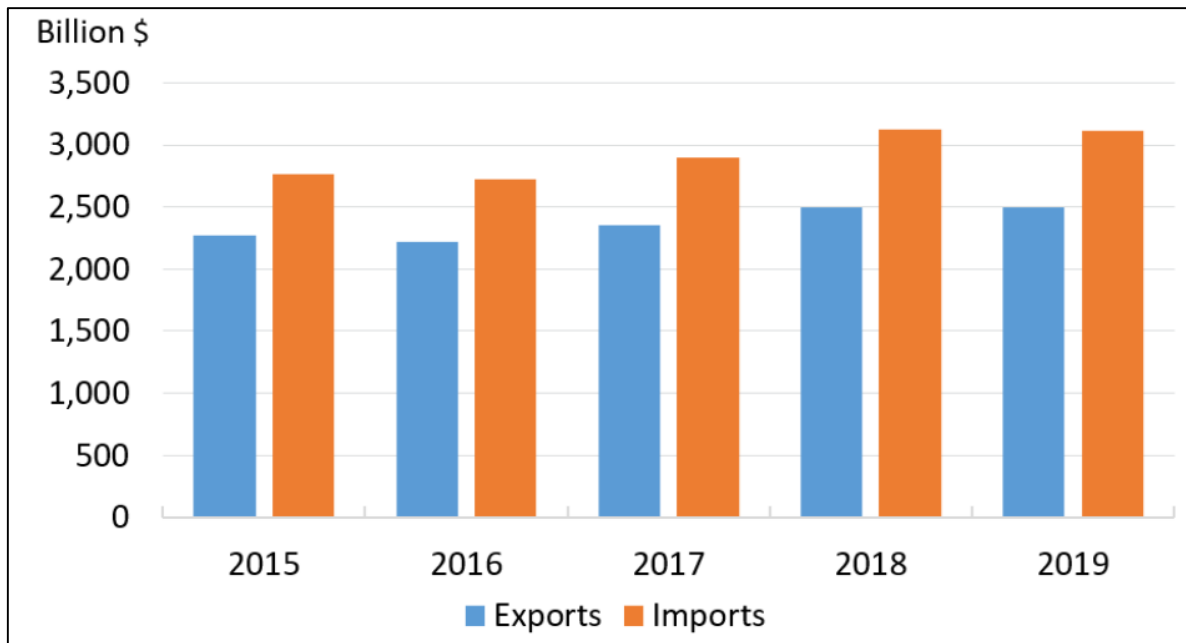


Figure 5: US International Trade in Goods and Services

Source: (The United States Census Bureau)

According to the United States Census Bureau data in 2018, the trade deficit in goods with the world was \$ 874,813.7 billion. At that time, the US and China's total trade deficit was \$419.53 billion. The implementation of additional tariffs to Chinese goods and the protectionist trade policy of Trump expected the lower te trade deficit in 2019. He believed that restrictions and sanctions to China and other trade partners during 2018 would decrease the trade deficit remarkably in 2019. When the data released by the US Census Bureau, which disappointed the Trump administration. Only \$73 billion trade deficit decline with China, but overall trade deficit canceled just \$ 38billion (International, 2020).

The US only changed the trade partners in this war, such as Mexico, and became the biggest trade partner of the United States. It followed by Canada and China. Vietnam increased an additional \$10 billion trade with the US, which reached the \$18.71 billion in 2019. Another Asian nation such as Taiwan and Bangladesh raised the trade level as well with the US (Roberts, 2020).

4.5.3. Trade War and Prices

At the beginning of 2018, the Trump administration's exposure meant that additional tax on washer machines and solar panels started the price increases in the US. The administration acknowledged that 20 percent additional tariffs on the first 1.2 million import washer machines, and for over these numbers, the tariff will be 50 percent after in two years. A 30 percent tariff implemented on import solar panels as well for the next four years (Gonzales, 2018).

According to research that studied by The University of Chicago and Federal Reserve Board Governor, the washer machines price raised 12 percent, which raised the prices approximately \$86 to \$92 more for each appliance. Only for this product, American is paying over \$1.5 billion extra. Also, the domestic producer raised the price in this situation between 5 percent to 17 percent (Lemi, 2019).

A 30 percent imposed of tariff on import solar panel products implemented based on domestic solar energy producers. They demanded a 50 percent additional tax on foreign-made solar products. Additional tax caused the 5 percent declined in the solar panel industry in 2018. It impacted to 10 to 15 percent raise each average home installation project (Groom, 2018).

Washer machines and solar panel tariff increases followed by the Steel and aluminum products as well. A 25 percent tariff on import steel products and 10 percent tariff aluminum products implemented in March in 2018. It impacted most of the US trade partners who sell export the products. The US cannot meet the demand for steel and aluminum by itself; 30 percent of needs come from out of the country. The declaration of additional tariff for both metals raised the 50 percent Europe import steel and aluminum products; also, it impacted 80 percent on Chinese made as well. One of the most significant impacts seen in the automaker industry. The GM company, the well-known car producer in the US, complained of tariff implementation because it brought an additional \$300 million increase in the auto parts. The other automaker company Ford mentioned the same issue. The total profit for the first quarter of 2018 declined 50 percent a year ago. The profit was \$1 billion at that time, and product cost also reached \$145 million first quarter of the year (Bomey, 2018).

Four main products tariff increasing added extra cost to the prices. The prices are increasing continue after Trump administration over \$500 billion tariffs imposing on Chinese import goods. The United States imposed duties on nearly \$283 billion in imports in 2018. The tariff range was between 10 percent to 50 percent. The \$121 billion retaliation came from China to US export goods. Tariff war resulted in an additional cost for American consumers and the firms \$3.2 billion for each month in 2018. Also, it affected \$1.4 billion lost for welfare per month in 2018 (Marry, 2018).

Trump's trade protectionist approach applied a wide range of Chinese goods, which measured \$550 billion worth implementation. The US average tariff rate was 3.1 percent before the trade war began. The rate of approximately reaches 25 percent of all these products. According to Goldman Sachs research, US additional tax practice on Chinese import goods applied 25 percent of the consumer goods that the products come to the US from China. This practice causes an extra \$1000 for each American household (Dickler, 2019).

Trump's tariff war caused inflation in the US, but it became an advantage for the Chinese. Most wholesaler export levels slow down the Chinese goods flow to the US, so producers lowered the price, which appeared 03 percent fell in the price index that compared from the last year. However, China's food prices climbed 9.1 percent in 2019 from the last year. The reason is that China is the biggest US agricultural and fresh fruit importer. The US agricultural related products fell over \$163 billion after China's retaliation on the US goods. China purchased \$239 million in foods in the US between 2017 to 2018, and this number went down to \$123 million between 2018 to 2019. Overall, China's Consumer Price Index (CPI) grew 2.8% from a year ago (Tan, 2019).

4.5.4. Trade War and Jobs Market

Before the trade war between the US and China, President Donald Trump pointed out that a high volume of trade with china causes the unemployment rate in America. He pledged his nation to bring back to job opportunities. Mainly he addressed the manufacturing jobs losses because of Chinese import domination in the US industry. US unemployment rate broke the record, which minimized historically. The rate downed the lowest level in half a century.

However, manufacturing job creation was not the same as in other sectors. According to the Labor Department, employers laid off 2000 workers from manufacturing businesses. Most of the manufacturers expressed their concerns to President Trump. The statistics showed that the manufacturing recession continued last month. Although manufacturing employees had the right conditions, such as widened their opportunities and wages rise in 2018. However, workers have concerns to lay off from their works (Heeb, 2019).

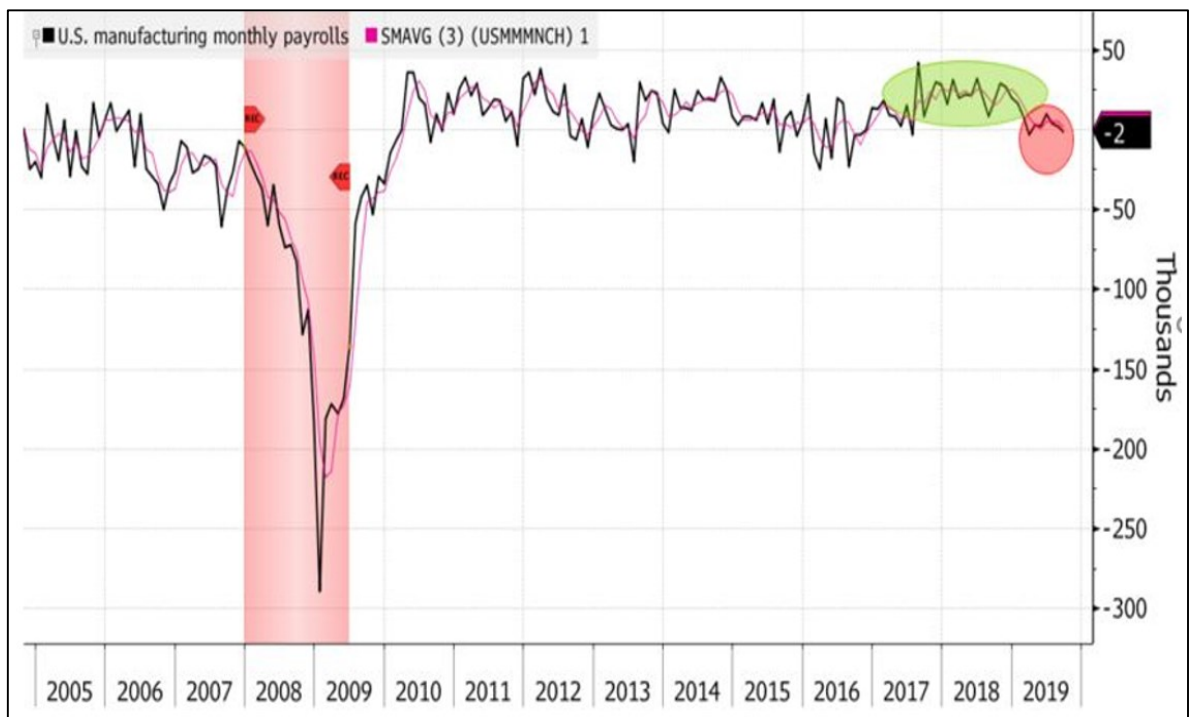


Figure 6 :The US International Trade in Goods and Services

Source: (BLS)

The figure mentions that President Trump added approximately half a million jobs to manufacturing in 2017. That was the spectacular job growth rate since the recent financial crisis in 2009 in the US. After the first six months of 2017, manufacturing jobs got into an urgent situation and began to lose jobs month by month. The growth rate did not meet with sustainability. According to Boston Federal Reserve President Eric Rosengarten, the export rate for the manufacturing-dependent sectors did not meet expectations. These declines from

the exportation will cause the Donald Trump 2020 election campaign. Especially he can be disappointed in Pennsylvania and Wisconsin because of most of the manufacturing jobs lost in these states. When we look at the previous election, Trump had the highest votes from them (Dmitrieva, 2019).

The recent report was released by the Chinese government, which indicated that the trade war weakened the economy and caused the unemployment rate in China. The job loss rate increased in July, which turned the highest level. Also, other sectors shirked such as factory production, consumption, and property investments (Zhu, 2019).

Since the trade war began between the US and China, Chinese firms, and jobs under the risk, it has enormous impacts on China's service sector. One of the biggest Chinese logistics company which is A Ningbo S-Power International Logistics Co. It lost a 40 percent export order annually. In addition, these numbers are going down. According to the survey, the urban jobless rate reached 5.1 % in October from 4.9 % in April 2018. When the trade war began, the jobless rate started the decline in China. According to company manager Mei Zhen Hua, imposing extra tariffs by the United States caused the cancellation of the orders by a margin of 40 %. Most of the logistics firms' profit levels sharply decreased because of tariff implementation by the United States. According to Economist at UBS, 3 million exportation related jobs lost in China which can increase to 4 million based on trade war attitudes (Yao, 2019).

According to Asia News/Agencies, 5 million people lost their job in the manufacturing sectors in China. Out of this number, 1.9 million lost their job because of the trade war: 3,4 percent job loss in the manufacturing sector (Lardy, 2019).

4.6. COVID-19 and Trade War

The world economy and trade have been suffering from the invisible enemy, which is called coronavirus with the other saying COVID-19. The virus appeared in December 2019 in Wuhan city in Hubei province of China. Since the COVID-19 began, it reached the 216 countries and caused 357.736 people's lives, the transmission of the 5.704,736 people. That the data gained from the World Health Organization website on 29th May in 2020 and the

number are still extending. The world has never witnessed this type of virus before, which is expanding and causing more life. The planet is cureless against that now (Rasheed, 2020).

Before the COVID-19 outbreak, the world was fighting from a trade-related protectionist approach, which was causing substantial economic concerns in the world. The most significant dispute was happening between the US and China until the Phase 1 Trade deal signing on 15th January in 2020 to stop the trade war gradually. When the agreement signed, China was suffering from COVID-19 outbreak. The United States first COVID-19 case appeared on 20th February after the trade deal. The US has the most significant impact on this outbreak; the death toll over 100.000 people is still increasing. President Trump is accusing China of the virus. The outbreak is creating the enormous economic consequences of the United States economy that caused the biggest jobs lost since the Great Depression. Trump administration is threatening China; if the phase 1 trade deal would not perform, the US will impose an unexpected restriction on China (Roxanne, 2020).

President Trump sees China as responsible for viruses emerge globally, and he claims that there is evidence for the virus created in a laboratory in Wuhan, China. However, US Director National Intelligence made a statement that confirmed that the virus is not human made or genetically modified. President Trump accuses the World Health Organization that it did not interrupt China to control the virus. Therefore, He is threatening the WHO to stop financial aid (Günerigök, 2020).

China is a defense a theory which is addressing the United State creation of the virus. They believed that virus brought by the United States Army, which been in Wuhan in October. However, there is no logic evidence under this claim yet (Myers, 2020).

According to the CNN article, the economic data mentions that China is comforting the historic economic collapse in the short term for the moment. For instance, the retail sales rate went down 29 percent in January and February compared to 2019 data at these mounts. The industrial production reduced 13,5 percent. Also, fixed asset investment fell 25 percent—all data released by the Chinese National Bureau of Statistics. According to Chinese Economist, Larry Huchen's 14 trillion economies will shrink 6 percent compared to the first quarter of

last year in China. The Chinese economy has never seen that percentage declined in the last 50 years. Also, the unemployment rate was 5.2 percent in December, which raised 6.3 percent in December. In addition, these numbers are seeing as declined, which signal will rise in the future (He, 2020).

The COVID-19 impaction is creating an undreamed situation in the United States. The most influenced country from the outbreak. US economy is struggling with that. In the first quarter of 2020, the GDP fallout by 4.8 %. That was the highest decline from the 2008 financial crisis. After the COVID-19 hits in the US, 22 million Americans applied for the unemployment benefits. They supported by giving the stimulus checks from the US Department of the Treasury. Also, small business owners fed the loans and funds by Paycheck Protection Program. The COVID-19 outbreak total cost to the US economy over 4.5 trillion for the moment in 2020 (Andres, 2020).

According to WTO, the world trade seems to decline by 13 % to 32 % in 2020, which forecast shares on 8 April 2020. Economist believes that these numbers will not recover in 2021 that seems it will take several years to normalize trade volume in the world. Most of the sector affected by the COVID-19 virus. The automotive products index had the most vulnerable of all, due to falling automobile production and commerce in significant economies. The visible slump in the forward-looking export procedures index (83.3) advises that commerce instability will continue in the short run. Slumps in the container shipping (88.5) and air freight (88.0) records reflect the weak request for purchased goods as well as supply-side compulsions arising from attempts to overcome COVID-19. Just the indices for mechanical components (94.0) and agricultural raw materials (95.7) present symbols of confidence, although they too remain beneath the trend (Barometer, 2020).

5. CONCLUSION

The United States President Donald Trump pulled the trade war trigger for several reasons. The First two reasons addressed the trade deficit and economic concerns that sourced by Chinese import. One year after the trade war in 2019, the United States trade deficit shrank. That happened for the first time in six years in the American economy. According to data released by the Commerce Department, "The trade deficit for goods and services fell to

\$616.8 billion in 2019, down \$10.9 billion from the previous year." The main reason for the shrink was domestic oil production that minimized the import of the oil by y \$30.3 billion last year. Also, US general import and export levels decreased because of the Trump administration's tariff policy. The numbers for the import dropped \$12.5 billion to \$3.1 trillion and for export \$1.5 billion to roughly \$2.5 trillion. The US tariff policy lowered the trade deficit between the US and China. The amount went down \$73.9 billion to \$345.6 billion in 2019. However, US firms and consumers changed direction and headed towards to other countries to purchase goods rather than applying manufacturing in the United States. According to data, "Mexico raised \$21.1 billion last year to a record \$101.8 billion, as the United States brought in more goods from its southern neighbor. The trade deficit in goods with Canada grew by \$8 billion, while the gap with Taiwan increased by \$7.8 billion" Besides, the trade deficit reached a record with European Union \$177.9 billion in 2019 (Swanson, 2020).

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

The failure of trade deficit expectations caused some economic issues in the United States. The National Committee on the US and China platform asked the economics at the same question: "What has been one impact of the trade war on the American economy and global trade over the past two years?" According to Dr. Nicholas Lardy, who is the Senior Fellow, Peterson Institute for International Economics, Vice-Chair of the Board, National Committee on US-China Relations. He mentioned that the US tariff policy impacted US manufacturer production cost. Most of the US producer is buying final input from the Chinese companies to finalize their production. Because of the tariff policy prices raised and manufacturing companies' cost price, which caused losing their sales. Thus, US companies' export level and income dropped (Lardy, 2020).

Trade war tariff policy damaged most of the export-related industries. Such as American automotive vehicles, parts, and engine exports declined by about \$1 billion in a month. All export-related industrial products went down overall 4,8 percent. Also, the agricultural industry slowed down, mainly because soybean producers harmed more than other types of agricultural product producers. Trade war caused 10.4 billion dollars lost for the agriculture industry (Rampulla, 2019).

Loss of production caused the manufactured job crisis and consumer prices in the United States. According to the US labor department, The US economy hired 130.000 people in August in 2019. That numbers were below the expectation mentioned by the census. The jobs temporarily offered 130.000 people workers. Also, the unemployment rate was 3,7 percent in August, which was the lowest half a century (Long, 2019).

However, manufacturing jobs results are disappointing. The latest US report number indicated that manufacturing level jobs increased from 8.000 per month in 2019. The numbers were 20.000 per month in 2018. These numbers did not meet the Trump administration expectation. Trade war mainly began to bring jobs back to the manufacturing industry. According to experts, if the Trump administration had not applied tariffs on Chinese industrial goods such as steel and aluminum, this would have created 1 million manufacturing jobs in the US in 5 years (Adam&Finbarr, 2019).

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

The United States failed many subjects during Trump's trade war. Trade deficit did not stop, which reached the record in 2018. The US import level decreased, which caused the export level as well, because of Trump's tariff policy against China. The felling import level caused the prices which cost to US consumer. Because China's manufacturer offers the lowest price to the US more than others, all these negative impactions made the trade agreement inevitable for the US and China. Thus, phase one trade deal signed on 15 January 2020. China agreed

to buy an additional US\$200 billion of American goods and services over the following two years. In this amount, the US addressed the group of products that China should import from the US. They are US\$77 billion in manufacturing, US\$52 billion in energy, US\$32 billion in agricultural goods, and US\$38 billion in services (Desk, 2020).

The COVID-19 outbreak is threatening an already raveled U.S.-China trade relationship and the post-pandemic global economic recovery. The pandemic has extended strategic conflict between the United States and China and built economic situations inappropriate to meeting responsibilities in the Phase One agreement reached in January. The President Trump impeached the China for creation of virus in laboratory and spreading the all around the world, but anyone has not found an evidence yet. The United States is the most affected country from outbreak. Trade war recent agreement phase 1 deal seems so delicate under the COVID-19 process. President Trump is still threading China If the phase 1 trade agreement will not meet, China must be ready for the biggest bill to pay ever (Caporal, 2020).

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