

The Law Communicants Journal (TLCJ)

An International Journal for Multidisciplinary Research

VOL. 1 ISSUE 2



About the Author

Name: Niharika Gupta

Paper Title: **The Impact Of US-China Rivalry on Globalisation**

Publication ID: TLCJ4EQCU7FU

Name of the Institution: **Christ University**



THE IMPACT OF US-CHINA RIVALRY ON GLOBALISATION

ABSTRACT

United States of America (USA) and China they are among the world's leading powers in terms of the size of their economies, defense budget, trade export, and import, Greenhouse gas mission, etc. One of the similarities between them is that they are permanent members of the United Nations Security Council. It is possible to illustrate the global importance of the American and Chinese economies in two ways, both of which shed light on the ongoing challenges of power transition: one focuses on the rise of the Chinese economy relative to US GDP. At the same time, the other emphasizes globalization's accompanying shifts.

China's GDP was about a tenth of the United States in 2000. However, after becoming a member of the World Trade Organization (WTO) in 2001, China's export-led growth skyrocketed in the 2000s, with its share of the U.S. economy more than tripling from 12% in 2000 to over 40% in 2010.¹ Since 2018, the U.S. and China have put many restrictions on trade flows between the two countries, the most notable of which have been tariff increases.

Keywords- Globalization, United States, China, World Trade Organization (WTO), Gross Domestic Product (GDP), Defense, Economy.

¹ C. Fred Bergsten, *APEC Should Pursue a Free Trade Area of the Asia Pacific*, Peterson Institute for International Economics (16 april 2023, 10:50 Pm) <https://www.piie.com/commentary/speeches-papers/apec-should-pursue-free-trade-area-asia-pacific>

The tug of war between the United States and China: At a Glance

When then-President Donald Trump's fixation with trade deficits led him to put punitive tariffs on China in 2018, bilateral relations between the United States and China fell. Following the tariffs, China was denied access to high-tech American products and foreign investments due to security concerns and claims of unfair Chinese business practices. The United States's trade battle over China's unfair economic policies has now devolved into a "cold war" driven by ideological differences.

It started in early 2018 with taxes on solar panels and washing machines in response to cheaper competitors from South Korea, China, and other countries. However, by mid-2018, China had become the primary focus of a broader and more aggressive tariff war.

From this vantage point, it's evident that the so-called "trade war" was never going to be about just exchanging products and services. Confrontations will always arise, but they have so far been avoided by means other than conflict. Strategic competitiveness amid the U.S. and China is at stake. This competition will define how international affairs will be conducted in the first half of the twenty-first century.

After the United States goods trade deficit with China hit \$375 billion in 2017, the U.S. levied three tariffs on Chinese imports. In July, it placed duties on \$34 billion in Chinese goods, \$16 billion in August, and \$200 billion in September. The tasks range from 10% to 20%, and they might soon be expanded to encompass all of China's \$505 billion in exports to the U.S.²

Even though customers on both sides will suffer due to increased prices and/or inferior goods, the United States has more leeway to impose tariffs on China due to the imbalanced trade flows. Because China's imports from the U.S. are only worth roughly \$130 billion, it has retaliated proportionately but to a lesser extent. The U.S. has effectively destabilized Beijing's "Made in China 2025" growth strategy, aiming to raise the share of Chinese domestically produced core content in high-tech products to 70% in the following seven years.

² Thitinan Pongsudhirak, *The U.S. and China: The trade war and the broader confrontation*, Geopolitical Intelligence Services AG, (16 April, 2023, 11:16 pm), Trade war could be the beginning of a broader confrontation – GIS Reports (gisreportsonline.com)

U.S. Impose Section 301³ of the Trade Act of 1974 on China as;

In August 2017, the Us initiated an investigation against China. The U.S. incorporated the major Issue were China's technology transfer, I.P., and innovation policies/practices. The findings were, that Chinese IPR-related practices are unreasonable (or discriminatory) and burden (or restrict) U.S. commerce. Action Taken.

Subsequently U.s. Imposed additional Tariffs ranged from 7.5% to 25% on approximately \$370 billion worth of U.S. imports from China.⁴

In December, after months of hostilities, both parties agreed to conclude a truce that paved the way for the talks, and even up to 2019, the trade deal looked promising. However, again tensions escalated and on the earlier month of May US again raised tariffs from 10% to 25% on two hundred (200) billion us dollars On Chinese products such as Internet routers and modems. After some days of reciprocating, China retaliated with higher tariffs on a revised list of 60 billion us dollars' worth of American products, including frozen vegies and liquidized natural gas. Trump has said that he is looking for more tariffs as 325 billion dollars this led to more consumer items including in lists such as cell phones, computers, clothing, and footwear.

The Impact of U.S. China Tussle on Globalisation:

A joint study by some top U.S. universities that tariffs have cost the U.S. economy some 8 billion dollars in loss to GDP, American consumers are paying more than their pockets 11 Us \$ per month. Months after the tussle, China already tried to slow its economy as slo3w as other challenges, such as high debt levels with China's retaliation, which affected the U.S. agriculture sector. Their biggest buyer in China. The U.S. Giant Apple revenue declined at a higher cost for the consumers.

The US-China trade war could affect many countries worldwide, not just the United States and China. The deterioration of commercial relations between them has economic

³ Section 301 of the Trade Act of 1974 (19 U.S.C. §2411) grants the Office of the United States Trade Representative (USTR) a range of responsibilities and authorities to investigate and take action to enforce U.S. rights under trade agreements and respond to certain foreign trade practices.

⁴ Congressional research Service, Section 301 of the Trade Act of 1974, (16 April 11:53 pm), <https://crsreports.congress.gov/product/pdf/IF/IF11346>

ramifications for many countries, notably in Asia. Increased tariffs typically result in higher product prices for customers.

The world's second-largest economy, China, has already retaliated by adding tariffs on pork, soybeans, automobiles, aircraft, and steel pipes produced in the United States. Furthermore, China has the authority to levy high taxes on American companies such as Apple, which is well-known worldwide.

A trade war may stifle investment, reduce spending, agitate financial markets, and hamper global growth. It will affect emerging markets, but it will also slow global economic growth. Companies may find it difficult to operate in the face of high taxes, and as a result, they will raise product prices, putting a burden on customers when they buy anything. Other countries may respond by erecting protectionist obstacles. Furthermore, due to a rise in tariffs, the trade war between the United States and China will have ramifications for many emerging economies, including India, both in stock and debt markets.

With the recent escalation faced from Asia, Europe to the U.S. has seen a decline; a full-blown trade war will also disrupt global supply chains, impacting countries that play a crucial role in supply chains, which will include Singapore, Malaysia, South Korea, Taiwan. More of them push consumer prices in Singapore because of these responsible components.

Singapore saw slower growth within six months in the second half of 2018. This is mainly on the back of slower global demand for semiconductors and tech gadgets just pulling down the growth of the critical manufacturing sector, so more uncertainties in the global economy would not be good news for open economies.

Also, there are some positive aspects as well as there might be a need for finding new substitutes that could be beneficial for other economies as well. The rerouting of global supply chains may benefit South Asia simply because of the regions of geographical supply chains' well-established distribution network and sizable workforce with low labor costs. For example, India's supply chain with Japan and Australia. The U.S., is mainly liberalizing the economy and promoting globalization. Procedures are primarily protectionist in nature. Adopting a protectionism policy, the particular government protects domestic companies, industries, and the market to reduce the trade deficit. An indication of turned down own policy indicating globalization.

Our Conclusion and My views

To unquote, **Dr. Catherine L. Mann**, Global Chief Economist, during a podcast, stated, *“There’s no such thing as a bilateral trade war; there’s no such thing as a trade war that only affects certain industries. This is a trade war that has significant implications for all countries and industries, and even if there may be a few winners from those protected by tariffs, they are losers in the general sense because the global economy grows more slowly in the context of a trade war.”*⁵ Hence, The U.S- China tussle has become more of a power struggle than a trade; both are superpowers and want to remain a single superpower to rule the global economy. There are also some opportunities for India as an opportunity to be a substitute for the U.S. by replacing Chinese exports. It can become competitive and grasp the hold of the textile, garments, gems, and jewellery sectors. India can return U.S. exports to China with at least 100 products. The U.S. sells goods worth \$10 million: flue-cured tobacco, cotton linters, lubricants, fresh grapes, chemicals like benzene, etc. China lifted a ban on importing rapeseed meals from India on 22 October 2018, which is a positive sign for the Indian economy. India can export the same over 5 lakh tons to China⁶. Another opportunity India has due to the trade war is the re-opening of Chinese markets for Indian no-basmati rice after a ban over safety and quality concerns.

⁵ The National Committee on United States-China Relations, <https://www.ncuscr.org/podcast/economists-explain-trade-war/>, (last visited 17 April, 2023, 12:00pm)