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IMPACT OF THE US-CHINA TRADE WAR ON THE WORLD ECONOMY

To date, the trade war has a tremendous impact on the global economy. A trade war is when a nation imposes tariffs or quotas on imports and foreign countries retaliate with similar forms of trade protectionism. A trade war starts when a nation attempts to protect its domestic industry. In the short run, it may work. Tariffs are supposed to give a competitive advantage to domestic producers. But in the long run, a trade war triggers inflation. It depresses economic growth for all countries involved. As it escalates, a trade war reduces international trade.

The main goal is to determine the extent of the impact of the trade war between the world’s two largest economies on the world economy by determining the causes of trade deficit, and its impact on countries’ trade policies, identifying the pros and cons of protectionism and its direct impact on world economy, examining influence of the trade war on us, and finding solution of the trade war.

Initially half of global economic activity comprises international trade. International trade is the exchange of goods and services among countries. International trade opens new markets and exposes countries to goods and services unavailable in their domestic economies. Exports create jobs and boost economic growth, as well as give domestic companies more experience in producing for foreign markets.

In 2019, U.S. exports were $2.5 trillion, which contributed 11.7% to gross domestic product. Despite everything it produces, the U.S. imports more than it exports. A trade deficit occurs when exports are less than imports.

In general the U.S. trade deficit with China was $315.1 billion in 2012, rose to $367.3 billion by 2015 before dropping to $346.8 billion the next year. By 2018, it had increased to $419.2 billion, before falling to $345.6 billion in 2019.

From the beginning trade deficit originated from China. On the grounds that China produces many consumer goods at lower costs than other countries, and buyers, including those in the United States, are drawn to low prices. Most economists agree that China's competitive pricing is a result of two factors:

1. A lower standard of living, which allows companies in China to pay lower wages to workers.

2. An exchange rate that is partially fixed to the dollar.

China pegs its currency to the dollar using a modified fixed exchange rate. When the dollar loses value, China buys dollars through U.S. Treasurys to support it. By buying Treasurys, China helped keep U.S. interest rates low. If China were to stop buying Treasurys, interest rates would rise. That could throw the United States into a recession. But this wouldn't be in China's best interests, as U.S. shoppers would buy fewer Chinese exports. U.S. companies that can't compete with cheap Chinese goods must lower their costs or go out of business. Many businesses reduce their costs by outsourcing jobs to China or India. U.S. manufacturing, as measured by the number of jobs, declined 35% between 1998 and 2010, before rebounding by about 12% from then through the end of November 2019. Overall, manufacturing jobs in the United States have declined by about 27% since 1998.

Finally Donald Trump promised to be the greatest job-producing president in U.S. history. His trade policy is based on economic nationalism. He supports tariffs, duties, and other forms of protectionism to give domestic industries a competitive advantage. One part of Trump's strategy to create more jobs is reducing the deficit. By far, the largest U.S. trade deficit by country is with China. In 2018, the U.S. trade deficit with China was $419 billion. The deficit has lowered because of the trade war initiated by President Donald Trump in March 2018.

In conclusion it can be claimed that a global economy, protectionism is damaging for everyone. Trump's "America First" economic policy could hurt the U.S. economy in the long run. Tariff imposition on imports from China, Canada, EU, Mexico, and India has triggered retaliatory tariffs. A trade war with these large economies leads to serious consequences for U.S. exporters and the labor force.

But the immediate losers will be the global consumers. They will be forced to pay inflated prices. High costs could create inflation around the world. щ

Free trade agreements could advance world economy. Although unfavorable to uncompetitive domestic industries, these boost local industries that can produce at better economies of scale than those of other nations.

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GLOBAL ECONOMY: THREATS AND OPPORTUNITIES IN THE DEVELOPMENT

Why do we need to know the development trends of the global economy? In order to foresee all the risks, reduce the negative impact of a person on the world and vice versa: the world on a person, extract mistakes from the past and have time to change something now. The future depends on the decisions we make today. To begin with, in order to determine the main modern development trends in the global economy, it is necessary to clarify some aspects of the theory. The world economy is a combination of national economies, connected with each other by a system of international division of labour, economic and political relations. According to the French economist Michelle Bo, the global economy includes the following components: 1) the set of human production activities, which can be expressed by macroeconomic indicators in physical and material form for a certain period of time (for a year). 2) the totality of national economies of all countries in the world; 3) the totality of international economic relations and relations between national economies; 4) the global activities of a transnational company and a transnational bank; 5) integration groups of countries, communities of countries and international organizations[1].

It is possible to identify several modern trends in the development of the global economy: 1) The rapprochement and integration of economic relations, that is, the economies of countries and states, are combined into one common market, in which the gradual abolition of tariff and non-tariff restrictions leads to a uniform system or form of economic policy in economic sectors and has some highly visible consequences. 2) Digitalization: the world is becoming digital, millions of devices are online every hour, remote access and control capabilities will help to save one billion dollars a year on maintenance, which will lead to savings. Receiving and processing data, remote access – help to move forward, and new intelligent solutions will lead to rapid changes in power systems. 3) Capitalization of the world economy, the formation of the integrity of the world economy and the strengthening of economic interaction and