US- CHINA TRADE RELATIONS DURING COVID-19
- CONSEQUENCES AND FUTURE OVERVIEW

Sonal Pandey

Middlesex College, NAIE, New Jersey – 08852, USA

sonal.bhu@gmail.com, spandey@middlesexcc.edu

Abstract

The intension of the paper is to explore the consequences of the US and China trade dispute on both the countries as well as its impact on global trade over the past two years. Where the United States is trying to elongate the 'unipolar moment' and discourage the rise of China; China is seeking to create itself as the hegemon in the Eastern hemisphere, an interchange to the US. They both having completely opposite pursuits. The two Great Nations have instigated a hostile antagonistic rivalry for domination. Paper pursues to determine the future disposition of the US-China relations; With the question that- will history replicate itself and a bloody war be fought to determine the leader of the package? or a further Cold War will be fought, which will end when one side drastically deteriorates and ends? Will the trade relations between them are going to be uninfected in near future? In relation to that two scenarios are examined, one where only US trade measures are considered, and another in which Chinese relations considering. It is confirmed and concluded that trade wars have no winners. Considering the two countries' GDP scale and export volumes, the US-China trade war will come among a slowdown in the global production and international trade also. The article analyses the outcomes of the trade confrontation based on qualitative and quantitative data with images interpretations. The purpose behind taking this methodology is to give better result and future overview about the ongoing situation.

Keywords: US-China trade war, impact on US, impact on China, impact on global trade, Future overview

INTRODUCTION

The China–United States trade war is an ongoing economic conflict between China and the United States. President Donald Trump in 2018 began setting tariffs and other trade barriers in China with the goal of forcing it to make changes to what the U.S. says are "unfair trade practices" and intellectual property theft. According to President Donald Trump, "We made a great trade deal. But as soon as the deal was done, the ink was not even dry, and they hit us with the plague." The U.S. - China "Phase One" trade deal was signed on Jan. 15, 2020 EST, the same exact day that the Chinese Center for Disease Control and Prevention (CCDC) internally declared a level-one emergency response. The coincidental timing of these two events should spark everyone's curiosity. Because, the Chinese government covered up the outbreak the United States agreed to add the force majeure clause to the Sino - American Phase One trade deal, without giving it much thought (https://www.wita.org/blogs/how-covid-19-affects-u-s-china/).

REVIEW OF LITERATURE

Saloni, J. M. (2019). US–China Trade War: Chinese Perspective August 2019, *Management and Economics Research Journal.* This paper is an attempt to analyze the effect of the trade war between the United States and China and briefly discusses about the impact of this war on China and the probable measures implemented by the country. But there is not any discussion about impact of Covid-19 on the relations between these countries.

Bown P. Chad, J. a. (2018, june 22). China's Retaliation to Trump's Tariffs. This article talks about the renewed list of China's tariffs on US exports in relation to heavy tariffs by US on Chiina's goods.Again article talking about all trade restrictions and no discussion about the impact of pandemic.

Abraham, H. R. (2020, August 7). More pain than gain: How the US-China trade war hurt America This is editor note about the result of the phase one trade deal between the China and the United States and the trade war that preceded it, how impacted more the American economy without solving the problem. So there is again not any glimpse of knowledge about the recent trade relation between US and China due to pandemic is missing.

As mentioned above, all these articles and lots of other which is not listed here but I explored did not give any direct or straight idea about the role of pandemic in the US and China trade relation in the wake of pandemic, so my research fulfilled that part to analyze the impact.

METHODOLOGY

For the purpose of the study, descriptive research design was adopted. I used here regression analysis to quantify the relationship between the two great countries and to compare the data of export and import in 2019 and 2020. For regression hypothesis testing I used secondary data from the US Gov website.

ANALYSIS AND FINDINGS

Table 1: U.S. trade in goods with China for 2019 and 2020

Date	Exports (millions in US dollars)	Imports (millions in US dollars)	Balance (Exports - Imports)	Date	Exports (millions in US dollars)	Imports (millions in US dollars)	Balance (Exports - Imports)
Jan-20	7215.3	33280.6	-26065.3	Jan-19	7105.1	41514.4	-34409.3
Feb-20	6815.0	22813.1	-15998.1	Feb-19	8083.3	33154.9	-25071.6
Mar-20	7971.9	19805.4	-11833.5	Mar-19	10574.9	31175.6	-20600.7
Apr-20	8604.7	31070.8	-22466.1	Apr-19	7883.0	34682.7	-26799.7
May-20	9641.7	36598.2	-26956.5	May-19	9069.4	39173.4	-30104.0
Jun-20	9242.2	37639.5	-28397.3	Jun-19	9166.7	38967.6	-29800.9
Jul-20	9037.0	40657.3	-31620.3	Jul-19	8694.3	41449.2	-32754.9
Aug-20	11036.1	40816.4	-29780.3	Aug-19	9415.6	41151.1	-31735.5
Sep-20	11536.8	41208.3	-29671.5	Sep-19	8579.3	40165.5	-31586.2
Oct-20	14723.0	44828.0	-30105.0	Oct-19	8851.2	40114.9	-31263.7
Nov-20	14179.3	44855.5	-30676.2	Nov-19	10103.3	36436.6	-26333.3
Dec-20	14645.5	41875.9	-27230.4	Dec-19	8903.0	33665.5	-24762.5

Source: census.gov

Null: H0: There is significant impact on trade between US and China from the year 2019 to 2020

Alternate H1: There is no significant impact on trade between US and China from the years 2019 to 2020.

Or

H0: $\beta = 0$

H1: $\beta \neq 0$

Level of significance $\alpha = .05$

Test statistic: F -Stat =11.7127

P- Value= .0065

Decision Rule: If P-Value < α, then Reject H0

Decision: Since P-Value < α, we reject H0 at 5%

       Level of significance.

For the below succeeding analysis, I used the dataset, which includes trade between Us and China for the year 2019 and 2020 from census.gov(website)

-first, I put the data as X=1019 monthly trade amount in millions of US dollars and Y=2020 monthly trade amounts in millions of US dollars in excel spreadsheet.

- Then I used the data analysis tool excel to calculate a regression model of our dataset.
- The regression model was set to be:
- X=2019
- Y=2020
- Alpha=.05(I.e., Level of confidence 95%)

Given these conditions, we get the below result.

P value=.0065

Stat=11.7127

Table 2: Regression Statistics

Multiple R	0.734466204
R Square	0.539440604
Adjusted R Square	0.493384665
Standard Error	4394.732915
Observations	12

Table 3: ANOVA

	df	SS	MS	F	Significance F
Regression	1	226215812.8	226215812.8	11.71272607	0.006521265
Residual	10	193136773.9	19313677.39		
Total	11	419352586.7			

	Coefficients	Stand. Error	t Stat	P-value	Lower 95%	Upper 95%
Intercept	6372.238	9514.7176	0.6697	0.51819	-14827.87396	27572.35028
Balance (Exports - Imports)	1.12179	0.327780	3.4223	0.00652	0.391450884	1.852131631

Table 4: Residual Output

Observation	Predicted Balance (Exports - Imports)	Residuals
1	-32227.81375	6162.513746
2	-21752.86352	5754.763523
3	-16737.44699	4903.94699
4	-23691.43099	1225.330995
5	-27398.16585	441.665846
6	-27058.15092	-1339.149084
7	-30371.92229	-1248.37771
8	-29228.36828	-551.9317177
9	-29060.88485	-610.6151524
10	-28699.10717	-1405.892833
11	-23168.22755	-7507.972448
12	-21406.11785	-5824.282155

Figure 1: Balance Residual Plot
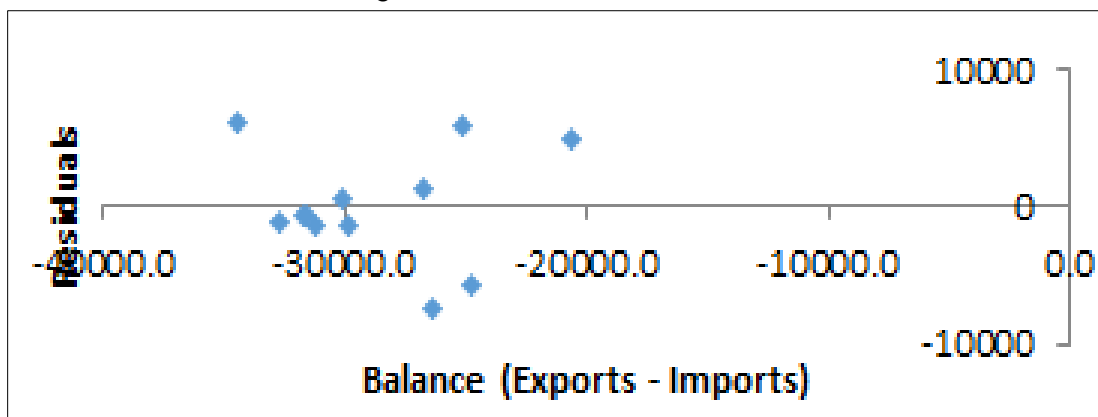
I also obtain residual graph. In a regression model, residual is used to estimate the standard error. The analysis assumes a residual from each point on the graph and estimates the standard error.

Vertical axis-Residual values

Horizontal Axis-Independent variable.

Table 5: Probability Output

Percentile	Balance (Exports - Imports)
4.166666667	-31620.3
12.5	-30676.2
20.83333333	-30105
29.16666667	-29780.3
37.5	-29671.5
45.83333333	-28397.3
54.16666667	-27230.4
62.5	-26956.5
70.83333333	-26065.3
79.16666667	-22466.1
87.5	-15998.1
95.83333333	-11833.5

Figure 2 and 3 show that our data follows a normal distribution with minimal skewness.

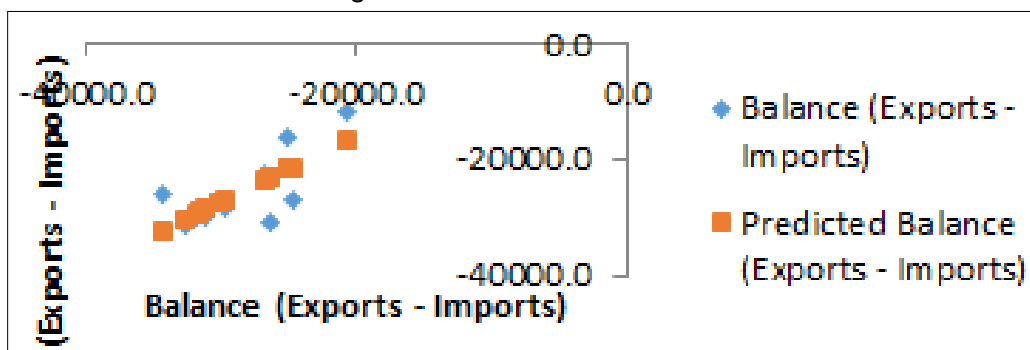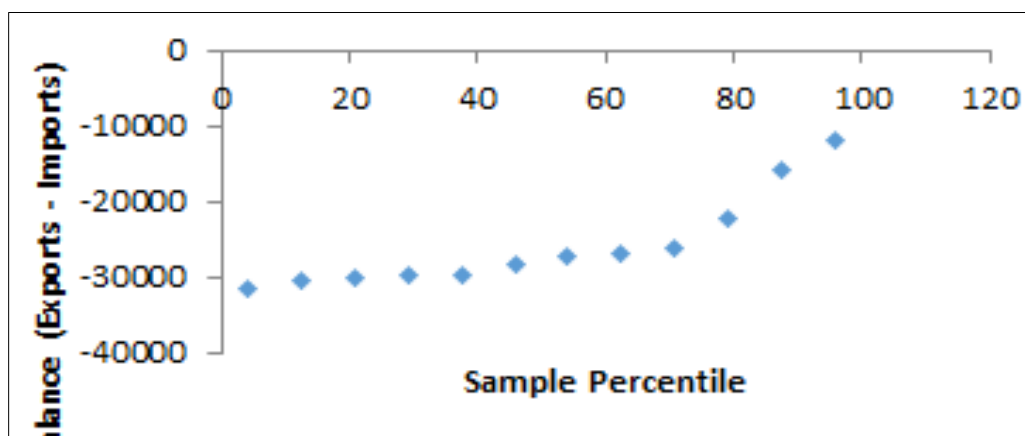Figure 2: Balance Line Fit Plot

Figure 3: Normal Probability Plot

CONCLUSION

With all the analysis result, there is strong evidence that not so much impact on trade in commodity sector impacted between US and China as par prediction that Covid-19 will give shock to trade relation more as of now.

Future predictions and expectations from COVID-19

The rhetoric ramped up at the onset of the COVID-19 pandemic (and in the year of a presidential election campaign). For the Trump administration, the pandemic was an opportunity to further blame China for domestic economic problems long in the making. Initially surprised at the high tariffs imposed on its goods, China has stood up to US pressure, in part owing to its identity of being historically marginalized and its desire to continue to grow economically and politically on the world stage. (Ryan, 202)

Although there is minimal impact on trade pattern between the US and China during the last year when COVID-19 is called as china -virous. So many Economist as well as journalist predict that it will now impact on trade more than before as we all know that both countries facing trade war since 2011. I am sure there would be impact in future for sure but that makes both countries more efficient in their absolute production and they tried to get comparative advantage between each other.

Both countries would start new strategy to involve more home-based production and less imports to minimize the effect of tariff. Overall, the best practice is to minimize the trade conflict and be productive for global economy is the best economic treat.

REFERENCES

Abraham, H. R. (2020, August 7). More pain than gain: How the US-China trade war hurt America.

Banana Wars: Challenges to the European Union's Banana Regime. n.d. Institute for International Economics, Banana Wars: Challenges to the European Union's Banana Regime. n.d. Institute for International Economics (April 7, 1999).

Bown P. Chad, J. a. (2018, june 22). China's Retaliation to Trump's Tariffs.

Brandon M. Boylan, J. M. ((2021)). US–China Relations: Nationalism, the Trade War, and COVID-19. Fudan Journal of the Humanities and Social Sciences , 23–40.

Koty, D. W. (August,2020). The US-China Trade War: A Timeline. China Briefing.

LIU Tao, T. (2018). Understanding the U.S.-China Trade War. China Economic Journal.

Mallic, M. (2018, march 8). US-CHINA Trade War: Analyses of Deeper Nuances and Wider Implications. Retrieved from https://www.vifindia.org/: https://www.vifindia.org/sites/default/files/US-CHINA-Trade-War.pdf

Rey, M. (2020, December 8). How China has used the pandemic to pull ahead on trade, by the numbers. Retrieved from https://fortune.com/2020/12/08/us-china-trade-dynamics-covid-19-pandemic/

Ryan, H. (2020, March 19). The US and China need to relearn how to coordinate in crises.

Saloni, J. M. (2019). US–China Trade War: Chinese Perspective August 2019, . Management and Economics Research Journal.