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Dynamics of United States-China Trade Relations During Donald Trump's Period I

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Abstract
International trade is trade carried out between countries to create a global trade cycle. China's economic development after joining the WTO created a balance deficit with the United States. The United States, which was originally oriented towards a liberal economy, has begun to shift since the leadership of Donald Trump, who adopted several protectionist policies. This research aims t determine the dynamics of the trade war between the United States and China during Donald Trump’s leadership in 2018-2020 using the Trade Liberalization Theory and the Trade War Concept.
The trade liberalization aspect in this research refers to the protectionist policy of the United States, which is country to the theory of trade liberalization. And the concept of trade war is used to analyze the dynamics of the tariff war between to the countries. The dynamics of the trade war between the two countries had an impact on global economic uncertainty during that period. Qualitative research methods are the basis for writing in describing the results and collecting data in this writing. The dynamics of the US-China trade war in 2018-2019 continued to increase and began to subside in 2020 when the WTO decision was issued.

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Keywords: International Trade, Protectionism Policy, Trade War, China, United States

1. Introduction

Trade relations between the United States and China during the presidency of Donald Trump (2018–2020) created complex dynamics in international relations, particularly within the international trade sector. The protectionist policies implemented by the Trump administration, including the imposition of high import tariffs on Chinese products, triggered economic tensions between the two nations.

The international trade sector serves as a primary source of state foreign exchange reserves utilized to finance national development. This sector holds a crucial position for countries dependent on foreign exchange from the import and export of goods, as it directly influences economic growth. Consequently, international trade represents a vital mechanism for enhancing national prosperity. Nonetheless, under certain conditions, free-trade-based market mechanisms possess inherent flaws and limitations (Anggraeni, 2019) [1].

The concept of economic liberalization championed by the United States following its victory in the Cold War culminated in a new world order, wherein economics was projected to supplant geopolitics as the driving force of international politics. Within international political economy, a state focuses not only on its own national income but also on its relations and cooperation with foreign counterparts. It can be argued that the current 21st century is characterized by interstate cooperation driven by mutual interests. Developing and developed nations alike require cooperative models to reap the benefits of 21st-century economic integration. Therefore, the primary objective of a nation's foreign policymaking is to further augment state revenues, both externally and internally.

Given the economic interconnectedness among nations globally, the actions and policies of one country can significantly affect others. A state may leverage its economic influence to sway the markets of competing or allied nations. Consequently, economic tensions occurring within a country—especially one with a large and powerful economy—exert a significant impact on the global economy.

International economic cooperation plays a pivotal role for a nation in enhancing economic welfare, fostering economic growth, and fulfilling both domestic public needs and national interests. Furthermore, such cooperation helps mitigate global inequality and strengthen bilateral ties. US–China cooperative relations commenced in 1979 and subsequently progressed into financial sector agreements, notably China's decision to purchase US treasury bonds between 2008 and 2009. Historically, American relations with China date back to the administration of George Washington, which eventually led to the Treaty of Wangxia in 1844 (Cai, 2017) [3].

Both parties view each other simultaneously as potential adversaries and economic partners. Global leaders and scholars frequently refer to their bilateral relationship as the most critical in the world this century. Up to 2017, the United States maintained the largest economy, followed by China, although China's Gross Domestic Product (GDP) measured in Purchasing Power Parity (PPP) was higher, with growth figures standing at 2.30 for the United States and 6.90 for China. According to projections, China is poised to become the world's largest economy by nominal GDP by 2028 (“Ekonomi Tiongkok,” 2023).

In a global context, China officially acceded to the World Trade Organization (WTO) in 2001 with the support of the United States, which successfully catalyzed China's rapid economic growth (Putra, 2017) [21]. China's accession to the WTO yielded substantial positive impacts on its domestic economy. By joining the world’s largest trade organization, the country further opened its doors to international business. The Chinese government anticipated that export values and foreign direct investment would rise from fellow WTO members seeking to establish trade relations within China.

1.1. Background: Dynamics of the Trade AS and China

Prior to the leadership era of Donald Trump, the United States adopted economic policies toward China that were more oriented toward the free market. Broadly speaking, the United States supported free international trade and championed the principles of economic liberalization. This approach was evident during the Barack Obama administration through its "Pivot to Asia" foreign policy, which shifted strategic focus toward the Asian region.

China's rapid development emerged as one of the primary concerns for the United States. One dimension of the economic policy toward China during the Obama administration involved efforts to bolster economic and trade cooperation between the two nations. In 2009, Obama announced that the United States would endeavor to increase exports to China and expand market access for American products there. This strategy was executed in an effort to generate domestic employment opportunities within the United States and reinforce bilateral economic ties.

However, the paradigm of US foreign policy, which was initially oriented toward free markets, underwent a significant shift during the presidency of Donald Trump. Since his presidential campaign, Trump had announced that he would steer the US economy toward protectionism (Pujayanti, 2018). Donald Trump’s perspective on free trade was that it disadvantaged the United States. He argued that foreign nations were exploiting the United States in international trade, thereby inflicting economic losses upon the country. This approach proved highly relevant given Trump’s background as a businessman with strong commercial instincts, wherein a foundational business principle dictates profit maximization (Wardhana & Dugis, 2019) [32].

Trump introduced protectionist policies in international trade to safeguard domestic US industries. China's economic growth posed a unique challenge to the United States. Notably, China’s export value reached a global high in 2017 at $2.36 trillion, surpassing the United States, which ranked second globally with exports totaling $1.55 trillion (Saputra, 2023).

This trade friction originated from President Trump's dissatisfaction with his country’s persistent trade deficit with China, which he deemed unfair. Consequently, Trump opted for protectionism to rectify the US trade balance. He decided to raise import tariffs on solar panels to 30 percent and washing machines to 20 percent. From that moment forward—precisely on January 22, 2018—the trade confrontation officially commenced (Indonesia, 2020).

2. Literature Review

Trade liberalization refers to the removal or reduction of restrictions or barriers to the free trade of goods between nations. These barriers encompass tariffs, such as customs duties and surcharges, as well as non-tariff barriers, including licensing regulations and quotas. Economists often view the reduction or elimination of these restrictions as a catalyst for promoting free trade. According to Caroline (2021), the core tenets of trade liberalization include the following:

1. Eliminating or reducing barriers to international trade, such as tariffs and quotas.
2. Reducing trade barriers lowers the cost of goods sold (COGS) in importing countries.
3. While trade liberalization can provide benefits to economically stronger nations, it can conversely disadvantage weaker economies.

According to Chacholiades (1978), participation in international trade is inherently free, rendering a nation's involvement in such activities voluntary. From a domestic perspective, a nation's decision to engage in international trade is a choice; hence, it is widely argued that trade must be mutually beneficial to all participating parties rather than detrimental.

Liberalization policies reflect a state's trajectory toward a more neutral, liberal, or open economic stance. Specifically, this shift toward neutrality involves equalizing incentives (on average) across all business sectors. A policy is deemed liberal when the overall level of state intervention decreases. Furthermore, liberal economic policies are often characterized by the growing importance and role of the business sector in the economy.

The emergence of freedom in international trade was driven by the concepts articulated in Adam Smith’s seminal work, *The Wealth of Nations*. In this book, Smith asserts that the welfare of a nation's society increases when international trade occurs within a free market, and state intervention is minimized.

Based on the literature by Kasmawati (2024), Adam Smith proposed several key ideas within the theory of absolute advantage:

1. International Division of Labor: Through the division of

labor, a nation can produce goods at a lower cost than other countries, thereby gaining an absolute advantage in trade.

2. International Specialization and Production Efficiency: Through specialization, a country focuses on the production of goods that yield a competitive advantage. Consequently, nations prefer to import goods that would be inefficient or unprofitable to produce domestically. An absolute advantage is achieved when a nation specializes in the production of a specific commodity.

Absolute advantage is defined as an advantage measured by the number of labor hours or days required to manufacture produced goods. A nation exports a specific good because it can produce that item at a significantly lower cost than other nations. In other words, the country possesses an absolute advantage in the production of that good. Therefore, an absolute advantage occurs when a country excels in manufacturing certain types of products and its production costs are lower than those in other countries (Serlika Aprita, 2020).

2.1. Division of Labor and Specialization

With this division of labor or specialization, countries that produce a diverse range of goods have the opportunity to achieve higher economic growth and national income compared to countries that produce fewer goods. This is known as absolute advantage. This theory also posits that international trade should be predicated on the principles of free competition or a free market. In this context, the flow of goods from one country to another should not be impeded by political barriers, allowing the movement of goods between nations to occur freely and naturally in accordance with market laws.

This theory emphasizes that restricting the movement of goods between nations leads to a decline in economic growth, thereby weakening the overall power of the state. Measures such as protectionism and dumping are considered detrimental practices that must be avoided. Excessive interaction and intervention by states in international trade distort the market and can precipitate economic chaos (Maiwan, 2015) [11].

Another prominent figure representing comparative advantage is David Ricardo. According to Ricardo, balanced and fair international trade is realized when each nation prioritizes the dimension of comparative advantage. This implies that countries producing certain products at a relatively lower opportunity cost gain an advantage in international trade for those specific products.

In this manner, efficiency is created when every nation participates in international trade with specific products according to its capabilities. Furthermore, Ricardo argues that a country specializes in a particular product primarily because of its lower comparative cost, rather than its absolute advantage over other countries (Maiwan, 2015) [11].

Trade liberalization remains a controversial topic. Critics argue that such policies can jeopardize domestic employment because cheaper foreign goods may dominate the domestic market. Critics also contend that these imported goods may be of lower quality and less safe compared to competing domestic products, which are often subject to stricter safety and quality inspections.

Conversely, proponents of trade liberalization argue that it ultimately lowers consumer costs, enhances efficiency, and drives economic growth. Protectionism, which is the antithesis of trade liberalization, is characterized by stringent barriers and market regulations.

In practice, trade liberalization entails both advantages and disadvantages. The visible benefits of free trade include allowing countries to trade goods without regulatory impediments or associated costs. This reduction in regulation lowers costs for nations trading with one another and can ultimately result in lower consumer prices due to reduced import costs and increased market competition. As a result of trade liberalization, foreign competition intensifies, thereby driving efficiency and lowering production costs for domestic firms. This competition can also incentivize a nation to reallocate its resources toward sectors where it holds a competitive advantage.

However, trade liberalization can negatively impact specific domestic businesses due to heightened competition from foreign producers, which may lead to a decline in local support for these industries. There may also be financial and social risks if products or raw materials are sourced from countries with lower environmental standards. Furthermore, trade liberalization can pose a threat to developing nations or economies, as they are compelled to compete in the same market as stronger, more established economies. This challenge can hinder well-established local industries or lead to the failure of emerging infant industries.

In this study, the theory of trade liberalization is adopted as a foundational framework due to the importance of understanding how liberal or free trade policies can influence the dynamics of trade relations between the United States and China during the administration of Donald Trump. By employing a trade liberalization approach, this study will explore the impacts of more open trade policies on the bilateral trade relations between the two nations.

2.2. Implementation of Free Trade

Trade liberalization remains a controversial topic. Critics argue that such policies can jeopardize domestic employment because cheaper foreign goods may dominate the domestic market. Critics also contend that these imported goods may be of lower quality and less safe compared to competing domestic products, which are often subject to stricter safety and quality inspections.

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2.3. Theoretical Framework

This study is based on three theories. This study is based on the Trade liberalization refers to the removal or reduction of restrictions or barriers to the free trade of goods between nations. These barriers encompass tariffs, such as customs duties and surcharges, as well as non-tariff barriers, including licensing regulations and quotas. Economists often view the reduction or elimination of these restrictions as a catalyst for promoting free trade. According to Caroline (2021), the core tenets of trade liberalization include the following eliminating or reducing barriers to international trade, such as tariffs and quotas, reducing trade barriers lowers the cost of goods sold (COGS) in importing countries and while trade liberalization can provide benefits to economically stronger nations, it can conversely disadvantage weaker economies.

3. Research Methodology

This study employs a qualitative research methodology integrated with a literature review. According to Sugiyono (2018), qualitative research is a philosophy-based methodology utilized to examine natural conditions (as opposed to experimental ones) wherein the researcher serves as the primary instrument, and data collection techniques for qualitative analysis emphasize meaning (HS Hibatullah, 2021). The objective of qualitative research methodology is to analyze and describe phenomena or research objects through social activities, attitudes, and perceptions of society, both individually and collectively.

The rationale for adopting this method is that it allows researchers to gain a profound understanding of the phenomenon under investigation. In the context of US-China trade relations, a qualitative approach facilitates the exploration of various dynamic factors within the trade relations between the two nations during the presidency of Donald Trump from 2018 to 2020.

The data collection technique employed is library research—often referred to as a literature review. This is a research approach that involves gathering information from written sources relevant to the research topic. This method utilizes references, scientific journals, books, articles, and other written materials to gain and deepen an understanding of the research topic.

4. Findings and Discussion

4.1. Tax Reform

The economic policies of the Barack Obama administration, frequently termed "Obamanomics," entailed moderate tax increases for high-income Americans. This policy aimed to fund healthcare reform, reduce the federal budget deficit, and mitigate income inequality. During President Obama's first term (2009–2013), various measures were implemented to address the Great Recession and the subprime mortgage crisis that commenced in 2007. These measures encompassed a substantial economic stimulus package, banking regulations, and a comprehensive reform of the healthcare sector.

As the economy recovered and job creation persisted during the second term (2013–2017), the Bush-era tax cuts were permitted to expire for high-income taxpayers, and spending caps were instituted to reduce the deficit back to historical norms. President Obama provided broad tax relief to working families and small businesses—the primary drivers of economic growth—while concluding tax advantages for the top 2 percent of American earners.

Under this presidential administration, significant progress was achieved in making tax regulations more equitable for working families. This is evidenced by the following excerpt (Taxes, 2015). A family with a median annual income of \$50,000 received a tax cut of \$3,600 during President Obama's first term, a figure that could increase if they had children enrolled in college.

1. Improvements to the Earned Income Tax Credit (EITC) and the Child Tax Credit (CTC), initiated in 2009 under the Obama administration, provided approximately 16 million working families with an average tax cut of \$900 annually to assist in meeting basic living expenses.
2. The American Opportunity Tax Credit (AOTC), introduced in 2009 during the Obama administration, provided up to \$10,000 in tax credits for families and students paying undergraduate tuition over four years.
3. Bipartisan legislation permanently maintained low income tax rates for 98 percent of Americans, while requiring affluent households to contribute more to facilitate deficit reduction.

4.2. Labor Market Recovery

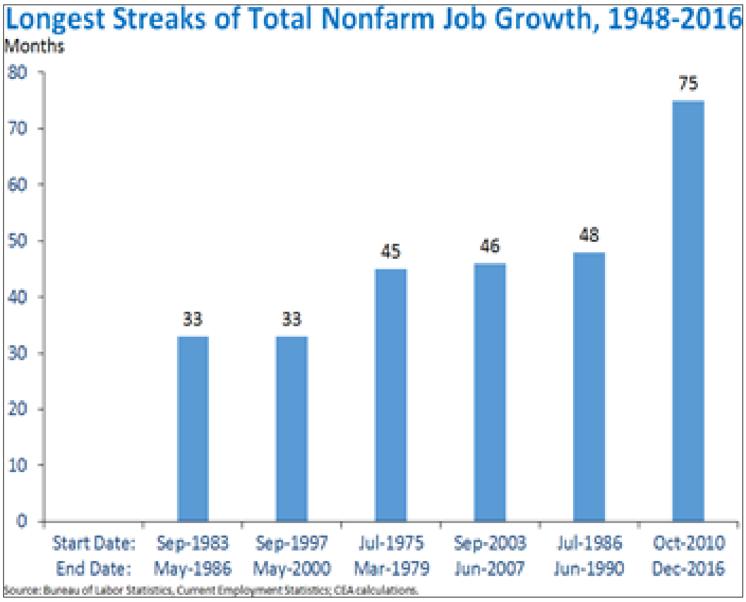
The United States economy added 156,000 jobs in December 2016, extending the longest period of job growth in recorded history by adding a total of 15.8 million jobs throughout the recovery. Employment expanded at a solid rate of 156,000 jobs in December 2016 as this historic streak sustained its momentum. Average hourly earnings for private-sector employees increased by 2.9 percent in 2016, marking the fastest 12-month growth rate since the financial crisis. Real wages grew more rapidly during this business cycle than in any other cycle since the early 1970s, and in 2015, U.S. households recorded the largest increase in real median income ever documented.

Several key indicators regarding labor market progress over the preceding eight years include:

1. U.S. businesses added 15.8 million jobs since private-sector employment growth turned positive in early 2010. Private employment increased by 144,000 jobs in December. Total nonfarm payrolls rose by 156,000 jobs,

slightly below the monthly average for 2016 as a whole, yet substantially higher than the replacement rate of approximately 80,000 jobs per month.

2. Since job growth turned positive in October 2010, the U.S. economy added jobs for 75 consecutive months—the longest period of job growth on record and more than two years longer than the next longest streak. Throughout 2016, job growth remained robust, averaging 180,000 jobs per month. By December 2016, total nonfarm employment surpassed its pre-recession peak by 6.9 million jobs.



Source: Compiled from NEPRA (2022) and CPEC Authority (2023)

Fig 1: Longest Non-Farm Expansion

3. The unemployment rate has decreased by more than half since its peak in 2009, with the decline occurring substantially faster and further than projected. After peaking at 10.0 percent in October 2009, the unemployment rate contracted rapidly during the recovery phase, fully returning to its pre-recession average by mid-2015. Subsequently, the rate declined further, reaching 4.7 percent by the end of 2016.
4. Real hourly wages have grown at a more rapid pace during the current business cycle than in any cycle since the early 1970s. Since the onset of the business cycle in December 2017, real wages have increased at an annualized rate of 0.8 percent, outperforming any other cycle since 1973.
5. Since late 2012, real wages for non-managerial workers have grown nearly 18 times faster than the growth rate observed between 1980 and 2007.
6. Robust growth in both real wages and employment has culminated in an increase in real household income, with the most substantial gains observed among low- and middle-income families.
7. Overall, virtually all employment growth during the recovery period occurred within full-time positions.
8. Broader measures of labor underutilization have also consistently improved, with all indicators except one falling below their pre-recession averages.
9. Average real hourly wages have increased across every major industry during the current business cycle—and in nearly all sectors, the rate of increase has outpaced that of previous cycles.
10. Unemployment rates across all major demographic groups have recovered to levels below their pre-recession averages, although substantial efforts remain necessary to bridge persistent, long-standing disparities in the labor market.

4.3. Dynamics of Trade Relation US-China (2018-2020).

This chapter presents the findings and discussion to address the research question previously formulated by the author: "How were the dynamics of US-China trade relations during Donald Trump's presidency from 2018 to 2020?". This fourth section of the study is systematically divided into three sub-chapters, as follows: First, it examines the US-China trade deficit, which served as the primary catalyst for their trade relations. Second, it analyzes the factors influencing protectionist policies and the dynamics of US-China trade relations between 2018 and 2020. Third, it outlines the broad impacts of US-China trade relations on the global economy. Furthermore, in analyzing this study, the author employs one theoretical framework and one concept as analytical perspectives to examine the phenomenon, specifically focusing on how trade dynamics were initiated by the United States' protectionist policies toward China. First, the author utilizes the Trade Liberalization Theory. Second, the author incorporates the concept of Trade Relations. By combining this theoretical framework and concept, the author aims to comprehensively answer the research question of this study.

4.4. The United States-China Trade Deficit.

According to Natalia (2018), local customs data released on January 12, 2018, indicated that China's trade surplus with the United States reached $275.81 billion in 2017.

This figure marked a new record surplus, surpassing the previous record of $260.8 billion registered in 2015. The data also revealed that the world's second-largest economy recorded a $25.55 billion trade surplus with the United States in December, representing a decline from the $27.87 billion reported in November. Overall, China's total trade surplus culminated in $422.5 billion in 2017.

According to Databoks (2018) [6], the high demand for more competitively priced Chinese goods has caused the United States to consistently run a trade deficit with its partner, as illustrated in the figure below.

Table 1: Trade Balance AS-China

No.	Date	American Imports	American Export	Trade Balance AS-China
1	2013	440.430.000.000	121.746.200.000	-318.683.800.000
2	2014	468.474.900.000	123.657.200.000	-344.817.700.000
3	2015	483.188.700.000	115.932.000.000	-367.256.700.000
4	2016	462.618.100.000	115.602.100.000	-347.016.000.000
5	2017	505.597.100.000	130.369.500.000	-375.227.600.000

Source: Databoks, 2018 [6]

In 2017, the total trade volume between the United States and China reached USD 635.97 billion (approximately IDR 8,616 trillion). This total comprised USD 130.37 billion in US exports to China and USD 505.6 billion in US imports from China. This pronounced trade imbalance prompted President Donald Trump to implement protectionist policies against the economic superpower.

4.5. The Factors Influencing Protectionist Policies and the Dynamics of US-China Trade Relations (2018–2020).

The United States is a global superpower that consistently draws international attention across economic, military, and political dimensions. Under the administration of Donald Trump, the US became a focal point of global scrutiny due to several controversial economic policies. Given his background as a businessman, Trump perceived that the US economy was severely disadvantaged by free market mechanisms. Since his election in 2016 and subsequent inauguration in 2017, President Trump sought to shield domestic products from foreign imports—particularly from China—by enacting protectionist measures.

According to Putu (2013), protectionism is defined as an economic policy that restricts trade between nations through instruments such as tariffs on imported goods, restrictive quotas, and various other regulatory barriers designed to deter foreign competitors from importing goods and overtaking domestic markets.

The protectionist policies adopted by President Trump were driven by an interplay of internal and external factors. According to Fitriyanti (2023), there are three primary internal factors that influenced Trump's policy direction:

1. Trump's Campaign Promises

During his campaign, Trump strategically leveraged highly resonant issues to capture the attention of the American electorate. Upon taking office, his immediate priority was to fulfill these campaign pledges. This commitment drove the administration to implement protectionism to achieve its objective of restoring American supremacy on the international stage.

2. The Influence of Domestic Industries

During a White House meeting on January 23, 2017, business leaders voiced grievances regarding the barriers and challenges the United States would face if it remained a member of the Trans-Pacific Partnership (TPP). Corporate executives utilized this forum to pressure Trump into withdrawing from the agreement, arguing that the TPP had severely impacted domestic manufacturing firms. Notably, all corporate representatives invited to this meeting were prominent donors to the Republican Party during the 2016 presidential election.

3. Campaign Contributions

During the campaign cycle, Trump required substantial moral and material support. Corporate actors in the United States frequently contribute to political figures involved in the policymaking process to secure their institutional interests. These businesses provide financial backing from the candidacy phase through to inauguration. Once a favorable policy is enacted, these business interests ensure its protection and congressional approval by sustaining financial contributions to the president's political party.

In addition to internal variables, US protectionism since 2018 was catalyzed by President Trump's growing frustration over the persistent US trade deficit with China. Trump also cited concerns regarding unfair trade practices and intellectual property theft as core justifications for his policies.

According to Media (2018), following a formal investigation, the United States suspected systematic intellectual property theft by China. The investigation concluded that China frequently compelled American enterprises to transfer intellectual property through state-directed maneuvers or joint-venture requirements as a prerequisite for entering the Chinese market. This practice was linked to the massive trade imbalance, which left the US with a deficit of hundreds of billions of dollars, excluding hidden losses arising from illicit activities such as cyber hacking.

4.6. The Dynamics of US-China Trade Relations (2018–2020).

The economic policies implemented under the Trump administration generated widespread controversy and debate, sparking concerns both domestically and internationally. President Trump's protectionist agenda directly contradicted the established principles of free trade.

In economic literature, free trade is conceptually defined as trade conducted without institutional barriers. According to Hamid Basyaib in *Defending Freedom: Conversation on Liberal Democracy* (2006), free trade refers to an open trading system devoid of obstacles that could impede the flow of traded goods and services (Media, 2022).

China's rapid economic growth has reshaped the global landscape, disconcerting the United States. President Trump viewed China's ascension as a direct threat to US domestic economic stability and global hegemony. In response, the

Trump administration adopted several protectionist policies between 2018 and 2020 to safeguard the domestic economy.
As the world's two largest economies, the United States and China engaged in an intense trade conflict from 2018 to 2020. President Trump initiated this confrontation primarily due to the widening US trade deficit with several trading partners, most notably China. In 2017, the US trade deficit with China reached USD 375.17 billion, reflecting a steady increase from USD 346.83 billion in 2016 and USD 367.33 billion in 2015.
The trade conflict formally commenced on January 22, 2018, when the United States imposed tariffs on Chinese imports, specifically solar panels and washing machines. Import tariffs were set at 30% for solar panels and 20% for washing machines (Maesaroh, 2022). This move followed a 2017 report by the United States International Trade Commission (USITC), which concluded that surging imports of these goods severely harmed domestic industries and threatened widespread layoffs. Consequently, President Trump invoked "Global Safeguard Restrictions."
Conversely, Abigail Ross Hopper, President of the Solar Energy Industries Association, strongly opposed the administration's decision (Nidia, 2018). She argued that the policy would inflate costs, jeopardize billions of dollars in investments, and cause tens of thousands of layoffs. From a basic economic standpoint, artificially increasing product prices depresses demand. The association projected that these import tariffs would reduce solar installations by nearly 20%, falling from 11 gigawatts to 9 gigawatts.
The administration's tariff scheme quickly expanded beyond solar panels and washing machines. In March 2018, the United States imposed additional import tariffs on steel and aluminum. President Trump officially signed the tariff decree at the White House on March 8, 2018, in the presence of industry executives, levying a 25% tariff on steel and a 10% tariff on aluminum. Despite widespread warnings that this move would trigger a full-scale trade war, Trump justified the measures as a necessary defense against foreign steel and aluminum dumping, while signaling foreign manufacturers to relocate their production facilities to the United States (VOA, 2018) [29].
In response to these measures, China retaliated in early April 2018 by imposing increased tariffs on US pork and aluminum scrap. Beijing levied a 25% tariff on 120 American commodities, including fruit products. This new USD 3 billion tariff package targeting American pork and agricultural goods served as a direct countermeasure to the US steel and aluminum tariffs, following repeated warnings from Chinese officials regarding the widening trade friction (Press, 2018). Furthermore, China initiated anti-dumping duties valued at USD 1 billion on imported American flour and formally filed a complaint against the United States with the World Trade Organization (WTO) in April 2018.
In May 2018, bilateral negotiations failed to resolve the tariff dispute. Concurrently, the United States imposed sanctions on ZTE, a Chinese telecommunications firm, by prohibiting American companies from selling vital components to the entity, inflicting severe financial losses on the company. Accelerating its protectionist campaign, the Trump administration implemented tariffs on USD 50 billion worth of Chinese goods between July and August 2018, publishing a comprehensive list of 1,102 Chinese import items slated for tariffs. Ultimately, 818 of these items were subjected to a 25% tariff. Beijing mirrored this move by applying reciprocal 25% tariffs on USD 50 billion worth of American products.
This retaliatory cycle persisted throughout the year. However, in December 2018, President Trump and Chinese President Xi Jinping convened on the sidelines of the G20 Summit in Argentina, agreeing to a temporary truce. Both nations resolved to freeze new tariff implementations. China committed to purchasing a substantial volume of American goods and suspended additional tariffs on US-manufactured automobiles and auto parts for a three-month period starting January 1, 2019.
This de-escalation proved short-lived. In May 2019, the United States increased tariffs on USD 200 billion worth of Chinese imports, prompting China to retaliate in June by raising tariffs on USD 60 billion worth of US products (Maesaroh, 2022).
Bilateral trade tensions finally eased in January 2020 when both nations signed the "Phase One" trade agreement. This accord encompassed tariff reductions, expanded Chinese purchases of US agricultural products, and structural reforms regarding intellectual property rights and technology transfer. While both superpowers committed to managing their ongoing trade relations, President Trump announced that the US would maintain a 25% tariff on USD 250 billion of Chinese imports, while reducing the tariff rate on a separate USD 120 billion list of Chinese products to 7.5% (Media, 2019).

4.7. Case Studies

The trade relationship between the two largest economies has also significantly impacted their respective trade balances. The imposition of additional tariffs on numerous imported products from China, which aimed to reduce the United States' trade deficit with China, in fact, led to an upward trend in the US-China trade deficit during that period; this occurred because the reduction in imports from China was disproportionate to the increased tariffs levied. As the United States' largest trading partner, China retaliated against US products. This retaliation subsequently reduced US exports to China across various sectors, including agriculture, technology, and manufacturing. Furthermore, these trade relations have influenced economic growth in both the US and China. The uncertainty generated by trade tensions has diminished consumer and investor confidence, while simultaneously suppressing economic activity in both nations.
China's complaint to the WTO in April 2018 received a formal response from the organization in mid-September 2020. The World Trade Organization (WTO) announced that the trade dispute between the US and China had concluded. This announcement was predicated on the WTO's ruling, which stated that the US had violated global trade rules by implementing substantial tariffs during the trade conflict. The tariffs imposed by the US were deemed to exceed the maximum thresholds agreed upon under international trade regulations governed by the WTO. Additionally, the WTO found that the justifications provided by the US for imposing these tariffs were inadequate. Consequently, this announcement marked the conclusion of a period of intense trade tensions between the world's two largest economies (Maesaroh, 2022).

4.8. The Impact Trade Relations AS-China On The Global.

The World Trade Organization (WTO), an international trade organization, has expressed concern over the trade conflict between China and the United States. The Director-General of the WTO, Roberto Azevedo, stated that the organization is facing a challenging period due to the rising risk of trade conflicts between the two nations, which could negatively impact global economic growth (Merlinda, 2021).

The policies implemented by the United States and China affect not only the two nations but also the global economy, including Indonesia, which serves as a trading partner to both countries. An economic slowdown in both nations could lead to a decline in the demand for Indonesian goods (exports); a one percent deceleration in the United States economy is projected to reduce Indonesia's economic growth by 0.05 percent. Similarly, a one percent slowdown in China's economy would impact Indonesia's economic growth by 0.27 percent.

In the context of trade tensions between the United States and China, Piter Abdullah, the research director of the Center of Reform on Economics (CORE) Indonesia, predicts a deepening global economic slowdown. The impact is felt not only by the countries directly involved in the conflict but also by other nations worldwide. The decline in global demand is expected to suppress the volume and prices of international trade commodities, resulting in global economic stagnation at a low level. Meanwhile, looser fiscal and monetary policies are expected to respond to the potential economic slowdown in various countries, aiming to stimulate economic growth and prevent a recession. The easing of global monetary policy, such as interest rate cuts and a dovish stance from central banks, is anticipated to direct capital flows to countries offering higher yields (Laucereno, 2019).

Consequently, it can be observed that the impact of the United States-China trade conflict exerts a significant influence on the global economy. Global economic growth continues to weaken due to escalating trade barriers and evolving geopolitical tensions, particularly during the period of the United States-China trade conflict. The decline in global demand has the potential to suppress the volume and prices of international trade commodities, which may subsequently result in global economic stagnation at a low level.

5. Conclusion

International trade refers to commerce conducted between nations to establish a global or transnational trading cycle. According to the Theory of Trade Liberalization, a nation is free to participate in international trade, unhindered by barriers or tariffs. The rapid economic advancement of China following its accession to the World Trade Organization (WTO) became the primary catalyst for the United States to implement protectionist policies. In reality, Donald Trump’s protectionist policies were not solely triggered by the trade deficit with China; rather, several of these measures were fundamentally aimed at safeguarding domestic interests.

The trade relationship between the United States and China dates back to 1784, when the two nations engaged in bilateral import and export activities involving various commodities. However, formal diplomatic relations between the two countries commenced only after the Treaty of Wangxia in 1844. Various driving factors compel a nation to engage in international trade or cooperate with other states, the primary factor being the fulfillment of domestic demand. Conversely, several impeding factors hinder the flow of international trade, notably protectionist policies implemented by a state. When such policies are deemed detrimental to a target nation, prompting that nation to retaliate with similar measures, the interaction can be characterized as a trade dispute.

The concept of trade disputes is utilized in this study as a relevant framework to analyze the dynamics occurring between the United States and China. The 2017 trade deficit between the United States and China prompted the elected U.S. President, Donald Trump, to safeguard his nation by enacting several protectionist policies. These included the imposition of tariffs on various Chinese products across several periods between 2018 and 2020. This action did not go unanswered by China. Perceiving an assault on its economy, China retaliated with reciprocal policies during the same period. In addition to tariff impositions, China enforced anti-dumping measures against the United States. Furthermore, China took diplomatic recourse by lodging a complaint with the WTO in 2018 regarding the tariff policies implemented by the United States.

The initial hypothesis of this study posited that the dynamics of the trade dispute between the United States and China escalated continuously between 2018 and 2020, thereby affecting the global economy. However, this study refutes that hypothesis, demonstrating instead that the dynamics of the bilateral trade dispute fluctuated during the 2018–2020 period. It can be observed that while the trade dispute policies between the two countries escalated and persisted throughout 2018–2019, the dynamics of the conflict de-escalated in January 2020 following the signing of the Phase One Economic and Trade Agreement. Under this agreement, both nations committed to managing the ongoing trade dispute, even considering tariff reductions. Moreover, in September 2020, the WTO ruled on the complaint lodged by China in April 2018. The WTO announced its verdict regarding the dispute, ruling that the United States had violated global trade rules by imposing tariffs that exceeded the maximum limits agreed upon in international trade. Ultimately, the trade dispute between these two nations impacted not only their respective economies but also reverberated across the global economy.

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