



The US China Trade War And Its Impact On The Global

Economy Role: International Trade and Economics Specialist

Audience: International Trade Strategists and Academic Researchers

Summary

KEY POINTS

- 1. The Trade Tensions Between the United States and China
- 2. China’s Trade Power and Technology Transfer Policies
- 3. The Impact of Trade Tensions Between the Two Countries on the Global Economy

Trade tensions between the US and China represent a significant economic issue affecting not only the two nations involved but also the flow of global trade. In 2018, the US began imposing additional tariffs on billions of dollars' worth of Chinese imports to counter these policies (Mihçioğlu, 2025). At the core of these tensions lie concerns regarding China's technological prowess, as well as allegations concerning its technology transfer policies and intellectual property practices, all of which have had adverse effects on US trade. Struggles for dominance in technologies such as artificial intelligence and 5G which have become increasingly widespread have significantly intensified national security concerns and geopolitical rivalry. These developments have extended beyond the bilateral relationship between the two major powers; they have heightened the vulnerability of international trade networks and, arguably, plunged the economies of third-party nations into uncertainty.

Economic Consequences of Customs Policies

The high additional tariffs imposed by the US significantly increase the cost of imported goods, leading to an initial rise in prices within the US domestic market. Costs driven up by tariffs can particularly raise the prices of industrial and technological products, negatively affecting both producers and consumers. The economic impact of tariffs extends beyond increased import costs and reduced trade volumes, manifesting also as inflationary pressure in the domestic market. According to a World Trade Organization (2019) report, US exports to China declined by approximately 7% in 2018 and fell by about 19% year-on-year in the first quarter of 2019 (Constantinescu et al., 2019). Research discussed in the same WTO report indicates that the tariffs imposed by the US were passed on to the prices paid by importers in 2018 (World Trade Organization [WTO], 2019).

Consequently, countries and companies seeking to avoid tariff costs began reorganizing their supply chains, shifting production networks to countries with lower tariff costs. These transformations have served to increase uncertainty surrounding global trade, thereby directly and negatively affecting not only the US and Chinese economies but also global production and trade processes.

Policy Recommendations

To alleviate trade tensions between the US and China, certain policy measures must be taken; furthermore in light of uncertainties within global trade chains, the implementation of comprehensive and multilateral policy steps to reshape relations between the two nations is becoming essential. First, diplomatic dialogue between the countries could be increased, and priority should be given to resolving trade issues through consultation. Most importantly, a controlled reduction of the sharply increased tariffs by both nations should be considered. One of the major sources of trade tension between the US and China is technological competition; however, both countries could support R&D collaborations and joint projects in the technology sector. The Science and Technology Cooperation Agreement between the US and China serves as an example of such R&D collaboration. The two countries updated the agreement in

This means that the continuation of scientific cooperation keeps the two countries in communication and helps reduce those cold economic tensions.

Conclusion

In conclusion, it would be incorrect to limit efforts to reduce trade tensions between the US and China solely to the issue of tariffs. A more appropriate approach would be to increase diplomatic dialogue and resolve trade disputes through consultation and consensus. Furthermore, fostering collaboration in areas such as R&D and undertaking various joint projects is crucial. Maintaining open lines of communication between nations leads to more stable economic relations and can help alleviate the uncertainty currently affecting global trade.

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