

of the ideological and geopolitical pandemic is given. The threats of COVID-19 in exacerbating the contradiction in the information and political field are mentioned. The problems of the current state of the world economy and the prospect that it emerged from the crisis out of the level of coverage of the world pandemic are analyzed.

It is concluded that there is a danger of escalating rivalry between the great powers. Attention is paid to attempts to use the crisis for populist purposes. The issue of expert perception of US-Chinese rivalry at a new stage is considered. The role of the country's leadership in the fight against the global pandemic is defined. The question of the ability of political leaders to search for collective solutions to overcome differences in the light of current events has been raised.

**Key words:** coronavirus, international relations, globalization, pandemic, crisis, information conflict, leadership, rivalry.

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## THE US-CHINA TRADE WAR: CAUSES, TIMELINE AND POSSIBLE SCENARIOS

*The causes and timeline for the US-China trade war are determined in the paper. The U.S.-China trade war is the culmination of longstanding trade frictions that the two countries have been unable to resolve through official channels. Washington's grievances arise from China's use of protectionist trade policies, such as export duties and*

*quotas, state subsidies, restrictions on market access, and deliberate intellectual property rights (IPR) theft. Beijing, on the other hand, underscores China's developing country status and has disputed the legality of various U.S. anti-dumping and countervailing measures. The main causes of the US-China trade war are: a battle for global economic dominance; the US accuses China of unfair trading practices, of stealing intellectual property, it also wants Beijing to make changes to its economic policies, which unfairly favor domestic companies through subsidies; the US trade deficit; midterm elections members of the Congress; the trade war is supposed to bring American jobs back home, to reduce high-tech capacity of China, to prevent the growth of China's military strength. The trade war began July 06, 2018, as the U.S. implemented the first round of China-specific tariffs. Subsequently, four more rounds of tariffs ensued. As of January 2020, tensions have finally eased as the two sides have signed a partial Phase I deal. The document agreed to roll back tariffs and expand trade purchase. Three future scenarios for the US-China relations are determined in the paper: 1 – the U.S. and China reach a Phase 2 Deal & Comprehensive Settlement; 2 – the U.S. and China continue their negotiations for a Phase 2 deal but find it difficult to reach agreement; 3 – the U.S. and China break off discussions on a final Phase 2 settlement of the trade war after negotiations fail and they pursue hostile trade policies toward each other.*

**Key words:** trade war, trade frictions, protectionist trade policy, intellectual property rights (IPR), global economic dominance, unfair trading practices, trade deficit.

## 1. INTRODUCTION

A trade war happens when one country retaliates against another by raising import tariffs or placing other restrictions on the other country's imports. A trade war that begins in one sector can grow to affect other sectors. Likewise, a trade war that begins between two countries can affect other countries not initially involved in the trade war. Therefore, the study of this issue is relevant today.

Trade wars are a side effect of protectionist policies and are controversial. Advocates say trade wars protect national interests and provide advantages to domestic businesses. Critics of trade wars claim they ultimately hurt local companies, consumers, and the economy.

The concept of trade war is interpreted in different ways by experts who carry out research in this particular field within the framework of the world economy, geopolitics, and other sciences.

Thus, according to Kimberly Amadeo, a trade war is when a nation imposes tariffs or quotas on imports and foreign countries retaliate with similar forms of trade protectionism [10].

Mark Melatos, Pascalis Raimondos and Matthew Gibson consider that the trade war occurs when all countries choose levels of protection that maximise their own welfare given the trade barriers of other nations. A country wins a trade war if it experiences higher welfare in a world of optimal protection than it would under global free trade [5].

L. Kapustina, L. Lipková, Y. Silin, A. Drevalev investigate the causes and outcomes US-China trade war [4].

The **purpose** of this work is to investigate the causes of US-China trade, to identify possible scenarios.

## 2. RESULTS OF THE RESEARCH

Since mid-2018, the US and China have been locked in a trade confrontation that has resulted in several rounds of retaliatory tariffs.

Let's explore the main causes of the trade war.

In fact, a battle for global economic dominance. In recent years, China has experienced rapid growth and become a major economic power. For instance, China's production volume now ranks second worldwide, and China's GDP has already surpassed the US in purchasing power parity terms. The importance of RMB has also been consistently rising in world trade and transactions, posing a challenge to the dominant position of the US dollar. The wide array of strategic plans China announced lately, from the Belt and Road Initiative, Asian Infrastructure Investment Bank to „Made in China 2025“, may also have reinforced the image of China as a threat to US dominance [7].

The US accuses China of unfair trading practices, of stealing intellectual property, it also wants Beijing to make changes to its economic policies, which unfairly favour domestic companies through subsidies [9].

The next cause of the current China-US trade war is the widening trade gap between the two countries.

The trade deficit is the difference between how much the US imports from other countries and how much it exports. Reducing the gap is a key part of Trump's trade policies.

The US trade deficit with China is shown in Figure 1.

The US trade deficit with China has been growing in both absolute and relative terms. By 2017, the trade deficit with China has become a major source of net imports of the US, accounting for about 46 % of the total deficit. Trade imbalances have long been the root of US national debt crises as well as public discontent in the US, motivating the US government to wage a trade war against China [7].

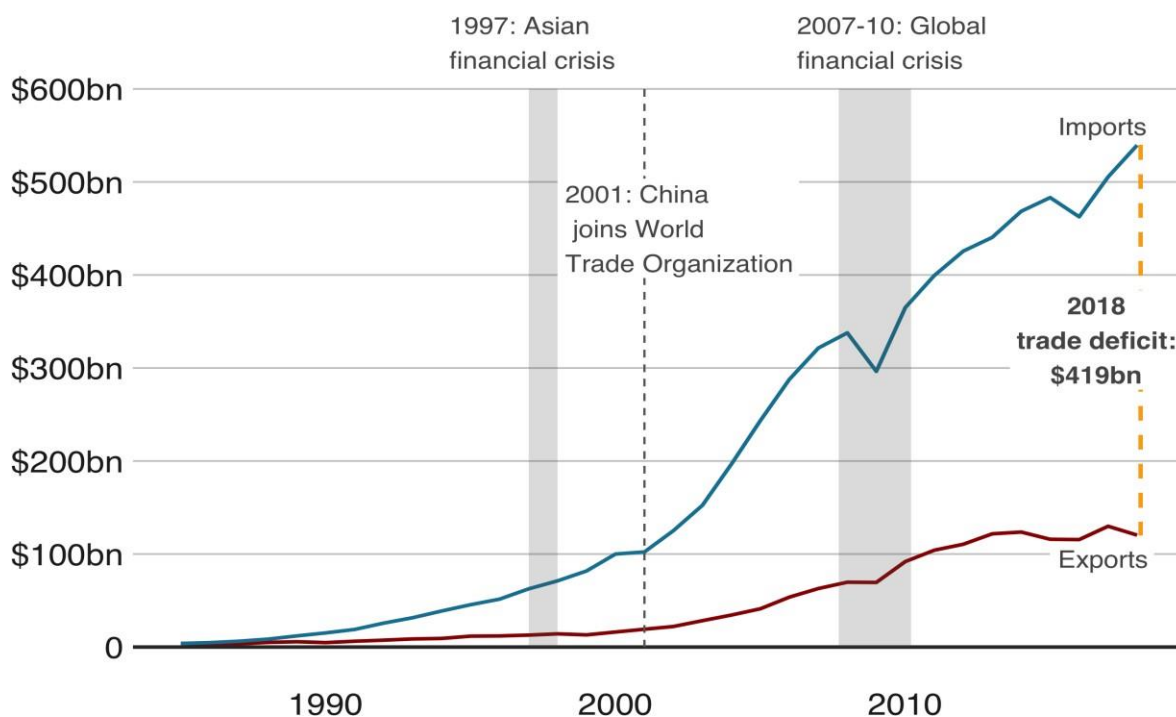


Fig. 1. The US trade deficit with China [9]

Figure 1. demonstrates how the US trade deficit has increased since 1990 and we see, that in 2018 the deficit was already been 419 billion US dollars.

Another driving force of the ongoing trade war can be traced back to the American political system. In the US, midterm elections are held every four years in November, when voters elect members of the Congress. As they take place in the middle of the four-year presidential term of office, midterm election results are often viewed as voters' verdict on the president they elected two years ago. Against this backdrop, midterm elections held on 6 November 2018 gave the incumbent president Donald Trump incentives to adopt radical policies that appeal to his supporter base. Given that one of Trump's main promises during his election campaign was to solve the trade deficit problem, the China-US trade war appears to be a timely and logical move to secure votes for his political party in the midterm elections.

After Donald Trump took office, a tough stance on trade policies was taken by the White House, even before the outbreak of the China-US trade war. In June 2017, Trump initiated a «Section 232 investigation», for reasons of national security, on the import of steel and aluminium. Considering the huge production capacity of steel and aluminium in China [7].

L. Kapustina and others consider that the causes of the US-China trade are:

1. The trade war is supposed to reduce the deficit of bilateral trade and bring American jobs back home. Out of the \$796 billion worth US trade deficit in 2017, China accounted for \$376 billion, or 47 %, almost a half. The US acknowledges several problems in the trade with the PRC, the trade balance deficit being the most important one. The issue has been emerging for decades and still has an increasing trend (although the US trade deficit with China reached a historic low in May 2019). The US does not consider trading with China «fair»;

2. The trade war is supposed to reduce high-tech capacity of China. The US is not satisfied with China's requirements on creating joint ventures for technology transfer as a contribution to authorised share capital of local companies. Another sensitive topic is Chinese public investment creating unfair competition in global

markets. The US has been alerted by China's success in implementing a strategic plan for production modernization, increase in production of robots, lithium batteries, network equipment, etc. The US has increased import tariffs up to 25 % on electronic products from China, including telecommunication and network equipment;

3. The trade war is supposed to prevent the growth of China's military strength. Markov believes that it is absolutely unacceptable for the US to let China achieve superiority in the military sector, even in the long run. Consequently, the US is taking measures to ensure its competitive advantage in the national security sector and to prevent China from using American dual-use technologies [4].

In January 2018, the US first implemented import tariffs on washing machines and solar panels. These tariffs were not directly targeted against China, though they are important producers and exporters of these products. After these first ripples, the US imposed another round of tariffs on steel and aluminium in March 2018. These measures again applied to a wide range of countries, such as Canada and Mexico and European Union member states [6].

Evolution of the US-China trade war is shown in table 1.

Table 1

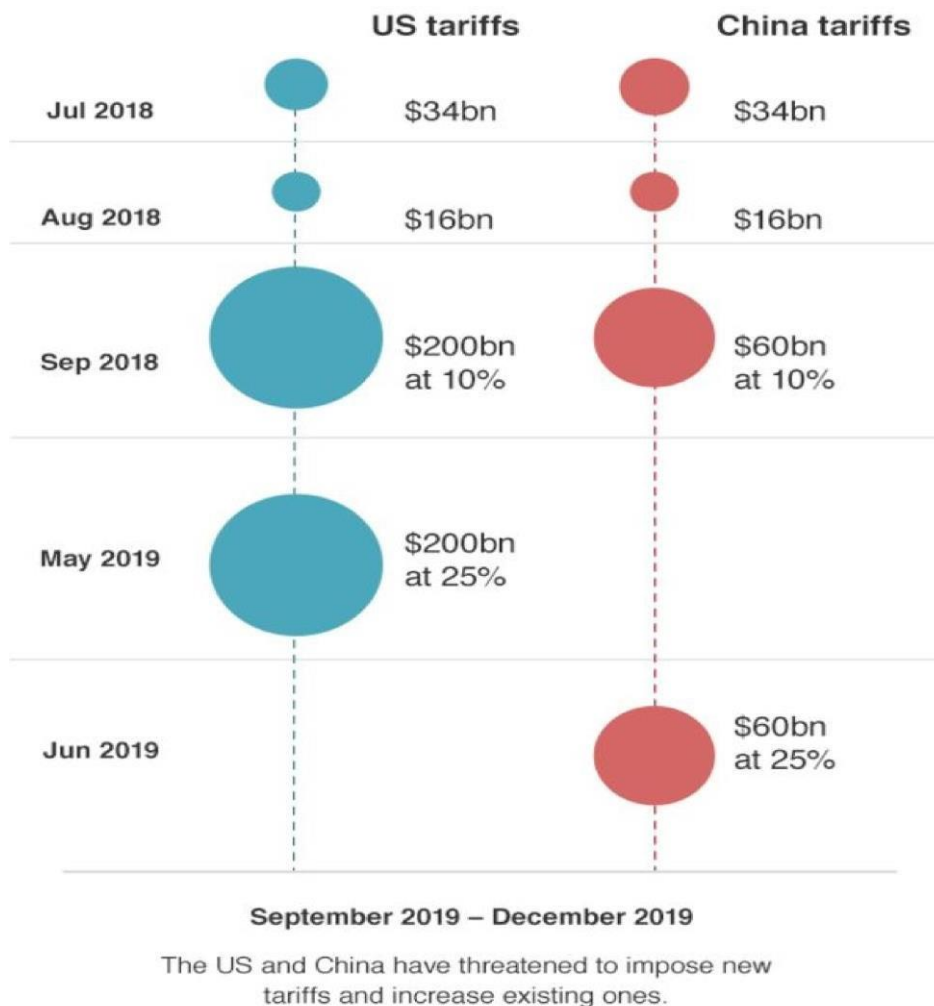
Evolution of the US-China Trade War [8]

Date	Progression of the Trade War
July 06, 2018	<b>The first round</b> of China-specific tariffs implemented, with a 25 percent tariff on 818 imported Chinese products. China retaliated by imposing a 25 percent tariff on 545 American goods.
August, 2018	China made two more WTO claims concerning the U.S.'s safeguard duties on imports. The Trump administration decided to impose a 25 percent hike of tariffs on yet another 16 billion USD worth of Chinese goods. <b>The second round</b> of tariffs was imposed on August 23, from both sides.
September, 2018	<b>Third round</b> of tariffs, 10 percent on 200 billion USD, imposed on China on September. China then produced a tariff list 10 percent on 60 billion USD. China released its first White Paper with its official stance on the situation.
October, November, December, 2018	Presidents Xi and Trump restarted talks ahead of G-20 summit. The two agreed to a temporary 90-day truce, in return, China committed to buying a substantial amount of American exports in order to narrow the trade gap. By mid-December, Beijing had temporarily lifted barriers to American energy, cars, and soy. However, there was no corresponding change from the American side, and the U.S. said they would announce further tariff increases if no deal was reached by the end of the 90-day grace period.
June, 2019	<b>Fourth round</b> of tariffs, tariffs were increased: 25 percent on 200 billion USD on imported Chinese products, 25 percent on 60 billion USD on imported US products. The stated reason being that China reneged upon already agreed upon deals.
September, 2019	<b>Fifth round</b> of tariffs, China imposed 5 % to 10 % tariffs on one-third of the 5,078 goods it imports from America. The United States imposed new 15 % tariffs on about \$112 billion of Chinese imports, such that more than two-thirds of consumer goods imported from China were then subject to tariffs
October, 2019	The United States and China had reached a tentative agreement for the "first phase" of a trade deal, with China agreeing to buy up to \$50 billion in American farm products, and to accept more American financial services in their market, with the United States agreeing to suspend new tariffs.
January 15, 2020	U.S. President Donald Trump and China's Vice Premier Liu He signed the US-China Phase One trade deal in Washington DC. The "Economic and Trade Agreement between the United States of America and the People's Republic of China" is set to take effect from 14 February 2020 and focuses on intellectual property rights (Chapter 1), technology transfer (Chapter 2), food and agricultural products (Chapter 3), financial services (Chapter 4), exchange rate matters and transparency (Chapter 5), and expanding trade (Chapter 6), with reference also being made to bilateral evaluation and dispute resolution procedures in Chapter 7.

A Chinese delegation went to the US on 17 May 2018. After meeting with the US president, Donald Trump, and having rounds of negotiations with trade officials on the US side, a joint declaration was announced, reflecting a cooperative attitude from both sides and a temporary easing of trade tensions. However, on 16 June, the Office of the United States Trade Representative (USTR) announced a

US\$ 50 billion tariff list, covering over 1,000 Chinese goods. China’s Customs Tariff Commission of the State Council immediately issued a notice, announcing tariffs on 659 locally-manufactured American goods valued at US\$ 50 billion. At the same time, the Ministry of Commerce declared that previous negotiation attempts with the US had failed, marking the official start of the China-US Trade War [7].

How the US-China trade war has escalated is shown in Figure 3.



**Fig. 3.** *The US-China trade war tariffs [1]*

By 23 August 2018, the US has already followed through with its threat of 25 % additional tariff on US\$ 50 billion worth of Chinese commodities. China also retaliated against US measures by levying an additional 25 % tariff on American goods, also valued at US\$ 50 billion [7].

This escalated further in September 2018 when the US introduced an additional 10 % to cover \$200 billion worth of Chinese imports, to which China retaliated by imposing tariffs on imports from the US worth an additional \$60 billion.

In June 2019, the US increased the tariffs further, to 25 %. China responded by raising the tariffs on a subset of products that were already subject to tariffs. In September 2019, the US imposed 15 % tariffs on a large subset of the remaining \$300 billion worth of imports from China not yet subject to tariffs [8].

Hence, it is clear that the China-US trade war is underpinned by rivalry for economic dominance between the two nations.

After more than two years of rising tension, the US and China have signed a deal aimed at calming trade frictions (January 15, 2020). The agreement has been hard-fought, but it is unclear how much economic relief from their trade war it will offer. Tariffs – in some cases at a lower rate – will remain in place.

The trade deal includes commitments by China to curtail practices that American firms complain put them at a disadvantage and force them to hand over valuable intellectual property to Chinese firms.

As part of the agreement, China has promised to punish Chinese firms that infringe on or steal corporate trade secrets, satisfying a concern of American businesses. China will also refrain from directing Chinese companies to obtain delicate foreign technologies through acquisitions, including halting purchases by state-owned enterprises that «harm» American interests.

Another primary concern of American companies – a requirement that they turn over technology as a condition of doing business in the country – is also addressed in the deal. China has agreed not to force companies to transfer technology, which it has done by requiring joint ventures with Chinese firms and forcing companies to license their intellectual property at low prices [3].

The deal is intended to open Chinese markets to more American companies, increase farm and energy exports and provide greater protection for American technology and trade secrets. The agreement is a significant turning point in American trade policy and the types of free-trade agreements that the United States has typically supported. Rather than lowering tariffs to allow for the flow of goods and services to meet market demand, this deal leaves a record level of tariffs in place and forces China to buy \$200 billion worth of specific products within two years (until 2021).

As part of the deal, Mr. Trump agreed to reduce the rate on tariffs imposed in September and forgo additional import taxes in the future. But the United States will continue to maintain tariffs covering 65 percent of American imports from China. China will still tax 57 percent of imports from the United States in retaliation [11].

U.S. officials said the deal includes improved access to China's financial services market for U.S. companies, including in banking, insurance, securities and credit rating services. It aims to address a number of longstanding U.S. complaints about investment barriers in the sector, including foreign equity limitations and discriminatory regulatory requirements.

China, which has pledged for years to open up its financial services sector to more foreign competition, said the deal would boost imports of financial services from the United States [13].

The trade deal contains a variety of victories for American industry, including opening up markets for biotechnology, beef and poultry. Banks, insurers, drug companies and the energy industry are also big beneficiaries. The agreement also includes a pledge by both countries not to devalue their currencies to gain an advantage in export markets [11].

China bought \$130 billion in U.S. goods in 2017, before the trade war began, and \$56 billion in services, U.S. data show. Country has committed to \$77.7 billion in additional manufacturing purchases over two years, from the 2017 level, the text says, which will be \$32.9 billion increase in 2020 and a \$44.8 billion increase in 2021. Also it has committed to buying at least \$52.4 billion in additional energy purchases over the two years, from a baseline of \$9.1 billion in 2017. That will be broken into \$18.5 billion additional in 2020 and \$33.9 billion in 2021.

China will also purchase \$37.6 billion in services from U.S. companies over the two years, \$12.8 billion above the 2017 level in 2020 and \$25.1 billion above the level in 2021. Country «shall ensure» additional purchases of U.S. agriculture products by \$32 billion over two years, the deal says, including \$12.5 billion above the corresponding 2017 baseline of \$24 billion in 2020 and \$19.5 billion above the baseline in 2021 [13].

Analysts say it's unlikely that the deal will produce gains sufficient to outweigh the losses already suffered.

Let's take a look at the winners and losers from the deal.

Winners can be:

1. The signing offers an opportunity for US President Donald Trump to put the trade war behind him and claim an achievement heading into the 2020 presidential election.
2. China appears set to emerge from the signing having agreed to terms it offered early in the process, including loosening market access to US financial and car firms. In many cases, companies from other countries are already benefiting from the changes. While President Xi can claim he did not simply bow to America's demands, that doesn't mean the Chinese are celebrating. The Federal Reserve estimates that China's economy has taken a 0.25% hit, as US demand for its goods fell by about a third.

3. Globally, economists estimate that the trade war will shave more than 0,5 % off of growth. But some countries have benefited from the fight, which redirected an estimated \$165bn in trade. Analysts at Nomura identified Vietnam as the country that would gain the most, while the UN found that Taiwan, Mexico and Vietnam saw US orders ramp up last year [12].

Losers can be:

1) American companies and consumers. The new deal halves tariff rates on \$120bn worth of goods, but most of the higher duties – which affect another \$360bn of Chinese goods and more than \$100bn worth of US exports – remain in place. And that's bad news for the American public. Economists have found that the costs – more than \$40bn so far – are being borne entirely by US companies and consumers.

2) Farmers and manufacturers. The new deal commits China to boost purchases in manufacturing, services, agriculture and energy from 2017 levels by \$200bn over two years. Farmers, who have been targeted by China's tariffs, have seen bankruptcies soar, prompting a \$28bn federal bailout. Among manufacturers, the Federal Reserve has found employment losses, stemming from the higher import costs and China's retaliation. Over the long-term, American firms may reroute supply chains away from China to avoid the tariffs – but that's an expensive prospect.

3) China has agreed to new protections for intellectual property, including lowering the threshold for criminal prosecution and increasing penalties. Critically, the two sides say they have agreed to a way to resolve such disputes. Those were among the issues that ostensibly triggered the trade war. But analysts say it's not clear if the new commitments are any different from promises that China has made before. And the new deal does not address some of America's chief complaints about China's trade practices – such as the subsidies it provides to certain industries [12].

But the agreement has plenty of critics in both parties and the deal leaves many important economic issues unresolved.

The current foreign trade policy of the US aims to slow down the still rapid economic growth of the PRC and its growing importance in the world economy. The China's government in its turn has a goal to achieve leadership in robotics, biotechnology and artificial intelligence. It will provide financial support to high-tech industries, and will do everything possible not to let the US stop or slow down the modernization and digitalization of the China's economy.

L. Kapustina and others consider four scenarios of the US-China trade war [4].

***Scenario 1. Trade war will escalate into Cold War II.***

The countries will not give up their political and economic systems and will not transform them according to the practices imposed of suggested by the opposite side. In contrast to the Cold War I, China has a chance to win since it was able to build a competitive economy and form TNCs that made their way to the Global 500. The US will surround China with powerful American military capabilities, creating NATO-like adversarial alliances. China, in its turn, will seek to strive to push the US out from the APR. The US will explain its unilateral sanctions with the willingness to strike better deals, to reach an «honest» deal with China, but serving the interests of the US economy. The country will be achieving its goals by presenting ultimatums to its trade partner, if their national interests or security are considered harmed. As a result, more and more global problems will be addressed by unions of countries not involving the US (climate agreements, nuclear agreement with Iran, TPP – Trans-Pacific Partnership, China – EU summit in July 2018, etc.). The US will be gradually becoming isolated in the international community. The risk of unilateral economic sanctions imposed by the US will push other countries to search for alternative suppliers and markets. China has become a leader in the Regional Comprehensive Economic Partnership (RCEP) of 16 countries, the scale of which expanded beyond the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP) without the US: 30 % of global GDP, 50 % of the world population. Exporting to RCEP countries from the PRC accounts for 26 % of the total China's exports. The development of mega-union will strengthen the leading role of China in the region. At the same time, China's investment climate will suffer, the implementation of the «Made in China – 2025» plan is under the risk of failure, which may slow down technological progress in the country [4].

***Scenario 2. Consensus to avert the trade war will be reached.***

A trade war will end with a compromise. It is possible if the US learns to respect the other parties' core interests and major concerns. China has already declared its readiness to open its car market, liberalize the banking sector, strengthen the protection of intellectual property rights, and limit the transfer of American

technologies to Chinese business. China may agree to buy as much of the agricultural produce from American farmers as they can supply. China is willing to seek a compromise and is ready to increase imports of goods and services from the US, cut down government subsidies to its businesses, and make the transfer of American technology more transparent. However, it is not likely to cancel the increased import tariffs previously introduced by the US. The scenario does not exclude the possibility that the trade conflict can be frozen up for a long period of time. Both countries are deeply interested in exporting products and services on a bilateral basis and in developing global supply chains. The negotiated settlement agreement and the end of the war is possible, since both countries will lose more than they can gain as a result of the war. We can expect that China and the US will remain strategic partners despite the increased competition between them. Business-to-business ties will become closer, and mutual understanding of cultures will improve [4].

***Scenario 3. The trade conflict is frozen.***

The trade war is becoming prolonged, high import tariffs are not cancelled. At the same time, companies in both countries are adapting to export-import operations under economic sanctions, developing commercial schemes to circumvent trade restrictions. In this scenario the imbalance in trade between the US and China will be decreasing and - according to official statistics – will reach a target level of USD 200 billion. However, in fact, the goods of Chinese origin will be supplied to the American market from other countries, e.g., neighboring countries in the APR. China's exports to the US are typically Chinese-assembled goods that contain many foreign parts and components – and are often American-branded. A further 37 percent of the US imports from China consist of parts and components on which US-based manufacturers rely. TNCs have begun to restructure their global supply chains and may move the final assembly of goods from China to neighboring Asian countries. It will result in changes in the geographic structure of China's exports and imports. Trade wars lead to changes in export-import flows, orientation to other countries, emergence of regional free trade zones and economic alliances. As the result, the companies seek possible ways to circumvent sanctions and to lobby and promote their business interests. Under this scenario, the US will achieve its goal of reducing the trade deficit in bilateral trade with China, but with poor economic efficiency [4].

***Scenario 4. Trade war will escalate into Hot World War III***

A trade war can escalate from Cold to Hot stage, which is especially unwanted scenario considering that the US allows limited use of nuclear weapon. The conflict is associated with the race for global economic domination. The US has a serious advantage in cyberspace and it seeks to «digitally colonize» the global economy. This scenario seems unlikely now, but it is not excluded. Trump has made matters worse by acting unilaterally against China in a way that would appear to breach World Trade Organization rules. Indeed, potential allies find Trump's «America First» rhetoric repulsive. All this has given China the political high ground – «China doesn't want a trade war, but we're not afraid to fight a trade war» has become Beijing's official line [4].

The analysis of the abovementioned scenarios shows that scenario 2 is being implemented, as the US-China negotiations are in phase 1. Let's look at future scenarios for the US-China relations development.

**Future scenario #1: The U.S. and China Reach a Phase 2 Deal & Comprehensive Settlement.**

The Phase 1 agreement signed on January 15th is a game-changer for U.S.-China trade relations – the likely beginning of the end of the trade war. This phase represents that the parties have found common ground and enshrined it in a binding legal agreement. Even though most previously existing tariffs still remain in place, it is now realistic to anticipate a broad negotiated settlement in a Phase 2 deal that includes a sharp reduction in tariffs, Chinese implementation of necessary reforms, and a far more balanced U.S.-China trade relationship. A settlement of this kind would significantly expand business opportunities for American companies to export more products to China and to import more Chinese products to the United States [2].

**Future scenario #2: The U.S. and China continue their negotiations for a Phase 2 deal but find it difficult to reach agreement.**

Despite agreement on a Phase 1 deal, the tensions and uncertainty of U.S.-China negotiations mean the U.S. and China may face complications and delays reaching a meaningful Phase 2 deal requiring new Chinese commitments and an end to high U.S. tariffs. Factors that could slow down the process of reaching a Phase 2 agreement include various threats by the Trump administration:

1. Delisting Chinese companies from S. stock exchanges.
2. Blocking a range of public and private pension funds and university endowments from making certain investments in China.



3. Putting other capital controls on U.S. private sector investment in China to protect against opaque Chinese company accounting and business practices.

4. Broadening scrutiny of potential Chinese investments in the United States on national security grounds.

5. Expanding checks by the Securities and Exchange Commission (SEC) of Chinese companies that do business in the S.

6. Disrupting the flow of capital between Hong Kong and mainland China if China does not adequately respect the autonomy of Hong Kong.

Each of the U.S. measures described above would likely cause China to take reciprocal retaliatory actions – just as China has responded to U.S. tariffs with reciprocal tariffs of its own on American products.

At stake in the Phase 2 negotiation are issues that will determine whether the Trump administration achieves its core objectives in the trade war, including: stricter rules to strengthen information security for cross-border data flows of American companies that do business in China; limiting the subsidies by China's government to state-owned companies which facilitate unfair competition.

The issue for Phase 2 that is likely of greatest importance to American importers is whether an agreement removes U.S. tariffs on more than \$500 billion in Chinese products that threaten the well-being of their businesses [2].

### **Future scenario #3: The U.S. and China break off discussions on a final Phase 2 settlement of the trade war after negotiations fail and they pursue hostile trade policies toward each other.**

If the U.S. and China cannot reach a meaningful trade agreement in 2020, it is likely they will break off negotiations and pursue hostile trade policies toward each other. In this case, some or all of the following economic and political developments are likely to occur:

1. The trade war will evolve into a major, multifaceted dispute – the equivalent of a cold war – that involves geopolitical and security disputes as well as trade issues;

2. Both the U.S. and China will find it difficult to stop a vicious cycle of retaliation and counter-retaliation on trade and other issues;

3. China and the S. will strive to consolidate their own trade blocs that exclude the other country – potentially decoupling the U.S. and Chinese economies/financial sectors;

4. China will enhance the role of its state-owned businesses using increased subsidies;

5. The U.S. will significantly expand its restrictions on trade with China by delisting Chinese companies from U.S. exchanges, blocking public and private U.S. investments in China, enacting much more restrictive export controls, ending most Chinese investment in the United States, exercising greater scrutiny by the SEC of Chinese companies and taking other restrictive measures [2].

This is the greatest trade war in economic history and it can result in a change in the international trade architecture, slow-down of financial markets. The countries can be divided into two blocks supporting the US or China, and at the same time, forming the mega-alliances of economies, as well as regional currency zones. If the two sides do not reach an agreement and will continue to ramp up tariffs and barriers on trade, which could even spill over to other parts of the world, so it will be a trade version of the Cold War, and the economic consequences would be severe.

### **3. CONCLUSIONS AND PROSPECTS FOR FURTHER RESEARCH**

So, the trade war happens when one country retaliates against another by raising import tariffs or placing other restrictions on the other country's imports. Trade wars are an aftereffect of protectionism. Protectionism is not necessarily a bad thing. For example, it can help protect domestic businesses, jobs, and revenue against competition from foreign imports. However, trade wars are almost always damaging to both countries' economies. The main causes of the US-China trade war are: a battle for global economic dominance; the US accuses China of unfair trading practices, of stealing intellectual property, it also wants Beijing to make changes to its economic policies, which unfairly favor domestic companies through subsidies; the US trade deficit; midterm elections members of the Congress; the trade war is supposed to bring American jobs back home, to reduce high-tech capacity of China, to prevent the growth of China's military strength. After more than two years of rising tension, the US and China have signed a deal aimed at calming trade frictions (January 15, 2020). The deal is intended to open Chinese markets to more American companies, increase farm

and energy exports and provide greater protection for American technology and trade secrets. The trade deal contains a variety of victories for American industry, including opening up markets for biotechnology, beef and poultry. Banks, insurers, drug companies and the energy industry are also big beneficiaries. The agreement also includes a pledge by both countries not to devalue their currencies to gain an advantage in export markets. There are such future scenarios for the US-China relations development: scenario #1 – the U.S. and China reach a Phase 2 Deal & Comprehensive Settlement; #2 – the U.S. and China continue their negotiations for a Phase 2 deal but find it difficult to reach agreement; #3 – the U.S. and China break off discussions on a final Phase 2 settlement of the trade war after negotiations fail and they pursue hostile trade policies toward each other.

The prospects of further researches, in our opinion, are the affects of US-China trade war on US and China's economy.

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## ТОРГОВА ВІЙНА США-КИТАЙ: ПРИЧИНИ, КЛЮЧОВІ ПОДІЇ ТА МОЖЛИВІ СЦЕНАРІЇ

У статті визначено причини та ключові події торговельної війни між США й Китаєм. Торговельна війна США та Китаю є кульмінацією давніх торговельних суперечностей, які дві країни не змогли вирішити на офіційному рівні. Скарги Вашингтона виникають через використання Китаєм протекціоністської торговельної політики, такої як експортні мита та квоти, державні субсидії, обмеження доступу на ринок і крадіжки прав інтелектуальної власності. Пекін, з іншого боку, підкреслює, що Китай є країною, що розвивається, та занчає, що різні антидемпінгові й компенсаційні заходи в США є незаконними. У статті визначено, що основними причинами торговельної війни між США та Китаєм є битва за глобальне економічне панування; США звинувачують Китай у недобросовісній торговій практиці, у крадіжці інтелектуальної власності; США має на меті, щоб Пекін вніс зміни у свою економічну політику, яка несправедливо надає перевагу вітчизняним компаніям через субсидії; дефіцит торгівлі США; проміжні вибори членів Конгресу; торгова війна повинна повернути американські робочі місця на батьківщину, зменшити високотехнологічний потенціал Китаю, не допустити зростання військової сили Китаю тощо. Торговельна війна розпочалась у липні 2018 р., коли США застосували перший раунд тарифів для Китаю. Згодом відбулися ще чотири раунди. Станом на січень 2020 р. напруга остаточно зменшилася, оскільки дві

сторони підписали часткову угоду (фаза 1). Сторони погодилися скасувати тарифи та розширити торгівлю. У статті визначено три майбутні сценарії розвитку відносин між США й Китаєм: 1 – США та Китай досягнуть фази 2 угоди й усебічного врегулювання; 2 – США та Китай продовжують переговори щодо фази 2 угоди, проте згоди досягти важко; 3 – США й Китай припиняють обговорення остаточного врегулювання торговельної війни, держави продовжують здійснювати ворожу торговельну політику один до одного.

**Ключові слова:** торгова війна, торговельні протиріччя, протекціоністська торгова політика, право інтелектуальної власності (ПІВ), глобальне економічне домінування, недобросовісна торговельна практика, дефіцит торгівлі.

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## THE WORLD SITUATION AFTER COVID-19

*The article represents the peculiarities of the COVID-19's impact on the economy and international relations within COVID-19. The international crisis caused by the COVID-19 coronavirus pandemic and perspectives of the future world situation after pandemic are analyzed.*

*The COVID-19 pandemic has affected international relations and caused diplomatic tensions. The diplomatic relations have been affected due to the tensions around trade and transport of medicines, diagnostic tests and hospital equipment for coronavirus disease 2019. Leaders of some countries have accused other countries for not containing the disease effectively and resulting in the uncontrolled spread of the virus. Developing nations in Latin America and Africa cannot find enough materials for testing for coronavirus disease, partly because other countries in Europe and the United States and outspending the resources.*

*There is no doubt that the time of the pandemic from the end of January to the present has witnessed a number of unparalleled realities that the world has not experienced since World War II. The pandemic will have different effects on the very pulse of the economy, sociology and mental health, as well as on policy, patterns of political interaction as well as international relations. But it is an exaggeration to say that the post pandemic world will be completely different from the world before it. Certainly, there have been political, economic and international trends that have been emerging for years and were accelerated by the pandemic; other new variables were certainly introduced by the pandemic, while some systems, relationships, and trends will not witness any change. The world is facing a severe economic crisis, and one that will impact countries to different degrees (in proportion with the capabilities of the former state, and not the virulence of the pandemic).*

**Key words:** pandemic; COVID-19; international relations; global challenge.

### 1. INTRODUCTION

In general, the pandemic that begins in one country and quickly spreads around the world forms the definition of a global challenge. Every global crisis has a great impact on the international system, its structures, norms and institutions. The COVID-19 pandemic originated in China began to fall off in mid-February. The pandemic impacted open and closed countries, rich and poor, East and West. The pandemic is the greatest global crisis of the present century. Its depth and scale are really enormous. The pandemic caused the public health crisis which threatens each of the 7,8 billion people on Earth. COVID-19 put the global economy into the tailspin. The estimates predicated that most major economies will lose about 2,4 % of the