Pains or gains? Assessing the Impact of the United States-China Trade War on the United States Economy

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Abstract

Since the emergence of China as a force in the global political economy, the United States of America and China have been entangled in different dimensions of the struggle for dominance. Under Donald Trump's administration, the rivalry between the United States and China assumed the dimensions of the trade war and escalated to its highest points in the modern history of economic relations between the two countries. China is the third-highest trading partner of the United States by volume of trade. The annual volume of trade between the two countries is valued at about 600 billion dollars, with the balance favouring China. Under the leadership of Donald Trump, the United States imposed series of trade tariffs on China in an effort to balance trade or gain a trade advantage over China. However, this sparked a trade war between the two countries as China retaliated by imposing 15% to 25% tariff worth $185 billion on goods imported from the USA including raw materials, manufactured goods, and agricultural produce, amongst others. Using Game theory as a framework of analysis, this study examined the impact of the US-China trade war on economic development in the United States under Donald Trump's administration.

Keywords: Trade War; Tariff; Economic Development; Donald Trump; Game theory

Introduction

The emergence of Donald Trump as the president of the United States of America in 2017 escalated the bilateral trade relations between the United States and China from a competitive to a combative level. The weapons unleashed to execute the war predominantly include the imposition of tariffs by the United States on targeted Chinese goods and the reciprocal imposition of countre-tariffs on targeted American goods by China. On assumption of office, President Donald Trump issued numerous warnings and threats of tariff imposition against goods coming into the United States from China (BBC, 2020). In July 2018, the President made good on his threats when he triggered a trade war with China by imposing a new tariff regime on $34 billion worth of goods from China (BBC, 2020). In the same month, China retaliated in like measure by imposing a tariff of $34 billion worth of US goods. Between August and September 2018, the Trump administration imposed additional tariff of $260 billion worth of imports from China (BBC, 2020). China further retaliated by imposing an additional tariff of $76 billion on US goods (BBC, 2020). The trade war between the two countries continued into 2019 when in May, the Trump administration imposed a $200 billion additional sanction on Chinese goods while China retaliated in June with its own counter tariff worth $60 billion on goods from the United States (BBC, 2020). Instead of ameliorating, the trade war being executed with the imposition of tariffs in an attack and counter-attack fashion by the two countries only escalated and worsened bilateral relations.

At the heart of the United States-China trade war is the issue of balance of trade between the two countries (Stracqualursi, 2017). Before the Trump presidency, American presidents in the past like George W. Bush held reservations about the character and the dimension of the bilateral trade between the United States and China, referring to China as a 'strategic competitor' (Baum, 2001). During his campaign for president and even in the years before that, Donald Trump held a view of discontent of the negative balance of trade to the disadvantage of the United States in its trade relations with China (Stracqualursi, 2017). The Trump administration saw the disadvantage of the United States in the balance of trade between the two countries as evidence that China is using manipulative trade tactics to take advantage of the United States. Whatever the case, a trade war between the two biggest economies in the world has the potential of undermining the economies of the countries at war and shaking up the international trading system.

The body of knowledge on the subject shows that the relationship between the United States and China has taken such dimensions as cooperative, competitive and conflictual. Parts of the conflictual character of the relations between the two countries played out in the trade war that unfolded under the leadership of Donald Trump. Scholars like Houser (2020) and Goulard (2020) examined how the trade war between the two countries has impacted the global economic system and the European Union. Other efforts to document the impacts of the trade war included those of Hsieh (2020) who evaluated the implications of the trade war on Taiwan, Sun et al (2019) evaluated the impact on Japan, Iqbal et al (2020) examined the implications for Indonesia, while Rani (2020) examined the impact on India. The simulation by Itakura (2020) is one of the few studies that sought to unravel the impacts of the trade war on the economic development of the United States. Consequently, this study examines the impact of the U.S.-China trade war on economic development in the United States under Donald Trump's administration.

Theoretical Framework of Analysis

This study relies on the Game Theory as its theoretical framework of analysis. Game theory or the theory of games, as it is sometimes called, is an applied mathematical model that examines the intricate interrelations between rational actors or decision-makers (Myerson, 1991). It is the science of strategy used in understanding the basis of decisions in competitions by competing players in relation to the object of the competition and in relations to other independent players within the web of the competition (Hayes, 2021; Davis & Brams, n.d.).

The international trade system is like a board game governed by rules. Acceptable moves and unacceptable moves are known by all the players. The United States and China are players in this international trade board game. Each player makes their moves to gain an advantage over the other. By implication, they sometimes see the game as a zero-sum game where the gain of one player equals the loss of the other. Thus, the players apply all tactics legally allowed by the rules of the games and some from their bags of tricks in a bid to secure an upper hand. Their perception of the nature of the game as either a zero-sum game or a non-zero-sum game informs their approaches and dispositions to the game.

The United States and China are two of the world's major economic powers and strategic competitors for dominance in other spheres beyond trade. While the United States is the world's foremost economic power, China is in second place and emerging confidently as a major player in the global political economy which threatens the dominance exercised by the United States for decades. Thus, the United States under the Donald Trump administration sees China as a strategic competitor whose advantages amount to the disadvantages of the United States and whose gains amount to losses for the United States. This argument is cited by the Trump administration in the balance of trade between the two countries that is in favour of China and to the disadvantage of the United States.

The features of the trade war between the United States and China under Donald Trump clearly show elements of the theory of games. The basis of the trade war and the strategies applied by both countries in the execution of the trade war show that the two countries are engaged in trade war games, particularly the zero-sum two-person games. The fact that these countries, in their trade war view their losses as the gains of the other and the gains of the other as their loss is obvious. Despite the rules governing international trade, the United States and China are reaching into their bag of tricks to evolve strategies that will give them the upper hand over each other. Within the prism of the games theory, it is also worthy of note that these actors or players are rational players, who have rationally considered their options before making their moves, in the hope that the strategic moves they have adopted will gain them an advantageous payoff. Consequently, we conclude that this theory most suitably explains the United States-China trade war under the administration of Donald Trump.

US-China Trade War: Implications for Economic Development in The United States of America under Donald Trump's Administration

The trade war that escalated between the United States and China during the leadership of Donald Trump started as threats, and what observers perceived to be just mere tactics employed by Donald Trump to appeal to his base and possibly put some pressure on China, in the hope that the threats will impact the disposition of China towards buying more goods from the United States. However, it eventually culminated into a full-blown trade war between the two countries with far-reaching impacts on the international trading system. Between the world's leading economic power houses of United States and China, a trade tariff worth, at least, 700 billion United States dollars was imposed in either direction, in an effort to either gain advantage or to maintain advantage (BBC, 2020).

At the heart of the United States-China trade war is the issue of the balance of trade that favours China, intellectual property disputes, and the rising global influence of China that looms over the global hegemony of the United States of America. While presidents of the United States that came before Donald Trump always held reservations about the growing global influence of China and its rising economic might, President Trump, more than any president of the United States in contemporary times, was very vocal about the situation before he became president. In a Twitter post made by Donald Trump in September 21, 2011, he noted that China is neither an ally nor a friend (Stracqualursi, 2017).

The summation of US tariffs against goods from China valued at US$550 billion was imposed over a two-year period. As previously noted, the tariff by the United States was meant to correct the deficit against the United States in the balance of trade between the two countries, amongst other factors. However, the imposition of tariffs against China by the United States inevitably elicited the imposition of retaliatory tariffs against the United States by China. Though China's US$185 billion retaliatory tariffs targeted over 2000 specific American goods, the most impacted sectors include the agricultural, manufacturing sector (electronics and automobile), consumer goods, and the extractive industry (Macias, 2019).

The impact of China's retaliatory tariffs against US manufacturing industry

Many of the tariffs affecting the manufacturing industry of the United States economy apply to machinery products (734), chemicals (564), electrical machinery (459) as well as iron and steel items (295), and even products in the healthcare sector (Everstream Analytics, 2021). Also, items like plastic (132), rubber (102), copper (71), and aluminium (51) products were affected. We discussed the impacts of the retaliatory sanctions on the manufacturing sector of the United States economy under the points below: exposure of US manufacturing firms to supply chain disruptions; manufacturing industry job disruptions; concentrated welfare losses by manufacturing industry workers; restriction of US manufacturing industry market share in China; Slowdown in manufacturing/Industry contraction

Supply Chain Disruptions: The supply chain is a vital component of every industrial process. It goes beyond sourcing and supply planning to operations and sales. Supply chains thrive and are resilient under stable political and economic conditions. The volatility following the US-China trade war has created an atmosphere of uncertainty for US firms with international manufacturing networks. These firms largely depend on raw materials from countries like China, as well as partly finished products sent to the US for value addition.

The imposition of retaliatory tariffs on US commodities by China exposed US manufacturing firms and its industrial chain to disruptions in supply chain. Part of China's retaliatory trade tariffs on the US is the increase in export tariffs on the sale of rare earth elements like bauxite, coke, fluorspar, manganese, silicon carbide, silicon metal, and zinc. For example, on a sub-sectoral analysis, chemical imports from China which are vital raw materials for US manufacturing firms, grew by 22.7% in 2018 (Arnum, 2019). This was before the retaliatory tariffs. However, the retaliatory tariffs imposed by China in 2018 dampened US chemical exports to China, resulting in only a 2.7% increase in 2018. These retaliatory sanctions undermined US chemical trade by nearly tripling the chemical trade deficit from 1.4 billion USD to 4.0 billion USD (Arnum, 2019). Apart from increasing the negative balance on chemical trade on the part of the US, it restricted raw material inflow for US manufacturing firms.

In the automobiles sub-sector, these tariffs led to the shrinking of US auto manufacturers' vehicle, spare parts and other machinery exports and market supplies/reach. The National Bureau of Economic Research (2021) noted that exposure to China's retaliatory tariffs is a significant factor in the drop in US auto sales. The reach of these retaliatory tariffs, goes beyond firms directly involved in sourcing goods and raw materials from China. Thomas (2020) reiterates that due to the tariffs, there is a rising cost of raw materials from China, as well as intermediate goods and final products that contain Chinese parts.

Manufacturing Industry Job Disruptions: Manufacturing has been a core sector of the US economy since its independence. For a long time, the United States dominated global manufacturing and still does so significantly. However, in recent years, US trade war with China threatens its manufacturing industry. Retaliatory trade tariffs deployed by China against the United States caused domestic job disruptions in the US, by putting thousands of US workers out of jobs, and creating job uncertainly in the manufacturing industry.

Below is a table showing US manufacturing sector employment numbers between 2015 and 2020, the percentage of manufacturing employment to the total labour force, the average annual compensation of manufacturing sector workers, and the annual inflation rate in the United States. From this table, it may be deduced that manufacturing sector employment continued to increase between 2018 and 2020 despite retaliatory tariffs affecting the manufacturing industry especially, the petrochemicals, automobiles, electric appliances and machinery sub-sectors. However, on closer analysis, looking at employment numbers alone does not guarantee a significant perspective on the issue. Measuring manufacturing sector employment numbers against the total labour force, there was a 0.07% decline in manufacturing sector employment contribution to the total workforce between 2017 and 2019. Furthermore, after retaliatory sanctions were imposed in 2018, average annual workers' compensation dropped 2% from

66,159.00 USD to 64,861.33 USD. It further dropped in 2020 to 61,262.95. On an overall analysis, the increase in the number of jobs available in the manufacturing sector despite the sanction is not a function of a higher shock absorbing mechanism, but an overall increase in the productive capacity of the United States. In summary, while manufacturing sector jobs grew in numbers, its contribution to the total workforce, and average annual worker compensation, reduced.

Table 1: Manufacturing sector employment numbers (2015 and 2020)

Year	Manufacturing sector employment	% of Manufacturing Employment to the labour force	Average annual compensation of manufacturing workers (in USD)	Annual Inflation Rate
2015	12,000,000	8.70%	59,306.00	0.73%
2016	12,258,000	8.71%	61,338.74	2.07%
2017	12,540,000	8.55%	65,089.17	2.13%
2018	12,800,000	8.48%	66,159.00	1.91%
2019	13,500,000	8.48%	64,861.33	1.76%
2020	13,890,000	8.50%	61,262.95	1.23%

Source: Author's compilation from various sources including Data USA; USA Facts; and Chien and Morris (2017).

Concentrated Welfare Losses by Manufacturing Industry Workers: Another impact of China's retaliatory tariffs on the US manufacturing industry is evident in the losses in welfare packages of US manufacturing sector workers. The most affected are the automobile sub-sector workers who saw a sharp decline in consumption and car sales, leading to a shrink in revenue, profits, and welfare losses. The impacts of the trade war between the two countries were noted to have started in the third quarter of 2018. Before that time, auto sales were growing a little over 1 per cent a year in the US. After July 2018, sales growth fell (National Bureau of Economic Research, 2021). It was further noted that a 1 percentage point increase in exposure to Chinese retaliatory tariffs is responsible for a 1 percentage point decrease in auto sales in the United States. According to Newsmax Finance, it is estimated that most exposed communities lost additional auto sales worth around 2 billion USD, with another 7 billion USD in missed sales nationwide (Newsmax Finance, December 11: 2019). The drop in volume of sales, higher production costs, and shrinking profits led to welfare losses, especially for auto industry workers.

Restriction of US Manufacturing Industry Market Share in China: China is the US' second largest trading partner, with 615.2 billion USD worth of trade in 2020 (Office of the United States Trade Representative, 2021). The Office of the US Trade Representative further reports that electrical products (17 billion USD), machinery (14 billion USD), and optical and medical instruments (9.5 billion USD) form a significant part of US goods exports to China. Other exports were services and agricultural products. The trade war between the two countries has led to an increase in tariffs and countermeasures by both countries.

Retaliatory tariffs by China most significantly affected the US automobile industry. For example, America is second largest exporter of automobiles to China amounting to 12 billion USD in 2018, and accounting for about 25% of China's total imported automobiles and parts (Teng, 2020). From July 2018, China imposed three rounds of tariffs on US-made automobiles and parts imported into its territory with a 25% tariff increase and a 5% tariff increase respectively. Moreover, many of the additional tariffs by China put an average duty of 15% on most US machinery, chemicals and plastics, electronics, iron and steel, and many other products (Street, 2019).

The impact of these tariffs is an increase in production cost, higher competition and a reduction in the market share of US manufacturing firms. Higher competition as a result of higher tariffs on US products put US manufacturing companies at a significant disadvantage by making US goods very expensive for its market, and as some companies try to absorb the increased production expenditure, profit margins shrink. Following the trade war, Street (2019) conducted a survey of 900 American owned companies operating in China. The study found that American-owned companies operating in China reported 52.1% lower demand, 42.1% higher manufacturing costs, and 32.2% experiencing higher sales prices for products. Holmes (2020) stated that the biggest impact of retaliatory tariffs is in its ability to stall growth and market expansion.

A slowdown in Manufacturing/Industry Contraction: China's retaliatory tariffs on the US slowed down the US manufacturing sector. Apart from lower demand, increase in production costs, and shrinking profit margins, the manufacturing sector especially automobiles, petrochemicals, and other machinery production, slowed down since the retaliatory tariffs came into force. The manufacturing industry contributes 11% to the US Gross Domestic product (GDP). In August 2019, Shwartz (2019) in a *New York Times* publication on September 3, noted that the manufacturing industry in response to China's retaliatory tariffs. Beyond the contraction, the industry has been on a slowdown since the first batch of retaliatory tariffs were imposed on the US. From the table below, we point to the decline in the contribution of manufacturing sector to GDP within 5 years (3 years before the retaliatory tariffs, and years following it). From the table, there is a gradual slowdown of the manufacturing industry leading to a shrinking of its contribution to GDP. Between 2018 and 2020, the manufacturing sector's contribution to GDP moved from 11.40% to 10.91%.

Table 2: Manufacturing sector contribution to US GDP between 2015 and 2020

Year	Manufacturing sector contribution to GDP
2015	11.66%
2016	11.72%
2017	11.90%
2018	11.40%
2019	11.00%
2020	10.91%

Source: Compilation based on data from different sources including Szmigiera (2021)

The Impact of China's Retaliatory Tariffs against the United States Agricultural Sector

Trade war between the United States and China within the past five years have led to the imposition of sanctions, increase in tariffs, retaliations, and other countermeasures against, and by both countries. While the US cited trade imbalance and intellectual property theft against China as reasons for an increase in tariffs (Mourdoukoutas, 2019), China cites US unilateralism, protectionism, bullying, and meddlesome behaviour as reasons for its pushback against the US in the form of retaliatory tariffs (The Guardian: August 23, 2019; Herrero, 2020). In addition, this trade war has also manifested in the geo-strategic calculations of both countries. The US Congressional Research Service (2019) reported that China imposed retaliatory tariffs ranging from 5% to 50% on almost all US agricultural products. Generally, the impact of China's retaliatory tariffs is largely felt across targeted sectors like manufacturing, life sciences, and agriculture. In this section, we examine the impact of these retaliatory tariffs on the US agricultural sector. Retaliatory tariffs have led to the following: A decline in China's demand for US agricultural products; a Reduction in prices of US agricultural products; a Shrinking profits/Financial losses by US farmers; a Reduction in market share of US farmers; Decline in China's demand on US agricultural products

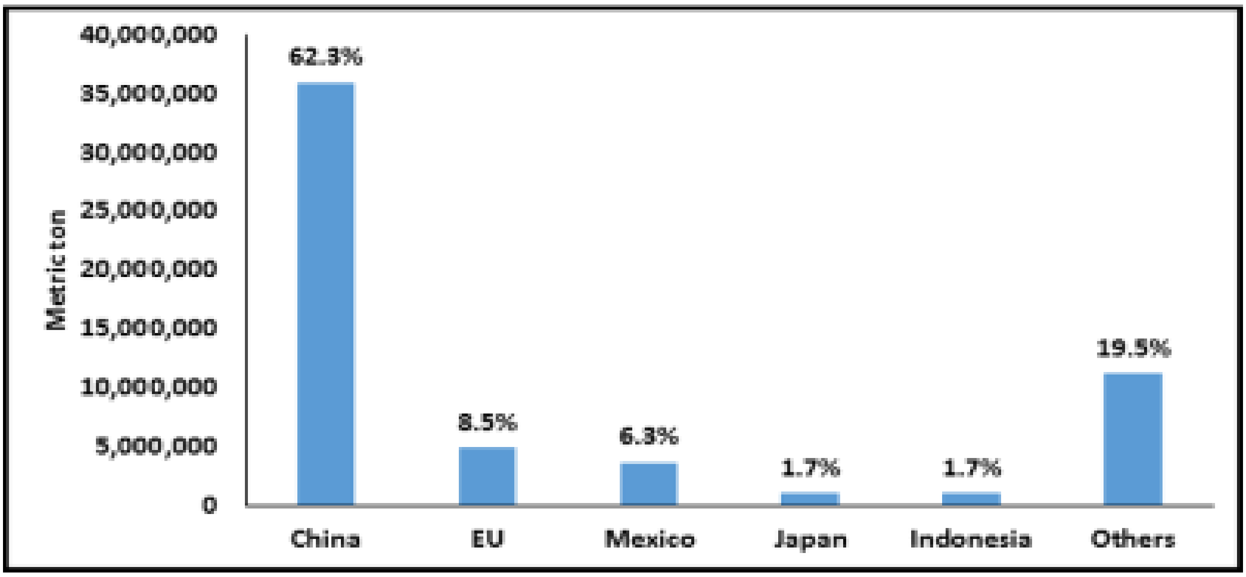
So far, China is subject to the largest ever set of US tariff increases. In response, China retaliated first in April 2018, with tariffs on US agricultural products such as pork, fruit, and tree nuts. The United States continued to increase tariffs on China's products, and in July 2018, China retaliated against the US by raising tariffs on an expanded number of agricultural products made in the US, which according to the US Congressional Research Service (2019) affected almost all of US agricultural products.

Soybeans are one of the major agricultural products of the United States caught up in the trade war between the United States and China. China is, by far, the biggest market and destination of US soybean exports. Between 2010 and 2016, China was the biggest market for United States agricultural products (Regmi, 2019). However, the Chinese market for American farm products began to decline following the emergence of Donald Trump as the president of the United States of America. His confrontational rhetoric and approach to dealing with China culminated in the imposition of tariffs that kicked in starting in 2018. In the 2017 calendar year, China bought over 19 billion dollars worth of America's agricultural produce, particularly, soybeans. In the 2018 calendar year, the purchase of American agricultural goods by China declined by 53 per cent, in comparison with the purchase of similar goods in the 2017 calendar year (Regmi, 2019). What it implied was that US agricultural produce export to China declined from 19 billion dollars in 2017 to 9 billion dollars in 2018 (Regmi, 2019). About 91% of the 545 products targeted by China's retaliatory tariff in 2018 are from the agricultural sector (Vaswani, 2018).

The impact of these tariffs is seen in the overall decline in China's demand for US agricultural products. For example, since 2000, China has been one of the United States' biggest markets for Soybean exports. In 2017, just before the retaliatory tariffs, the US exported about 12 billion USD worth of Soybeans to China, accounting for 57% of total exports (US Congressional Research Service, 2019). With the tariff war in place, making US soybeans more expensive than would have been, demand from China – a key consumer of US Soybeans declined. China diversified its Soybean source away from US, to Brazil (Plume, 2018). In consequence, US Soybean export to China declined to 3 billion USD in 2018, losing 75% percent of its trade volume and value in one year (US Census Bureau, 2019).

Figure 1 shows the volume of United States Soybeans export to China prior to the trade war in comparison to other major supplying countries. China buys 62.3% (over 35 million metric tons) of United States Soybeans. The purchase by China of U.S. Soybeans is very huge when compared to the volume of United States Soybeans purchased by the closest other purchasers. The European Union demand of the United States Soybeans is at 8.5% (about 5 million metric tons). The other significant single country market for U.S. Soybeans is Mexico which serves as the destination for 6.3% of U.S. Soybeans sales.

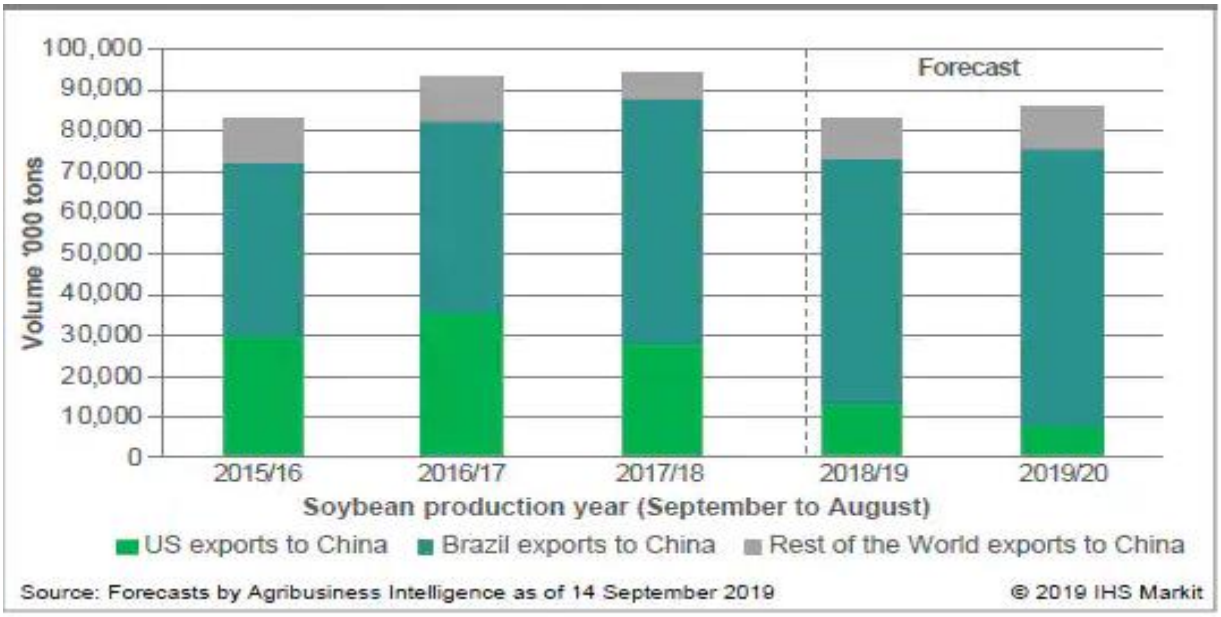
Figure 1: U.S. Soybean Exports by Major Destinations



Taheripour and Tyner, 2018.

As indicated in Figure 2, 2017 and 2018, the years of the trade war saw a sharp decline in the United States' soybean sales to China. Brazil particularly was able to take advantage of the plummeting United States Soybeans supply to China by increasing its export and in effect, cutting into U.S Soybeans market shares. The United States supply of Soybeans to China went from 35 million metric tons in the 2016/2017 Soybeans production year, to below 30 million metric tons in the 2017/2018 production year, as it continued its steady decline due to the impacts of the trade war between the two countries.

Figure 2: Export of Soybeans to China by United States and other suppliers



Source: HIS Markit, 2019.

Also, in 2017, China was the destination market for 80% of global US sorghum export, 17% of US cotton exports, 6% of wheat exports, and 5% of fruit exports (Congressional Research Service, 2019). In many other agricultural commodities where China is not the leading export destination, it is the second leading export market for the United States. In 2018, when the retaliatory tariffs were imposed, agricultural exports to China sharply declined by almost 55%. In Fig 1, we show the drop in the export value of agricultural export commodities from the US to China. In the years leading to retaliatory tariffs, agricultural exports were significantly high at about 29.6, 21.4 and 19.6 billion USD in 2015, 2016 and 2017. In 2018, after the introduction of retaliatory tariffs by China, the value of agricultural exports sharply declined to 7.9 billion USD, more than 55% compared to the previous year. Furthermore, from the graph, one notices an improvement in export value in 2019 and 2020, however, this is as a result of negotiations on lifting the tariffs entered into by the US and China.

Reduction in prices of US' agricultural products: China's retaliatory sanctions against US led to a drop in value of US export to China and reduction in the price of US agricultural produce. Marchant and Wang (2018) noted that Chinese import demand in 2018 contributed to declining farm prices for commodities affected by China's tariffs, and lower U.S. agricultural exports to China for several commodities, including sorghum, soybeans, cotton, and hides/skin. Consequently, prices of these commodities declined significantly between 5 and 10-year lows. This is represented in the table below

Table 3: showing the price of selected US agricultural produce between 2015 and 2020.

Year	Price of Soybean (per bushel)	Price of Sorghum (per ton)	Price of Cotton (per pound)	Price of hides/skin
2015	$9.42	$206.30	$0.63	70.11
2016	$9.87	$158.70	$0.65	75.97
2017	$9.78	$170.97	$0.79	64.26
2018	$8.24	$143.35	$0.64	41.33
2019	$8.62	$141.19	$0.67	37.98
2020	$9.13	$174.28	$0.64	40.95

Source: Author's compilation from Macrotrends, Congressional Research Service

The table above shows the prices of selected US agricultural commodities over five years between 2015 and 2020. Observable trends show that between 2015 and 2017, prices of these commodities were relatively stable or increasing. However, in 2018, when China's retaliatory tariffs were introduced and began having, an impact, prices of most of these commodities declined. It is quite understandable that as US producers and exporters were losing their Chinese market share over the trade war, prices of commodities reacted to the market situation by dropping. The impact of this was borne by US farmers.

Shrinking profits/Financial losses by US farmers: China's retaliatory tariffs against the United States agricultural sector, led to shrinking profits and financial losses by US farmers. As seen in Table 1 above, the prices of selected agricultural produce fell between 2017 and 2018 when the tariffs came into effect. Al Jazeera noted that the tariffs were hurting US farmers (Al Jazeera: April 2, 2018). In fact, in 2018 and 2019, the US President Donald Trump authorized subsidies and bailouts to the tune of 28 billion USD to US farmers in order to offset the costs of China's retaliatory tariffs (Steil and Rocca, 2020). Sherman (2019) noted that the trade war was having significant impact of farmer's revenue, causing farms to die off, and constituting to a reasonable degree, a national security concern.

Reduction in market share of US farmers: With the trade war, comes a reduction in market share of US farmers. The reality of China's retaliatory tariffs making U.S. agricultural products more expensive for Chinese buyers, exports from other countries to China increased in 2018, as China turned to other markets to source for same agricultural commodities that the US market hitherto provided them. Beyond this is the challenge of making other global suppliers more competitive relative to the United States in the Chinese market. The complications from this reality are the loss in market share by the United States.

The Congressional Research Service (2019) found that between 2014 and 2017, the United States ranked number 1, in China's agricultural import markets, but between 2017 and 2018, China's agricultural imports from the US fell by more than 55 per cent, with Brazil taking a huge chunk out of US' China market. It is noteworthy that in 2016, when China's total agricultural imports were at their lowest point between 2014 and 2018, at 105 billion USD, the U.S. market share was 21%, compared with 2018 (after retaliatory tariffs), when China's total agricultural imports were at $127 billion but U.S. market share was 12%. This data explains that in as much as China imported more agricultural products in 2018 compared to previous years, it still imported less from the United States. During the same period, Brazil's market share grew from 18% in 2016 to 26% in 2018 (Congressional Research Service, 2019). In addition, China's imports from other countries increased, diversifying away from the United States.

Converse Impact of United States' Tariff against China on United States' Economic Development

Trade war between the two largest economies of the world – the US and China has had direct impact on both economies. The United States imposed a significant degree of trade sanctions against China, ranging from controls on exports to China, and restrictions on imports from China. China also retaliated by imposing tariffs on several chains of US productivity. These trade tensions have had harsh and far-reaching consequences (Morris, 2020). With neither backing down, the trade war has had both direct and converse effects on the economies of both countries. In the United States, the converse effects of US sanctions against China impact more on US retail industry and consumers

Converse Impact on the United States Retail Industry: Retailing is the single-point distribution of goods and services to the consumer for end use. It is so vital in the supply chain, given that it is the connecting point between the producer, large-scale wholesalers and consumers who are end users of products and services. Retailing provides direct access to these services to consumers. In the United States, the contribution of retailing, cutting across sectors is significant, up to 6.5 percent (Bureau of Economic Analysis, 2021). Also, in the US, retailing is segmented by Products (Food and Beverages, Personal and Household Care, Apparel, Footwear and Accessories, Furniture, Toys and Hobby, Electronic and Household Appliances, and Other Products), Distribution Channel (Supermarkets/Hypermarkets, Convenience Stores, and Department Stores, Specialty Stores, Online, and Other Distribution Channels) (Modor Intelligence, 2020)

The tariffs significantly affected the US retail industry as they came into force. After the US hiked tariffs on goods coming from China, retailers bore the significant brunt of the tariff increases as many could not easily absorb and compete due to increased import duties. For example, the American Apparel Association reacted against the imposition of sanctions against 92 per cent of apparel, 63 per cent of footwear, and 58 per cent of home textiles from China (Aaron, 2019). They noted that it affected their supply chain, and increased the cost of operations due to increased import duties. By the end of Q1 2019, the number of apparel items made in China for US clothing retailers' inventories dropped by more than two-thirds (Aaron). This was a direct fallout of the increase in tariffs on products manufactured in China.

These tariff increases do not in any way give reprieve to US retail manufacturers and distributors who own and operate production chains in China. Also, Gangitano (2019) noted an increase in prices of football, fanwear, and other sporting regalia due to an increase in tariffs. These increases in prices limit sales for the retailers and purchasing reach for the consumers. Moreover, tariff increases have engendered stiffer competition from European economies as many American retail brands domiciled in China, especially in the clothing and textile subsector lose their price advantage against their European rivals in the US market (Pan, 2019). Furthermore, higher tariffs on goods from China put pressure on retail stores and the availability of basic living items. Episodes of empty stores since the trade war started have been more frequently seen.

At the early stages of the sanctions, and as they subsist, Morris (2020) noted that many retail business owners are looking for further means to cut costs as a result of increasing import taxes, postponing key business deals, and putting off investments in a bid to cushion the effects of the trade war on their businesses. The further fallouts of these are the increasing operational costs due to the emergent need of decoupling and retooling supply chains away from China in order to remain competitive, shrinking profit margins and losses for some businesses, loss of retailing jobs, and a generally dampened retail industry.

Converse Impact on United States' Consumers: Also, US sanctions against China in the ongoing trade war between the two countries have had a significant impact on US consumers. First, companies facing increasing production costs and shrinking profits have raised prices of products in order to meet their targets; raising prices reduces the purchasing power of the average consumer. American importers paid more than 106 billion USD to cover the costs of the increase in tariffs on products from China coming into the US (Lobosco, 2021). Anderson (2019) noted that these costs are passed on to the average consumer, and the annual cost to the average US household of subsisting tariffs is estimated at 2031 USD. The price of shoes, cell phones, television sets, clothes for children and many other commodities that are largely imported from China have gone higher, effectively increasing the cost of living (Anderson, 2019). The implication of this is that consumers largely pay for the trade war.

Conclusion

We conclude that the U.S.-China trade war undermined the economy of the United States of America in the following ways: It adversely impacted the manufacturing sector, and the agricultural sector, leading to loss of revenue, loss of market share for the U.S. agricultural sector, and also led to job losses and unemployment in both the manufacturing and agricultural sector; The United States retail sector, one of the major contributors to the U.S. economy was conversely impacted by United States tariff against China as the United States retail industry have over the years come to rely on China supply chains for cheap produced but reliable products. Consequently, United States consumers were directly impacted by the Tariff of the United States against China as the consumers were left to bear the brunt of the high cost of goods from China occasioned by the tariff regime imposed against China by the government of Donald Trump. Thus, we recommend that The United States consider an alternative dispute resolution approach in the event of trade disputes in the future, instead of resorting to a trade war, as our study has shown that engaging in a trade war with a country like China is a critical market for U.S. manufactured and agricultural products in addition to being a critical component of the supply chain of the United States retail industry, can be very detrimental.

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