

**ОСОБЛИВОСТІ РОЗВИТКУ  
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**US - CHINA TRADE WAR: IMPACT ON GLOBAL ECONOMY AND  
IMPLICATION FOR UKRAINE**

**ТОРГОВЕЛЬНА ВІЙНА МІЖ США І КНР: ВПЛИВ НА СВІТОВУ  
ЕКОНОМІКУ ТА НАСЛІДКИ ДЛЯ УКРАЇНИ**

**ТОРГОВАЯ ВОЙНА МЕЖДУ США И КНР: ВЛИЯНИЕ НА МИРОВУЮ  
ЭКОНОМИКУ И ПОСЛЕДСТВИЯ ДЛЯ УКРАИНЫ**

**Rogach O.**

Ph.D., Doctor of Science (Economics), Professor. E-mail: mf.roi@clouds.iir.edu.ua.  
ORCID ID: <https://orcid.org/0000-0002-7246-3245>

**Pidchosa O.**

Ph.D. (Economics), Associate Professor. E-mail: mf.pov@clouds.iir.edu.ua  
ORCID ID: <https://orcid.org/0000-0002-1279-0287>.

**Buz A.**

Ph. D. student, Institute of International Relations, Taras Shevchenko National University of Kyiv. E-mail:  
[andrewbuz2017@gmail.com](mailto:andrewbuz2017@gmail.com)

**Рогач О.І.**

Доктор економічних наук, професор. E-mail: mf.roi@clouds.iir.edu.ua

**Підчоса О.В.**

Кандидат економічних наук, доцент, E-mail: mf.pov@clouds.iir.edu.ua

**Буз А.О.**

Аспірант Інститут міжнародних відносин Київського національного університету імені Тараса Шевченка. E-mail:  
[andrewbuz2017@gmail.com](mailto:andrewbuz2017@gmail.com)

**Рогач А.И.**

Доктор экономических наук, профессор, E-mail: mf.roi@clouds.iir.edu.ua

**Подчёса А.В.**

Кандидат экономических наук, доцент, . E-mail: mf.pov@clouds.iir.edu.ua

**Буз А.А.**

Институт международных отношений Киевского национального университета имени Тараса Шевченко. E-mail:  
[andrewbuz2017@gmail.com](mailto:andrewbuz2017@gmail.com)

**Abstract.** *The article analyzes the economic causes and consequences of the trade and economic war between the USA and PRC. The chronology of the introduction of mutual trade barriers by these countries and a temporary compromise in the form of the first round of the Trade Agreement are considered. Based on the systematisation of estimates of the effects of additional trade tariffs, a contradictory (albeit asymmetric) effect on economic growth, investment and employment in these countries is shown, as well as a predicted increase in the overall negative effect for a significant number of countries in the medium term. The main scenarios of the possible development of trade and economic relations between the United States and China are considered.*

*The authors note that the trade war provoked the effects of trade reorientation and the emergence of beneficiaries among third countries, but, due to the transfer mechanism of global*

value chains, the losses to the world economy can largely overlap the overall short-term gain from such trade substitution. It has been shown that any trade relocation takes time and has additional costs. Alternative suppliers may not have the same transactional supply efficiency.

Particular attention is paid to the impact of the trade and economic war between the USA and PRC on the Ukrainian economy. It is substantiated that Ukraine has also acquired certain export opportunities due to a decrease in the American share in the Chinese market. So, the extremely dynamic growth of Ukrainian exports to China, which has been observed in recent years, testifies to the above effect of reorientation and replacement of trade flows. But, at the same time, the deterioration of world economic dynamics as a result of the trade and economic war increases the overall risks for the Ukrainian economy, especially in the medium term. In the context of the current economic policy of Ukraine, the issue of maximizing the utilization of industrial export opportunities to China and expanding the export of goods with higher added value remains important.

**Key words:** trade war, reshoring, trade reorientation, global value chains, foreign economic policy.

**Анотація.** Стаття присвячена аналізу економічних причин та наслідків торгово-економічної війни між США та Китаєм. Розглянута хронологія впровадження взаємних торгових бар'єрів цими країнами та тимчасовий компроміс у вигляді першого раунду торговельної угоди. На основі систематизації оцінок ефектів додаткових торговельних тарифів показаний суперечливий (хоча і асиметричний) ефект на зростання економіки, інвестиції та зайнятості у зазначених країнах, а також прогнозоване збільшення загального негативного ефекту для значної кількості країн у середньостроковій перспективі. Розглянуті основні сценарії можливого розвитку торгово-економічних відносин США та Китаю.

Авторами наголошується, що торговельна війна спровокувала ефекти переорієнтації торгівлі і появу бенефіціарів серед третіх країн, але, в силу трансфертного механізму глобальних ланцюгів створення вартості, втрати для світової економіки можуть значною мірою перекрити загальний короткостроковий вигаиш від такого заміщення торгівлі. Показано, що будь-яка передислокація торгівлі вимагає часу і має додаткові витрати. Альтернативні постачальники можуть не мати аналогічної транзакційної ефективності поставок.

Особлива увага в статті приділена впливу торгово-економічної війни між США та Китаєм на економіку України. Обґрунтовується, що Україна також набула певні експортні можливості в силу зменшення американської частки на китайському ринку. Отже, надзвичайно динамічне зростання українського експорту в Китай, яке спостерігається в останні роки, засвідчує зазначений вище ефект переорієнтації та заміщення торгових потоків. Але, разом з тим, погіршення світової економічної динаміки внаслідок торгово-економічної війни збільшує загальні ризики для української економіки, особливо в середньостроковій перспективі. В контексті поточної економічної політики України, важливим залишається питання максимальної утилізації можливостей промислового експорту у Китай і розширення експорту товарів з більш високою доданою вартістю.

**Ключові слова:** торговельна війна, рещоринг, переорієнтація торгівлі, глобальні ланцюжки створення вартості, зовнішньоекономічна політика.

**Аннотация.** Статья посвящена анализу экономических причин и последствий торгово-экономической войны между США и Китаем. Рассмотрена хронология внедрения взаимных торговых барьеров этими странами и временный компромисс в виде первого раунда торговой сделки. На основе систематизации оценок эффектов дополнительных торговых тарифов показан противоречивый (хотя и асимметричный) эффект на рост экономики, инвестиции и занятости в указанных странах, а также прогнозируемое увеличение общего негативного эффекта для значительного количества стран в среднесрочной перспективе.

*Рассмотрены основные сценарии возможного развития торгово-экономических отношений США и Китая.*

*Авторами отмечается, что торговая война спровоцировала эффекты переориентации торговли и появление бенефициаров среди третьих стран, но, в силу трансфертного механизма глобальных цепей создания стоимости, потери для мировой экономики могут в значительной мере перекрыть общий краткосрочный выигрыш от такого замещения торговли. Показано, что любая передислокация торговли требует времени и имеет дополнительные расходы. Альтернативные поставщики могут не иметь аналогичной транзакционной эффективности поставок.*

*Особое внимание в статье уделено влиянию торгово-экономической войны между США и Китаем на экономику Украины. Обосновывается, что Украина также приобрела определенные экспортные возможности в силу уменьшения американской доли на китайском рынке. Итак, чрезвычайно динамичный рост украинского экспорта в Китай, который наблюдается в последние годы, свидетельствует об указанном выше эффекте переориентации и замещения торговых потоков. Но, вместе с тем, ухудшение мировой экономической динамики в результате торгово-экономической войны увеличивает общие риски для украинской экономики, особенно в среднесрочной перспективе. В контексте текущей экономической политики Украины, важным остается вопрос максимальной утилизации возможностей промышленного экспорта в Китай и расширения экспорта товаров с более высокой добавленной стоимостью.*

**Ключевые слова:** *торговая война, рещоринг, переориентация торговли, глобальные цепочки создания стоимости, внешнеэкономическая политика.*

**Formulation of the problem.** Trade wars are not a new phenomenon in human history. Most often, trade war is generally understood to mean the seizure of foreign markets or the prevention of seizures using instruments such as tariffs, quotas or sanctions. Thus, any country can use a trade war as a foreign policy action aimed at maintaining its economic position or to increase it through a strict trade policy to other countries.

The trade conflict between the United States and China, its tools and implications for these economies and other countries in general is of particular interest.

The United States sees danger in China's potential absolute dominance in the world economy, given factors such as growing imbalances in their bilateral trade, growing Chinese high-tech companies' competitiveness, and increasing foreign direct exports from China. According to US officials, China conducts an unfair trade policy by taking advantage of trade liberalization and WTO membership. At the same time the PRC keeps its home commerce safe from foreign competition by providing subsidies and promoting exports through currency devaluation. Technology theft and reverse engineering, mishandling of intellectual property rights, environmental concerns and even human rights are among the accusations that the United States brings to China.

**Analysis of recent research and publications.** This topic is in the centre of attention of both foreign and domestic economists and think tanks. Modern economic theory and practice need to research and assess the losses from the trade war. For example, C. Vlados (2020) concludes that the trade war is another proof of gradual restructuring of the global balance. He believes that the long-term consequences of the trade conflict between the USA and the PRC will lead to formation of a new global economic system structure. This new structure will essentially bring a new global balance regime, which he calls the 'new globalization'. Chad P. Bown (2019, 2020) explored the impact of introduction of reciprocal tariffs on the parties to the conflict and the rest of the world and the consequences of the first phase of the Trade Agreement between the United States and China. The author believes that the treaty has no chances to succeed, because the fundamental differences between these countries have not been resolved. According to K. Itakura (2020), the trade war between the USA and PRC has a significant negative effect on the world economy as it leads to a reduction in global value chains. As a result, the ongoing trade conflict between these countries will

reduce world GDP by \$450 billion. M. Li, E. J. Balistreri, and W. Zhang (2020) have showed the redistributive effects of increasing import duties. They have concluded that trade flows between the United States and China will be refocused on their major trading partners, which would increase prosperity in those countries, including many Asian countries.

The McKinsey Global Institute (2019) Report uses China-World Exposure Index to reflect the extent and implications of China's growing involvement in the global economy. The researchers have shown the development of China's domestic consumer market, and China's place and role in global value chains.

G. H. Hanson (2020) argues that the new increased tariffs are unlikely to have a significant impact on US employment. Increased US tariffs do not cover all US imports, but only focus on China. Therefore, they will impact employment growth to some extent.

M. Amity, S. H. Kong, and D. Weinstein (2020) have conducted an econometric analysis of the impact of the trade war on the American companies' investment. According to their calculations, the tariffs had a negative impact on the stock performance of the largest US companies in 2018-2019. Additional duties will reduce the growth rate of investment by US companies by 1.9% by the end of 2020. V. Archana (2020), based on a partial equilibrium model approach, using disaggregated data, also concluded that US losses would far outweigh the negative effects on China's economy. X. Tu, Y. Du, Y. Lu, and C. Lou (2020) on the basis of econometric modelling predict that import duties introduced in 2018 are going to lead to a decrease in US imports from China and Chinese imports from the US in the medium term by about 91,46 and 36.71 billion dollars, respectively. D. Steinbock (2019) regards the trade war in the context of global technological rivalry. He considers that in the future, intense technological competition between the USA and PRC will deepen and intensify, which could lead to negative consequences for the development of the world economy.

The analysis of the consequences of the trade conflict for the economy of Ukraine is an important aspect of the research. Z. Hong (2019) outlines the latest general changes in the international environment and intra-Ukrainian factors in the context of relations between Ukraine and PRC, recognizing that other post-Soviet countries have been better able to reap the benefits of cooperation with China. Z. Fenghe (2020) gives a quantitative and qualitative assessment of the foreign trade relations between Ukraine and China, explaining the reasons for the existing imbalances, and offers additional vectors for the development of cooperation, focusing on agricultural products. Ukrainian experts emphasize that the potential benefits of involvement in Chinese projects are significant, outlining possible scenarios for such interaction. The Razumkov Centre's study (2019) provides a comprehensive assessment of the impact of the trade war on Eastern Europe and Ukraine (for comparable economies). Experts of the Centre see both challenges (given the slowdown in global economic growth) and opportunities (given the natural resource and human potential of Ukraine) in the current situation.

**The purpose of the study** is to further study the causes and current consequences of the trade war between the USA and the PRC for each party, analysis of possible scenarios, and assessment of the effects and impact of this trade conflict on Ukraine's foreign trade.

**The important research results.** The tense state of economic relations between the USA and the PRC has its own background and has been repeatedly discussed.

In March 2016 the Entity List was presented, according to which American companies were prohibited from doing business with the companies listed (Burns et al., 2019).

In January 2020, the parties managed to sign the first phase of the Trade Agreement. The first phase of the Trade Agreement between the USA and the PRC entered into force on February 14, 2020. Under it, average US tariffs on imports from China remain more than six times higher than before the trade war in 2018; average Chinese tariffs fell only slightly. At the same time, the United States imposed new steel and aluminium tariffs of nearly \$450 million to support industries affected by previous tariffs, harming mainly imports from Taiwan, Japan and the EU, and to a lesser extent China; on the other hand.

The main condition of the long-awaited Trade Agreement was China's commitment to import American goods and services worth at least \$200 billion more than in 2017 over the next two years.

A year after signing of the first phase of the Agreement, China was still significantly "failing" its commitment to purchase more American goods. In the first 11 months of 2020, China's purchases of products included in the Agreement reached only 56-58% of the level specified in the Agreement of the first phase (Zhou, 2021).

Following the signing of the Agreement, the Customs Tariff Commission of the State Council of China announced a new list of goods from the United States that may be excluded from the relevant tariffs for a period of one year. From September 2020, China will phase out import duties on US goods (almost 700 US goods, including key agricultural and energy products) were exempted from penalties in February, as a step towards implementation of the Sino-US Agreement signed in January.

Shortly afterwards, the US Trade Representative's Office (USTR) announced 37 lists of exemptions that excluded specific Chinese imports from US additional tariffs. In August 2020, the US Customs and Border Protection (CBP) issued a notice requiring Hong Kong-made goods exported to the United States to be labelled "Made in China." This would mean that exports from Hong Kong to the United States could be covered by additional tariffs that the United States imposed on Chinese goods during the trade war.

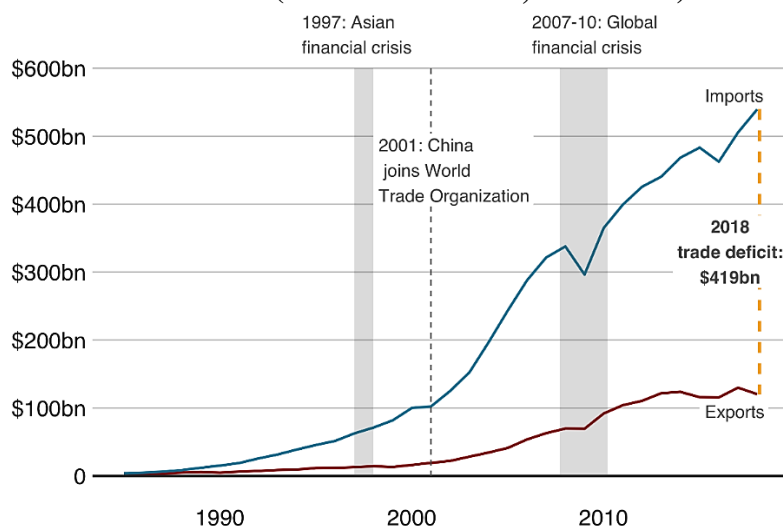
The United States imposed restrictions on Chinese export in order to get some benefits for national economy, as the following:

*1. Reduction of bilateral trade deficit and reshoring to the US*

One of the motives for such US policy was the desire to increase jobs by repatriating American capital and reindustrialising the potential of the energy shale revolution, digital breakthrough, and technological advances in the third and fourth industrial revolutions (Pidchosa & Buz, 2020).

It should be emphasized that mutual trade with China is a significant factor influencing the growth of the US current account deficit (see Fig. 1). In 2019, the US trade deficit with China amounted to 320.8 billion US dollars. 19% of China's total exports goes to the United States. But only 8.3% of US exports go to China.

**Figure 1. US trade with China (billion US dollars, 1985-2018)**



Source: United States Census Bureau (2020).

*2. Reduction of the federal budget deficit* The United States will need additional revenue sources, such as tariffs, to balance its budget, and tariffs on Chinese goods are seen as the main source of such revenue. The US federal budget deficit grew to more than \$3.1 trillion as of January

1, 2021. If in 2018 it was equal to 3.8% of GDP, then in 2020 it soared to an unprecedented (in non-military time) level of 14.9% (Congressional Budget Office, 2020b).

3. *Reduction of China's high-tech capabilities* The USA is dissatisfied with China's demands to set up joint ventures and buy companies in developed countries (in the US in particular) to transfer technology. The US is also concerned with China's success in implementing a strategic plan to modernize production based on achievements of Industry 4.0 (5G networks, artificial intelligence, quantum computing, thermonuclear syntheses, robotics, additive technologies, bio- and space technologies, robotics, etc.).

### **IMPLICATIONS FOR CHINA**

To understand and assess further developments, we will consider the consequences of the trade war for both sides.

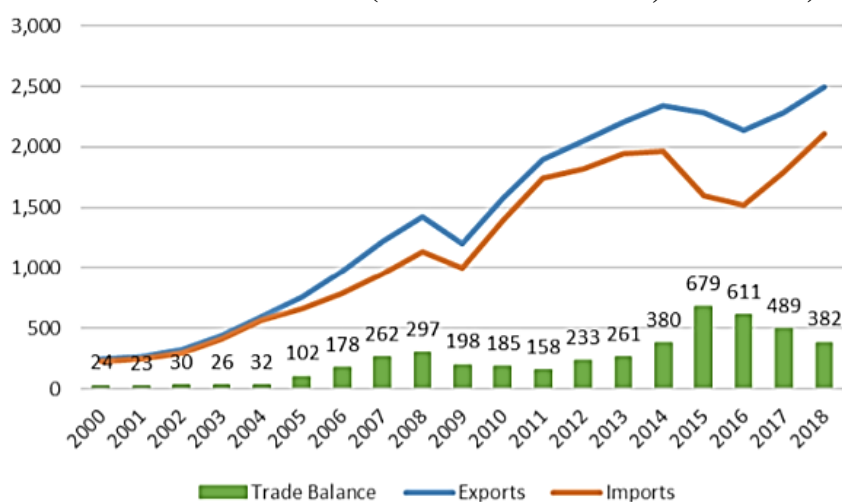
K. Itakura used the general equilibrium model of global trade to show the impact of the trade war on investment and economic productivity. According to his estimates, the scenario of further escalation of the trade conflict will result in a decrease in gross domestic product in China by 1.41% and the United States by 1.35% (Itakura, 2020).

M. Lee, E. J. Balistreri and W. Zhang (2020) found that even after the first phase of a Trade Agreement, the decline in welfare in China is estimated at 1.7% and in the United States – at 0.2%. They believe that China's exports to the United States may decrease by 52.3%, and imports from this country will decrease by 49.3%.

Studies show the negative effects of the trade war on China's economy. Although China showed the highest (compared to other countries) growth rate in 2020, it is clear that it should have been greater in the absence of the negative effects of the trade war. In 2020, China's GDP increased by 2.3%. The macroeconomic dynamics of the country were affected not only by the trade conflict with the United States, but to an even greater extent, by the global lockdown due to COVID-19. Nevertheless, Chinese economists expect China's GDP to grow by 8.2% in 2021, continuing to outpace all other industrialized countries (Bermingham & Wang, 2021).

According to X. Wang, Z. Zhong, and J. Yao (2020), the country's private firms which were involved in significant export-import activities were particularly affected by the trade conflict. The stock performance of these firms, as well as investment opportunities declined too. The negative effect for state-owned companies was much weaker.

*Figure 2 Trade balance of the PRC (in billion US dollars, 2000-2018)*



*Source: World Trade Atlas and China Customs Administration*

In general, China's exports increased by 3.6% compared to the previous year, while imports decreased by 1.1% in 2020. China's trade surplus last year was \$535.03 billion, the highest since 2015. In 2020, imports from the United States increased by 9.8% to 134.9 billion US dollars, while

exports increased by 7.9% – to 451.8 billion US dollars, resulting in a trade balance of 316.9 billion US dollars (Mullen & Wang, 2021).

China's trade surplus with the United States rose to \$316.91 billion in 2020 from \$295.77 billion in 2019, despite China's commitment to acquire under the first phase of the Trade Agreement and high tariffs (Zhou, 2021).

Some analysts predict that a recent \$1.9 trillion stimulus package by US President Joe Biden could have global implications for trade growth. If it is successful in stimulating American growth, it may eventually increase the already strong US demand for Chinese products (Wang & Lee, 2021).

The effect of the trade war on China's economy was also weakened by a record inflow of foreign direct investment to China. Contrary to previous expectations that the redeployment of US and European MNCs to other countries with cheap labour and a favourable customs regime for exports to the US would lead to a reduction in new FDI to China, 2020 figures showed the opposite. According to UNCTAD, China was the largest recipient of foreign direct investment inflows in 2020 of 163 billion US dollars. It is well ahead of the United States, which was a major importer of FDI in recent decades. In 2020, the inflow of new MNCs investment in the USA was 134 billion dollars. (China Daily, January 25, 2021).

### **CONSEQUENCES FOR THE USA**

The United States also felt the contradictory effects of the trade war.

Despite US tariffs, in 2020, China's annual trade surplus with the United States amounted to \$323.32 billion, a record high. According to a study by the US National Retail Federation, a 25% tariff on Chinese furniture will cost American consumers an additional \$4.6 billion annually (NRF, 2018).

An analysis conducted by the Peterson Institute for International Economics showed that China introduced uniform tariffs averaging 8% for all its importers in January 2018, before the start of the trade war. By June 2019, tariffs on US imports had increased to 20.7%, and tariffs for other countries had fallen to 6.7%. The analysis also showed that average US tariffs on Chinese goods increased from 3.1% in 2017 to 24.3% by August 2019 (Bown, 2019).

According to Moody's Analytics, by August 2019, 300,000 US jobs had either been lost or not created due to the trade war, particularly affecting the manufacturing, warehousing, distribution, and retail sectors (Newman, 2019). Until September 2019, American manufacturers reduced their capital investment and postponed employment due to uncertainty caused by the trade war.

The Congressional Budget Office has announced its estimates of the impact of tariffs on the US economy. By 2020, tariffs had reduced US real GDP by about 0.3%, reduced real consumption by 0.3%, reduced real private investment by 1.3% and reduced real household income by \$580. USA (~1%). Real US exports were 1.7% lower and real imports were 2.6% lower. The Budget Office expects that the negative effects will persist, but will be less in the future as companies reorient their value chains to countries that are not subject to tariffs (Congressional Budget Office, 2020a).

A number of studies have identified sectoral effects of the rising import duties on the US economy. In particular, this applies to the negative impact of the trade war on exports of American agricultural products. Such losses are estimated at \$13.5-18.7 billion annually (Grant et al., 2021). According to the U.S. Farmers' Bureau, agricultural exports from the United States to China fell from \$24 billion in 2014 to \$9.1 billion in 2018, including declining sales of pork, soybeans and wheat (Schoen & Breuninger, 2019).

Immediately after the inauguration of newly elected US President Joe Biden, a group of major US companies operating in China warned in a statement, citing Oxford Economics, that further escalation of tension and the split of the two economies could cut US GDP by 1.6 trillion US dollars over the next five years. This could lead to the loss of 732,000 jobs in the United States in 2022 and 320,000 jobs in 2025 (Wong, 2021).

A study commissioned by the US-China Business Council found that a trade dispute resulted in the loss of 245,000 US jobs. A gradual reduction in tariffs to about 12% from the current 19 percent will lead to additional \$160 billion in GDP and 145,000 new jobs by 2025, the report says (Wong, 2021).

There are different views on possible ways of the future development offered by experts in the trade war between the USA and PRC (e.g. Kapustina et al, 2020). We consider the following 3 scenarios for the further course of events to resolve the conflict as the most probable:

*Scenario 1. Consensus searching for preventing further tensions.*

The trade war will end in a compromise if the countries take a more flexible negotiating position. China has already declared its readiness to introduce the following steps: open its car market; liberalize the banking sector; strengthen the protection of intellectual property rights; increase imports of goods and services from the United States; reduce government subsidies to its business; make the transfer of American technology more transparent. *Scenario 2. Freezing the trade conflict.*

It is worth noting that the newly elected US President Joe Biden suggested the possibility of revising the first phase of the Trade Agreement (Bloomberg, 2021). But as the United States continues to view China as a strategic competitor, there is a high probability that the trade conflict will not be completely resolved. It may freeze this trade conflict for the next years as minimum in mid-term perspective. In such scenario the United States will lower trade deficit with China but overall trade deficit may be even higher. The goods of Chinese origin will be supplied to the US market from other countries, such as neighbouring Asia-Pacific region (APR) countries.

*Scenario 3. Escalation of the trade conflict.*

Although this scenario seems unlikely, it cannot be completely ruled out. The trade war in this case can be complemented by restrictions on technology, investment and finance. As a result, China will have to cut export-oriented production and it will seek to oust the United States from the APR. At the same time, China will pursue a policy of 'substituting' the US market, actively increasing trade and investment ties with Europe, Japan and neighbouring Asian countries.

By promoting reshoring policies and economic incentives, the United States will encourage American global firms to return to the United States (Pidchosa & Namonyuk, 2018). To date, according to a survey conducted by the American Chamber of Commerce in Shanghai, 78.6% of companies surveyed said they would not transfer their investment from China (China Daily, January 22, 2021). But the situation may change in the future. As a result, the role of the United States in global value chains and international trade will decline (Rogach, 2020a). According to D. Steinbock (2019), the global trade and technology conflict between the United States and China may escalate into a 'separation' of the two economies and lead to a prolonged global recession and a new geopolitical confrontation.

### **THIRD COUNTRIES**

Third countries may substitute part of bilateral US-China trade. As a result of such trade diversion or substitution effects, China has been able to maintain almost 75% of its trade in targeted products. Figure 3 presents the effects of trade reorientation for individual countries.

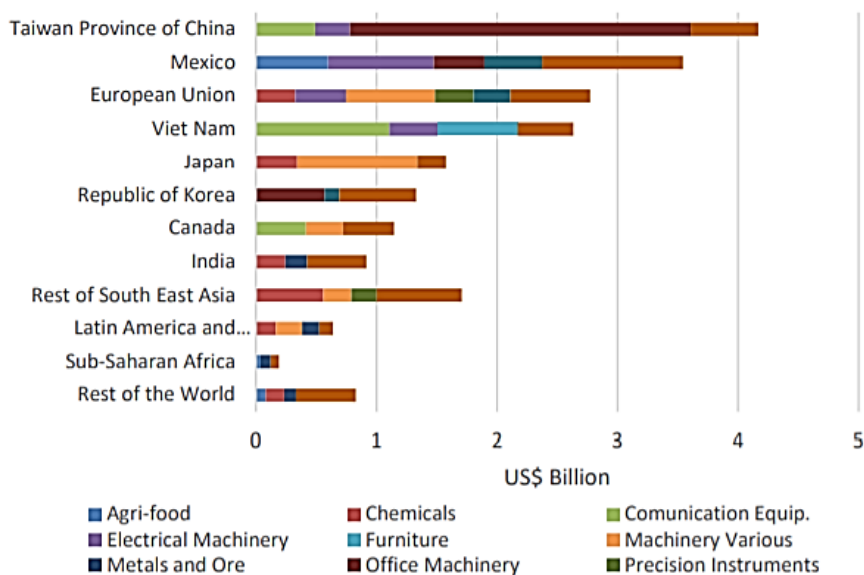
The shift of emphasis in the field of China's foreign economic relations to countries and regions such as the EU, ASEAN, Japan and Russia can imply the reorientation of trade of the PRC (Lau, 2019). In addition, the Asian market is becoming more important for European business than the US market. Consumer spending has quadrupled in China than in the United States over the past decade. The trade war would result in losses for both parties to the conflict, but it could bring short-term benefits to other countries. As noted above, one of the consequences of the introduction of US and Chinese tariffs was an increase in US imports from other countries. In this context, the key question is which country has taken China's share of the United States market, i.e. which countries have benefited from the trade war and to what extent (Nicita, 2019).

Since the start of the trade war, along with restricting US imports from China, six Southeast Asian countries and Taiwan have organized supplies of nearly 1,600 new categories of goods they



have never sold to the United States before (Vilmi et al., 2019). In this scenario, the United States will achieve its goal of reducing the trade deficit in bilateral trade with China, but the trade deficit with other countries may increase significantly.

**Figure 3. Effects of trade reorientation by countries and regional groups (first half of 2019)**



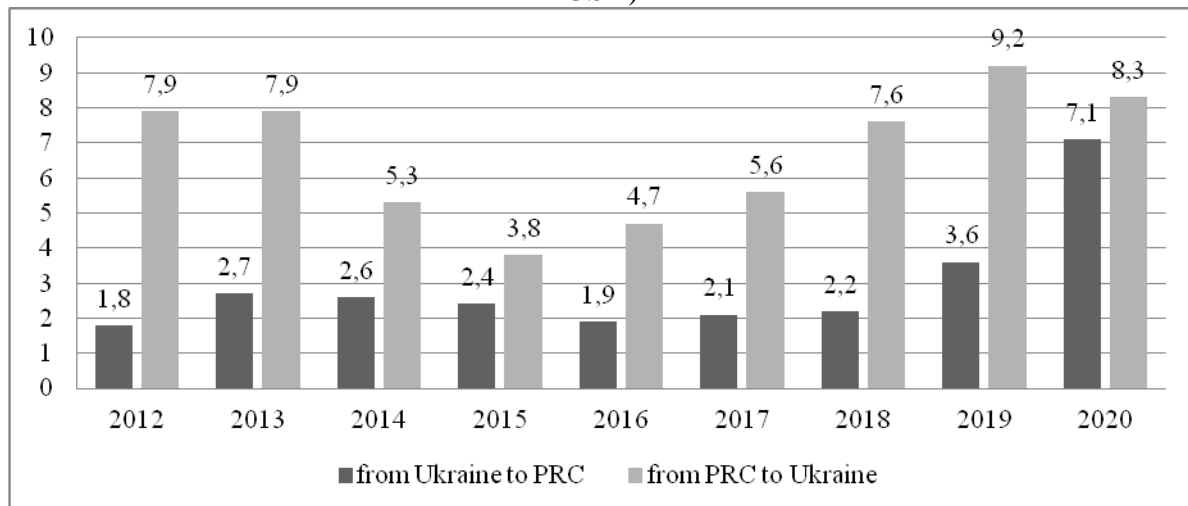
Source: (Nicita, 2019).

But any relocation of trade takes time and incurs additional costs. Alternative suppliers will not have similar transactional supply efficiency (Rogach, 2020b). That is why the trade war may have a final negative effect (even with trade substitution) for the welfare of both countries. This is especially true for key industries – engineering, electrical engineering, and telecommunications. Reformatting global value chains in these industries is a lengthy and costly process.

It should be noted that some studies show a very complex multiplier effect of the introduction of higher tariffs on third countries. This is due to the so-called ‘transfer’ mechanism of global value chains. In this case, aggregate tariffs of third countries increase and, thus, there will be a negative effect even for countries that are partners of the United States or China in global value chains. Such negative effect represents the rise of cost for the third countries export (minimum 500 million US dollar). Chinese tariffs on US imports have a smaller diffusion effect, but it will also be felt through transfers in global value chains (Mao & Görg, 2020).

## UKRAINE

Let us consider the impact of the US-China trade war on Ukraine's foreign trade. Ukraine's economy is a small open economy whose growth depends on the conditions of foreign trade. The trade war between the United States and China, as well as the corresponding countermeasures of third countries, are already having a contradictory effect on Ukraine and its industrial growth (Razumkov Centre, 2019). In other words, the trade war creates both risks and unprecedented opportunities to increase Ukrainian exports to China, given the declining US share of the Chinese market. China is undoubtedly one of the priorities of Ukrainian policy, as evidenced by Ukraine's participation in the Belt and Road Initiative and the increasing volume of mutual trade, which has been growing rapidly since 2015 (Figure 4).

Figure 4. **Bilateral trade in goods between Ukraine and China for 2012-2020** (billion USD)

Source: (State Statistics Service of Ukraine, 2021).

According to 2020, exports from Ukraine to China increased by 49.4% year on year (in 2019 – 63.3%), and imports from China decreased by 10.7% year on year (with an increase by 20.9% in 2019). Over the past two years, exports to China have almost doubled each year (from \$2.2 billion to \$7.1 billion). Thus, China is consolidating its position as the first separate export destination for Ukraine and one of the main single export markets of Ukraine with a share of 14.4% of total exports (2019 – 7.2%), compared to 6.7% and 5.5% shares in Poland and Russia, respectively.

In general, the largest items of Ukrainian exports in 2020 were goods of the agro-industrial complex. In particular, during the year Ukraine sold crop products for 11.9 billion dollars – 24.1% of total exports. Grain exports amounted to 9.6 billion dollars or 19.5% of total exports. The second item of Ukrainian exports was metallurgical products. Ukrainian companies sold non-precious metals and articles for \$9.04 billion (18.3% of total exports). The third commodity item includes fats and oils, which Ukraine sold for \$5.77 billion (11.7% of total exports showing an increase of 22.8%).

As for exports to China, the largest export item in 2020 was mineral products – \$2.5 billion. Crop products went next – \$1.89 billion. (of which corn sold for 1.38 billion dollars, barley for 470 million dollars); fats and oils – \$1.11 billion; base metals \$625 million; finished food products \$505 million; other goods \$229 million; wood 126 million US dollars (State Customs Service of Ukraine, 2020).

For example, for Ukraine, the effect of trade reorientation as a result of the trade war was that it assumed the share of the United States in corn imports to China. Ukrainian corn sales to China rose from \$26 million in 2013 to \$896 million in 2019 and \$1.38 billion in 2020, along with declining corn sales in the United States from \$847 million to \$75 million over the same period.

At the same time, it should be noted that Ukraine supplies China with low-grade raw materials and other products that are easy to replace from other sources, and China exports industrial equipment and consumer goods.

Over the last decade, Ukraine has taken a niche that will be very difficult to break out of. Three types of goods account for 70-80% of the country's exports to China. The production of these goods not only creates few jobs, but also does not create significant value. These products are also vulnerable to fluctuations in world prices, competition from other producers and protectionist policies, with Ukrainian exports accounting for about a third of the country's GDP, so trends in the global agricultural sector are particularly important for its macroeconomic stability and international trade.

At the same time, it should be noted that the Chinese market is quite closed for many Ukrainian export items. Import duty rates can reach levels that make it impossible to export. China

is gradually reducing tariff protection for consumer goods. At the same time, it applies high non-tariff barriers to international trade. Due to the complex process of market opening, access to it remains limited for Ukrainian agricultural producers.

Thus, Ukraine has a window of opportunity to increase export supplies in the short term (given the potential for settling disputes between the United States and China, as well as the fierce struggle for access to the Chinese market by other countries). The effectiveness of its use depends on the speed of reaction of producers to new opportunities and government support for the promotion of Ukrainian exports to the Chinese market.

**Conclusions.** The study has found that the use of regulatory mechanisms in the trade war between the USA and PRC causes economic damage to both sides. Such conflicts have no winners in the long run, but in some cases some countries may temporarily benefit from bilateral trade disputes because the flow of goods may be redirected through and/or to them.

The rapid growth of Ukrainian exports to China, especially in the agricultural sector, is also due to the effects of the trade war between the United States and China. This situation has forced China to look for alternatives to American agricultural products in other markets. Ukraine can also benefit from involvement in infrastructure projects such as the Belt and Road Initiative and inclusion in the global value chains for certain segments of intermediate products. But the overall negative effect of the trade war on the world economy can significantly offset these benefits and pose additional trade and investment risks to the Ukrainian economy.

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