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**THE IMPACT OF DONALD TRUMP'S TRADE WAR WITH CHINA AND
EUROPE ON GLOBAL ECONOMIC GROWTH**

Master's thesis

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EUROPE ON GLOBAL ECONOMIC GROWTH**

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Affirmation

I hereby affirm that the thesis represents my own original research and writing and that I have referenced all appropriate source materials.

Date:

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ABSTRAKT

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Diplomová práca sa zaoberá dopadmi obchodnej vojny medzi Spojenými štátmi americkými a Čínou na globálnu ekonomiku. Obchodná vojna medzi USA a Čínou začala v roku 2018 a odvtedy je známa ako pretrvávajúci ekonomický konflikt medzi týmito krajinami. Práca sa zaoberá clami ako hlavnými nástrojmi používanými v obchodnej vojne. Aby bolo možné posúdiť možné budúce dôsledky, je potrebné najprv pochopiť pozadie konfliktu ako aj vzájomné vzťahy medzi krajinami. Práca popisuje hlavné historické míľniky USA a Číny v súvislosti s ich hospodárskym a politickým vývojom pričom sa zameriava na hrubý domáci produkt ako jeden z hlavných ukazovateľov ekonomickej výkonnosti krajiny, a hodnotí výsledky krajín a ich zmeny spôsobené obchodnou vojnou. Práca podrobne vysvetľuje situáciu na trhu pred začiatkom konfliktu. Na základe zistení hodnotí potenciálny budúci vývoj ekonomík. Na kvantifikáciu problematiky práca využíva štatistické údaje rôznych medzinárodných organizácií. Cieľom je objasniť, či existuje súvislosť medzi predpokladaným globálnym ekonomickým spomalením a obchodnou vojnou, alebo či sa tieto faktory vyskytli nezávisle. Vo vzťahu k cestovnému ruchu práca popisuje vplyv obchodnej vojny na mieru pohybu medzi USA a Čínou.

Kľúčové slová: Spojené štáty americké, Čínska ľudová republika, obchodná vojna, ekonomika, hrubý domáci produkt, globálny vplyv

ABSTRACT

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This Master's thesis deals with impacts of the trade war between the United States and China on the global economy. The trade war began in 2018 and since then it is a well-known ongoing economic conflict between the U.S. and China. Tariffs and other trade barriers are the main instruments used in the trade war. In order to be able to assess possible future implications of this conflict, we must first consider its background and economic and political international relations between the countries. Furthermore, the thesis describes the main historical milestones of both countries in relation to its economic and political development. Additionally, by looking at the main economic measure, gross domestic product, it quantifies the economic output of the countries and its fluctuation caused by the trade war. It also focuses on a state of affairs on the market before the conflict in great detail. Only according to findings, it evaluates the prospective direction of the economies. For measurement and calculation purposes, the main source of data for the thesis are statistics from international organizations. The objective of the thesis is to clarify whether there is a connection between a global economic slowdown and the ongoing trade war, or these phenomena occurred independently from each other. Lastly, the practical part is devoted to the impact of the trade war on the changes of the international movement between the United States and China from the perspective of the travel and tourism sector.

Key words: United States, People's Republic of China, trade war, tariff, gross domestic product, economy, global impact

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Introduction

The United States is a federation consisting of fifty independent states, one federal district, five major self-governing areas and various possessions. Regarding the demographics, the U.S. is the third most-populated country in the world. In terms of the economic output, its gross domestic product is currently the biggest in the world and accounts for approximately one quarter of the global GDP. The country is the largest importer and the second largest exporter of goods, by value. The President of the United States is annually considered one of the most influential personalities in the world. Throughout the history, the U.S. has become a leader with a strong military and political power. Its global influence was demonstrated for instance by the housing bubble which burst in 2008 and caused a worldwide recession. Currently, the country is under the leadership of a rather controversial president, Donald Trump, who took the cabinet in 2016. International relations and foreign affairs which were always an essential part of the national strategy now start to feel the influence of his administration. His main aim was, and still is, to promote the interests of his country even at the risk of losing some crucial international trade partners. During his term of office, the country has faced a trade war with one of its biggest trading partners, China. The trade war has created a cloud of uncertainty all over Europe as well as the rest of the world. The stock markets drop mildly with every new tariff and businesses now face a question of investments in an uncertain future.

China is characterized as a newly industrialized country with a great economic growth and manufacturing output. China, or officially the People's Republic of China (PRC), is currently the world's most populous country. The state includes twenty-two provinces, five autonomous regions, four direct-controlled municipalities, and the special administrative regions of Hong-Kong and Macau. The PRC was established in September 1949 by the Communist Party Chairman Mao Zedong. During his reign, sometimes referred to as the Maoism or the Maoist era, China developed an independent industrial system and intended to introduce some major reforms. However, the project known as the Great Leap Forward led to famine and many upheavals. Until Mao Zedong's death in 1976, the country faced a decade of political recrimination due to the

Cultural Revolution aimed to preserve the Chinese communism. His successor, Deng Xiaoping, introduced a major economic reform known as the opening of the China's economy. This was marked as a period of transition from a centrally planned economy to a mixed economy. Deng Xiaoping also succeeded in lowering poverty and introducing the market to the foreign investors. The years of restructuring led China to become a world power and one of the biggest economies by output. Today, the country is still governed by the Communist Party of China (CPC) and led by the President Xi Jinping.

The thesis is divided into four chapters. In the first chapter, it describes the political and economic development of the United States and China and their early relations. It provides an accurate description of the basic terms and characterizes the circumstances before the trade war from the perspective of both countries. The next part consists of the methodology and presents the hypotheses. The third chapter clarifies the outcomes of the research and evaluates global economic development. In addition, the third chapter also focuses on the impact on the travel and tourism sector, since these represent major sources of revenue for the countries. In the last part, a summary of the main points of the practical part is given. It also draws back to some vulnerable arguments presented in the thesis.

Every crisis affects the economy and usually causes a decline in its growth. For example, during the financial crisis of 2008, many countries experienced some long-term consequences and gained its pre-crisis status only few years ago. The same can possibly happen in the case of the recent trade war. The current economic situation brings a wide spectrum of questions which often lead to two main areas. The first question is about the economic loss and its inevitability. The second is development of international relations, which may, or may not get to the status quo. With regard to all authors who were concerned with the topic of Sino-American relations, the thesis presents and confronts many ideas. The thesis presents also opinions of many historians and analysts. The thesis works predominantly with primary sources, such as Flagg Bemis (1951), Fairbank – Feuerwerker (2008) and is enriched by the works of Lin (2015) and So (2015). The conflict between the U.S. and China will be examined from a cultural perspective where it relies on the extensive work of Shambaugh (2013). In terms of the

economic relations, an analysis by Guest (2019), Miles (2019), Curr (2019) and Beddoes (2019) added to the credibility of the research. In connection with the economy, we provide definitions of basic subjects of macroeconomy. One of the sources for economic definitions was the work conducted by Lisý et al. (2015). For the macroeconomic indicators, the thesis relies mostly on reports published by the relevant organizations, such as *the Bureau of Economic Analysis, the International Monetary Fund, the World Bank or the World Trade Organization*.

The main aim of the thesis is to provide a perspective on the global economic development in the context of ongoing U.S.- China trade war. Considering that GDP cannot be measured properly, individual approaches used for calculation are often limiting factors in the predictions of the potential GDP growth. It is needed to admit that the overall result can be changed, but for the purpose of the research the thesis relies on the real-time data which are usually the most relevant. Using the officially published information, the thesis aims to analyze how sensitively will the world economy react. Furthermore, it focuses on providing a high-quality estimate of the global GDP growth rate in this non-standard situation which can help people understand the relationship between the political decisions and the trade war. The research is important because people often do not realize a real cost of the trade war as the consequences are not immediately visible but will be rather reflected in the future economic output. In addition, trade wars may negatively affect the international relations too. In case the nations have a long and strong relationship, it may be disrupted. It depends to a great extent on the historical background of the relationship hence, development of the Sino-American cooperation is also provided. Regarding the global economic slowdown, it is sometimes questioned whether the U.S.-China trade war is a cause, or solely a result of cyclical development of economy which occurs at regular intervals. In order to reach a conclusion, various data were examined and compared.

Regarding the methodology, the thesis uses mainly theoretical methods. It involves data analysis, in which only topic-related data are considered. Another used method is analogy, or resemblance between two conditions, for example, between development of the local and the global economy. Furthermore, it provides synthesis of

the individually analyzed aspects. In conjunction with the latter, the thesis compares the results. Lastly, it also presents many arguments which either support or reject the proposals.

Hypotheses

Donald Trump's announcement of the trade war in March 2018 was rather unexpected and offered a unique opportunity for a study. While some may want to wait until the detailed micro and data become available to assess the economic effect of the trade war, this master thesis used prior data and literature to evaluate the impact of the policy. This study relied on real-time evidence and latest market responses. It provides short- and middle term estimation because the long-run impacts can be biased by other confounding factors or other subsequent events. The thesis examines the following two hypotheses:

H1: The U.S. economy that relies on imports from China will lose in the trade war relatively more compared to the Chinese economy.

H2: The US-China trade war will affect the global economy and lead to an economic recession.

The thesis adds to the literature concerned with the political-economic relations (Flagg Bemis, 1951), reciprocal interdependency (Shambaugh, 2013) and reasons behind the conflict (Beeson – Watson, 2019; Sposi, 2018). The paper draws mainly from an extensive literature that describe the relationship between the United States and China (Fairbank – Feuerwerker, 2008; So, 2015; Miles, 2019; Beeson – Watson, 2019). Trade war has been found to affect the balance of trade (World Bank, 2020; BEA, 2020; WTTC, 2019). The study is also related to the publications about structures of gross domestic product (BEA, 2019; World Bank, 2019). Prior conducted studies show that economies respond to tariffs in terms of economic growth (Abruzesse, 2019; Curr, 2019; Steinbock, 2018). In line with other studies, it evaluates the reactions to the recent changes in travel and tourism between the U.S. and China (Upadhayaya et al., 2011).

1 Current condition of the described field

International relations had been a subject of interest of many historians, economists and political scientists throughout the years. Nowadays, political events and economic development of one country are no longer limited to one country but have a profound impact across the borders. The globalization, described by Dreher et al. (2008) as a process of an increased cross-national interactions which promote the global integration of cultural, economic, environmental, political, technological and social processes on global as well as local levels, changed the operation of the global economy. All international organizations are constantly trying to ease the conditions for the participation on the global market and lower the barriers of the international movement of goods. The economy itself stands in the center of attention of many institutions, authors and analysts. In regard to the stated, the majority of research provides the analyses and comparisons of works published by foreign authors, since not many domestic authors were concerned with the topic yet.

1.1. The history of political-economic relations

The diplomatic history of the United States may be divided into three periods: the Foundations, 1776-1826; Continental Expansion, 1826-1898, and from 1898 to 1950, World Power and World Wars (Flagg Bemis, 1951). Throughout the years, while Europe was dominated by Great Britain, the U.S. enjoyed a unique security. During these years, the nation was able to develop their own foreign policy as it slowly began to expand to what is later known as a world power. It can be said that thanks to its fortunate place in the world, the country could support these principles without any disturbance. However, at the turn of the twentieth century, a new politics shaped which threatened the relatively positive situation in the United States. The concerns began with the simultaneous formation of the two new world powers: Germany and Japan. Such new constellations of major significance marked the following years with great wars, territorial changes and economic, social and ideological upheavals and are thus, often referred to as the years of transformations. In the following years, the U.S. was forced to create a new frame of international politics, because the other world powers were perceived as nations with strong armies and great navies. This might be also a reason why the U.S. decided to turn

to Great Britain and formed alliances during the following years. This part will describe the first historical ties between the countries and introduce the reader to the background of international relations and so, provide an understanding the everlasting desire of the nations to dominate the world (Flagg Bemis, 1951).

1.1.1. Early international relations between the United States and the Far East and China

During the nineteenth century, the U.S. remained more a spectator of the Far East scene, unlike European powers which had imperialistic intentions. Its major concern was an advancement of commercial relations with China and Japan. The signature of treaties, such as Treaty of Wanghia with China in 1844, established the basis of the so-called *most-favored-nation* principle. According to the source (Flagg Bemis, 1951) nations obtain equal opportunities in commerce and the protection of nationals is secured under this rule. Flagg Bemis (1951) further states that the aim of the American diplomacy was to use all peaceful means to preserve the integrity with all nations from the East, above all with China, Japan and Korea, mainly to maintain trading equality with the powers. Great Britain, on the other hand, despite having similar aim of preserving trading equality, had settled in Hong-Kong and was prepared for a battle to protect its commercial interests. This was proven by the fact that the United States had performed only little interventions in the Far East compared to other powerful nations such as Great Britain, Russia, or Germany. There began a rivalry mainly in the economic sphere, in which all ruling nations wanted to gain some control over the finances of the market in the Far East. This political control was conducted, for instance, through *supervised service of the loans* however, Woodrow Wilson later withdrew from the consortium. After the rejection, other powers resumed its rivalry for supervision of Chinese finances. During these years, the Chinese people revolted against the Manchu (ethnic minority in China which established the Qing dynasty) what led to a reform and establishment of a republic, out of which all people expected would come a strong national government. Throughout the period of 1898-1914, the U.S. continued to support the independence and integrity of China. The Washington treaty of 1922 obliged the powers against further imperialism in China, to the maintenance of the Open Door policy. It refers to a

economic system of trade in China which should be opened to all countries equally. Unfortunately, the world wars and conflicts between the U.S. and Japan created some major concerns. For many years, Japan continued to demand lands in China while simultaneously using many discriminatory tariffs, taxes, railroad rates, exchange, import and export controls, restrictions on shipping and ports facilities, monopolies and other violations of Washington treaty of 1922. The United States continued to recognize the position of China by admitting the Chinese citizens to an immigration quota as well as making the Chinese residents in the U.S. eligible at last for citizenship (Flagg Bemis, 1951).

From the above stated it can be assumed that the two nations have preserved a quite peaceful relationship throughout the years. During the previous centuries, the concerns rose predominantly between the U.S. and Japan while China remained more or less in the background. Naturally, some are asking why there is a trade dispute between the United States and China, when most scholars agree that the Chinese nation was supported in its independence and integrity throughout the previous century by the U.S. The reason may be that the nations have realized the Chinese growth potential too late, when its expansion already began and thus, were not able to adapt as quickly as they might wanted.

1.1.2. International relations during the 20th century until the present time

In order to understand the reasons behind the conflict, one may also take a cultural point of view. This conflict is sometimes referred to as a clash between two main areas or concepts – Anglosphere and Sinosphere. Anglosphere includes the U.S., Great Britain, Australia and New Zealand – also many English-speaking countries with usually more open societies. On the other hand, Sinosphere consists mostly of the PRC, where utter respect to the leader is almost required. One of the prisms through which the relations can be viewed include the two nation's respective modern historical experiences and cultures. As Shambaugh (2013) pointed out, these are not easily generalized, but they are important in order to understand the psychological and experiential *burden* that each brought to the relationship. American and Asian cultures

are found different in many aspects, thus, the war seems merely a dispute between two kinds of societies which are unable to compromise on various topics, mainly trade (Guest, 2019). In his work, he sees a possible solution in co-operation in more common goals, such as climate change, fighting pandemics, preserving the oceans or stopping North Korea from inconsiderate decisions.

Foot (2013) claims that although the U.S. and China represent quite different cultures, they are interdependent societies arguing over the norms and the organization of the international system.

Shambaugh (2013) described the U.S.-China relationship with a condition called *structural interdependence* which is a state formed by the structures and institutions of the international system, the shifting power between them as well as bilateral linkages. The interdependence concurrently binds and exacerbates the two and by that, produces new competition. Shambaugh (2013) further believes that Sino-American relations were affected by many factors. The first are interventions on Chinese continental and marine borders by foreign intruders. Historically, this was also the reason why the Great Wall was built and rebuilt between the fifth century B.C. and sixteenth century A.D. As already mentioned, even during the eighteenth and the twentieth century, China was occupied by some European colonial powers as well as Japan and Russia. Another element shaping the relations was American exceptionalism and paternalism, particularly visible during the Republic of China (1911-1949), and during the period of economic reform. The former suggests that American national identity and experience is based on individualism, populism and laissez-faire capitalism. This approach led to the latter, paternalism towards China, especially during the period between the world wars. From the perspective of China, Americans were not seen as supportive to protect the state's borders, except for the situations when it was necessary to protect the U.S. trade or investments (Shambaugh, 2013).

Many observers now wonder how the relations will develop. It is expected that the Chinese expansion will unavoidably change the American influence and behavior on a global scale. On the other hand, it will require the Chinese policymakers to undertake some of America's responsibilities in world affairs. It is likely that all will depend on

their willingness and ability to assume such tasks without trying to dominate the world using their strengths. This ability will be critical as the history taught us that both nations have a strong determination to rule the world. For example, in 1949 the Communist Party of China (CPC) came to power and it intended to transform China to a strong and prosperous country. Shambaugh (2013) explains that this ideology which allied with the Soviet Union posed a threat to the U.S. whose national economy proved strong after surviving the Great Depression in 1930s.

1.1.3. The revolutionary period

During the revolutionary period (1949-1976), China went through some rather serious developmental issues. It is often said that in the mid-1970s, almost nobody expected that China will eventually become one of the leading countries in terms of production. Although the country had its functional economic system before, it was in this part of the history when the economy became the center of attention. Since 1978, the CPC has pledged to build a set of governing institutions and a system of laws capable of handling rapid economic and social development at home and abroad. The CPC's rule was considered one of the few constants in the changing environment. Despite the institutional reforms, the country was not able to manage some growing challenges. One of the examples is a phenomenon called *stove-piping* in which individual ministries and other bodies share information up and down (vertically) the chain of command, however not horizontally with each other. China has no coordinating body compared to the American National Security Council and is forced to connect representatives from various bodies to coordinate and build consensus around policies. From the point of view of the U.S., their officials value this enforcement to come together *under one roof* to talk about issues.

On the other hand, during the Cold War, the conflict between the U.S. and China worsened. While the Great Leap Forward commune policy led to famine and death of tens of millions of Chinese, years of the Revolution even resulted in political anarchy. It is often pointed out that the politics of Mao Zedong was merely a success. One of the analysts, So (2015), compared the reign of Mao Zedong to a Leninist party-state with a concentration of power in the communist party. In such state, only political organizations

were allowed to operate; others were either made ineffective or banned from the operation.

Firstly, the U.S. imposed an economic embargo on the Chinese products and prevented mainland China from the United Nations which basically forced them from the world economy. China could not possibly pursue export-oriented industrialization due to a closure of Western markets or import-substitution due to the embargo. Secondly, China experienced some structural problems of its highly centralized, planned economy mainly associated with low efficiency and productivity of state enterprises. Lin (2015) added that non-collectively owned enterprises were banned. Another point of concern was a fast population growth rate, rising from 500 million in 1953 to one billion in 1980. Lastly, the reports suggested that although more than 70 % of the total workforce was deployed in agriculture, China could not produce enough food to sustain the barest level of consumption for the population. One of the consequences was rising poverty which grew into serious concern over the next decades (Lin, 2015).

Additionally, So (2015) identified another point of concern – the political alienation, stating that the period of political struggles resulted in an absolute egalitarianism. The late 1970s are sometimes referred to as a period of declining American hegemony. The United States faced problems such as inflation, low productivity and a recession. Due to the Cold War and attempts of the Soviet Union, the U.S. welcomed China to the world economy which would act as a new power and thus, counterbalance a Soviet military expansion. Moreover, the competitive power of the American industry could be considerably increased thanks to cheap Chinese labor and its abundant raw materials and minerals. Moreover, China reportedly experienced years of political stability and with the state playing a more active role in the inter-state system. This was particularly visible during 1980s, when China actively negotiated with Great Britain in order to gain Hong Kong and thus, re-gain its national unity. The deal was signed in 1997 and Hong Kong eventually gained its sovereignty (So, 2015).

The modernization of China began only after Deng Xiaoping, leader of the PRC since 1978 to 1992, came to force and who retreated from the ideas of his predecessor, Mao Zedong. Since his death in 1997, China had no supreme leader. Despite the fact

Deng Xiaoping was never appointed a president, he represented the most powerful figure in China from 1970s until his death. He became the General Secretary of the CPC (1934-1935) and controlled military and foreign affairs. Compared to his predecessor who had to wait two years after being appointed the head of the CPC to be also named head of the military, Deng Xiaoping was awarded the top military post immediately after taking over leadership of the CPC. However, regarding major issues, Deng Xiaoping had to reach a consensus with the other representatives of the party. This system should have ensured a collective leadership and thus, guard against a repetition of excess of the era of the PRC's founder Mao Zedong when a single leader was able to influence the nation with a series of political campaigns. Deng Xiaoping largely supervised over the power of the CPC's general secretaries with two of them eventually dismissed. In contrast to Mao Zedong's ideology and anti-intellectualism, Deng Xiaoping preferred more pragmatic approach. He planned four main reforms including fields of agriculture, industry, science, technology and defense. This allowed the establishment of the market economy followed by an urge for a de-centralized banking system. People's Bank of China became responsible for monetary policy and acted as a supervisor over specialized banks for agriculture, insurance and construction as well. The era is also known as the Open Door policy, added Fairbank (1998).

1.1.4. China – an economic miracle

China is currently the most populated country on our planet. In 2018, the population reached 1.39 billion. The history of the country was described by many authors and historians. Till 1911, the country was under the leadership of the last Chinese imperial dynasty, the dynasty Qing. Reportedly, the major internal changes caused the fall of the dynasty, including corruption, peasant unrest, ruler incompetence, and the population growth that often led to food shortages and regular famine. The fall began as the Nationalist Party of China held an uprising in Wuchang, accompanied by some Qing soldiers, and 15 provinces declared their independence from the empire. In the course of next two weeks, a republic was created. Yuan Shikai was appointed the President of the Republic of China (1916). Pu Yi (known also as Xuantong Emperor), the last emperor of the dynasty, abdicated in 1912, and a provisional constitution for the new country

centered around Yuan Shikai. Probably his most famous act was the victory against rebels during the Second Revolution. During his presidency, yuan, the primary unit of the People's Republic of China currency, was firstly issued. In 1949, the People's Republic of China was established by Mao Zedong, a Chinese communist revolutionary. The raising dominance of the Communist Party was one of the reasons that led the U.S. to suspend the diplomatic ties with the China for decades. One of the main aims of the Communist Party of China (CPC) was to adapt itself to a changing world. Party members were forced to revise the ideology without changing its original ideology so much that it would undermine their justification for maintaining a monopoly on power. The People's Republic of China was established, for example, with a promise that it would help farmers and workers to escape dominance of the landlords and capitalists. They proclaimed to establish socialism and communism, in which all property is publicly owned. According to their constitution, the CPC still officially presents *realization of communism* as their highest goal (Fairbank – Feuerwerker, 2008).

The implicit message from the above stated is that ideology matters in China more than in many other political systems. Although the country is ruled to a great extend by the CPC which accounts for more than 80 million members, the political power is also divided, complex and highly competitive. Analysts consider the system not to be rigidly hierachical. The power is nowadays divided between main political subjects, them being the subject of the State, headed by the State Council, People's Liberation Army and National People's Congress. The structure of the first is in an agreement with the structure of the CPC, however its operation is mostly independent. The activity of the People's Liberation Army is also largely independent with a slight difference in civil, military and party leadership. Although the National People's Congress stands as the least powerful, its position in the constitution is the highest (Clark – Dean – Egan, 2014).

The Constitution, adopted six years after the death of Mao Zedong, described the National People's Congress as the highest organ of the state power. This ensured that the NPC had power to among other, amend the constitution; supervise its enforcement, enact and amend laws; approve the state budget and plans for national economic and social development; elect and impeach top officials of the state and judiciary (Clarke –

Dean – Egan, 2014). However, the NPC implemented only some of those. Some analysts anticipate the reason for its weakness might be the Communist Party which decides who will represent positions such as the President, Vice President and Chairman of the State Central Military Commission, the NPC's role being only to ratify the decisions.

Despite many challenges, for example a recession in the U.S. and Japan at the beginning of 2000s, China was able to accelerate its industrialization and achieve modernization. According to the available data (Lin, 2015) China ranked among the fastest-growing economies with GDP growth reaching on average 9.6 % annually. The economic growth was described as *spectacular* by some. Until 2001 when the country entered the World Trade Organization (WTO), its projected growth was estimated at approximately 7% annually. In addition, the data from the World Development Report 2000/2001 indicate that several economic indicators were twice or even three times as high as those of other countries (World Bank, 2001).

One of the authors who was also concerned with the topic was Miles (2019), who evaluated in 2019 China's economic prospects and stated that in 2020 China is supposed to become a *moderately prosperous* country. This term is known in Chinese as *xiaokang* and originates in ancient Confucian philosophy by former leader Deng Xiaoping who introduced some economic reforms in 1978. Deng Xiaoping intended to quadruple country's GDP and GDP per capita compared with 1980. He claimed that China would reach these goals by 2000. According to the source, in 1995 China's GDP had already grown four-fold followed in 1997 by GDP per capita. Despite excellent figures, many of the country's citizens, approximately 130 million, remained in poverty, highlighted Miles (2019). Elimination of poverty still seems to be very difficult for the policymakers. Although they have already reached elimination in the cities thanks to the economic growth which created job opportunities in the urban areas, the biggest concern remains people living in the countryside. The rural areas still appear to lack enough job opportunities and the living conditions look to remain stagnant. In 2012 China claimed that it will reach *xiaokang* by the end of the 2020. GDP along with average disposable income would be doubled compared to 2010 (Miles, 2019) and no one would be living

in poverty. The Chinese officials have been trying to achieve a more sustainable rate since then, high enough to reach its goals, but not that high to risk financial chaos.

The aim of this part was to depict the main characteristics of the period full of transformations. Its population, nowadays accounting for almost two-thirds of the population of all developing nations, has undergone a series of economic reforms during the last decades. It can be assumed that the nation delivered and continues to deliver a successful transformation from the centrally planned to the mixed economy.

1.1.5. The U.S. populism and tariffs

The 21. century could be named as a century of populism, characterized by accusation of others for the problems in society instead of acceptance one's own mistake, policy of deterrence, searching for conflicts and refusal of one's errors (Ballová Mikušková, 2019). Its aim is to undermine and influence democratic values of the countries and is widespread in Europe, Africa as well as Asia. With the election of the American President Donald Trump, populism found its way to the very roots of the liberal democracy, with the American President being a representant of hard-worked populism. It is questionable, whether the American democracy would be strong enough to resist (De La Torre, 2018).

On one hand, one can observe a significant rise in the national economy of China, on the other, the U.S. which since the election of Donald Trump in 2016 tries to weaken and ignore the international institutions. From this perspective China wins, whereas the unpredictable decisions of the President Donald Trump and his administrative, based on the transactional approach to the foreign policy, still governed by the idea of the national privilege called *America first* seem to be more and more difficult to deal with (Beeson – Watson, 2019). Political parties inside the American government often have different view on the international trade politics. While the Republicans have always favored the ad valorem tariffs, the Democrats preferred specific tariffs on import. According to the WTO (n.d.), ad valorem tariff is defined as a tariff rate charge based on percentage of the price, in other words, based on the value of a product, whereas specific tariff is charged as fixed amount per quantity.

Changes in the American tariffs were studied by Professor Douglas A. Irwin in 1998. He was primarily concerned with the market economy of the U.S., where he looked at the effect of the Republicans' and Democrats' decisions on the import tariffs. According to his study, the Democrats tried to liberalize the market through reduction of the import tariff as well as to decrease tariffs on specific goods, because they bring a levy on selling cheaper goods and a burden on consumers. On the contrary, type of specific tariffs was primarily preferred by the Republicans who wanted to apply the protectionist approach on more than half of the imported goods. Republicans argued that such administration provides simplicity and that thanks to ad valorem tariffs, unfair traders could bill a lower amount compared to the price of a good required to reach the reduction of the tariff. However, the Reciprocal Trade Agreement Act signed in 1934 along with the General Agreement on Tariffs and Trade (GATT) from 1947 meant a liberalization of the market and reduction of import tariffs (Irwin, 1998). Later on, based on the Free Trade Agreement (FTA), a pact between two or more countries intended to reduce barriers to imports and exports among them (Barone, 2020), the role of determining the tariffs in the foreign trade was assigned to the President by the Congress.

1.2. The beginning of the trade war

On one hand, the year 2018 will mark the 40th anniversary of the beginning of the Chinese economic reform which brought a great success. On the other hand, it is also marked as the start of the U.S. – China trade war, as President Trump started to apply protective measures against the Chinese products. Nowadays, almost everyone is familiar with the rhetoric of this trade war. The states aim to protect their market with various forms of retribution to which the other reacts with the same or at least similar actions. But such maneuvers are not without the consequences and the dispute continues seemingly with no end in sight. Although the history has certainly experienced some trade wars, it provides only little knowledge how to treat them. The U.S. and China are currently considered world's leading powers in terms of the size of their economies, defense budget and global greenhouse gas emissions. They were each other's largest trading partners in 2017 too. This bilateral relationship is therefore perceived as the most consequential in the world, stated Steinbock (2018). The first outcomes of this unarmed

conflict suggest that the trade war gave rather unwanted activity to the American and Chinese manufacturers and other market participants and that the trade flow was affected on both sides. The analysis by Sposi (2018) will further describe the economic implications of the imposed tariffs. In addition to the mentioned research, the following chapter provides an overview of the balance of trade between the countries and maintains the focus on the main initiators of the dispute.

1.2.1. GDP as the primary indicator of the economic activity

The following chapters are mainly involved with economic and political development of the countries. One of the indicators used to measure the economic output of a country's economy is gross domestic product (GDP). Lisý et al. (2015) described GDP as a total value of goods and services produced by a country in a year. This includes all sectors which are based in the country, also foreign businesses. Gross domestic product as one of the key measures basically indicates, what a country is good at. In order to be able to calculate it, economists use the following GDP formula:

$$Y = C + I + G + NX$$

GDP = Consumption + Investment + Government + Net Exports

Consumption includes durable, non-durable goods and services,

Investment involves purchases that companies make to produce consumer goods,

Government spending covers any expenditure intended to satisfy the individual or collective needs of the community,

Net Exports or net trade is the sum of exports and imports of goods and services. Whereas exports add to GDP, imports subtract from it. (Tucker, 2010)

The Bureau of Economic Analysis (BEA) divides economy into three broad categories; agriculture, including mining, utilities and construction, manufacturing and services. An associated measure, known as the GDP growth, observes how fast the economy is growing by comparing economic output of the previous quarter to the current one. This can be done also on an annual basis (BEA, 2019).

1.2.2. The structure of U.S. GDP in 2018

In an article published by the Deloitte Insights (2019) the BEA identified services as the biggest contributor to GDP of the U.S., since it accounted for over 68% in 2018. Services basically encompass four industries:

- information, professional and business services, trade, transport, and warehousing,
- educational services,
- health care, and
- social assistance.

The BEA listed them as the key pillars of GDP since 2014. To the contrary, the contribution of manufacturing and agriculture has reduced constantly over the years, with 11.2% and 8.1% respectively (The Deloitte Global Economist Network, 2019).

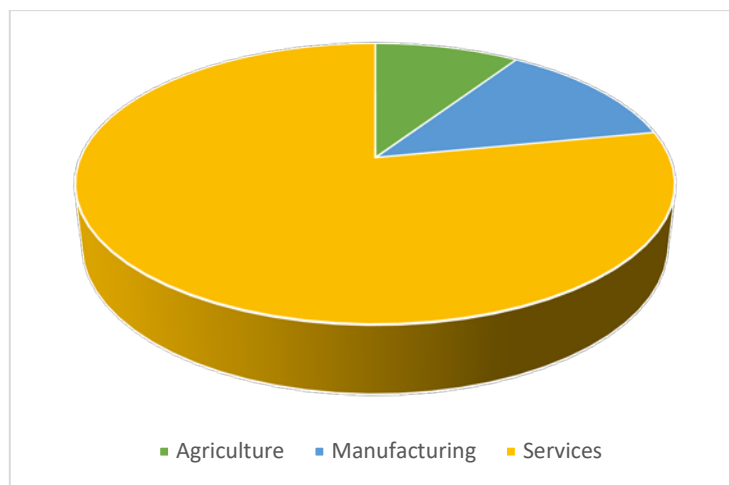


Figure 1: The structure of U.S. GDP in 2018 (Source: <https://www.bea.gov/data/gdp/gdp-industry>)

Figure 1 depicts the structure of GDP in 2018. It involved three main sectors – agriculture, manufacturing and services. Typically, in many developed countries the share of agriculture sector decreases as the economy shifts its focus on more demanding sectors such as manufacturing or services.

The figure indicated dominance of services which is presumably caused by its highly developed business industry including finance, insurance and real estate. The statistic showed that finance accounted for a fifth of the whole economy, in other words the largest portion of GDP (The Deloitte Global Economist Network, 2019).

1.2.3. The structure of China's GDP in 2018

According to the data published by the OECD (2010), the structure of China's GDP consisted of 30% agriculture, 49% industry and 21% services in 1980. Since then, share of agriculture reduced to 16% and industry reported an increase to 51%. Services comprised 33%. These changes continued gradually, statistics from 2004 showed decreased share of agriculture (15%), industry (53%) and services (32%). In 2011, China became closer to the western countries when the GDP structure was similar to the western countries, in which services represent the biggest sector, followed by industry and agriculture being the last one (OECD, 2010).

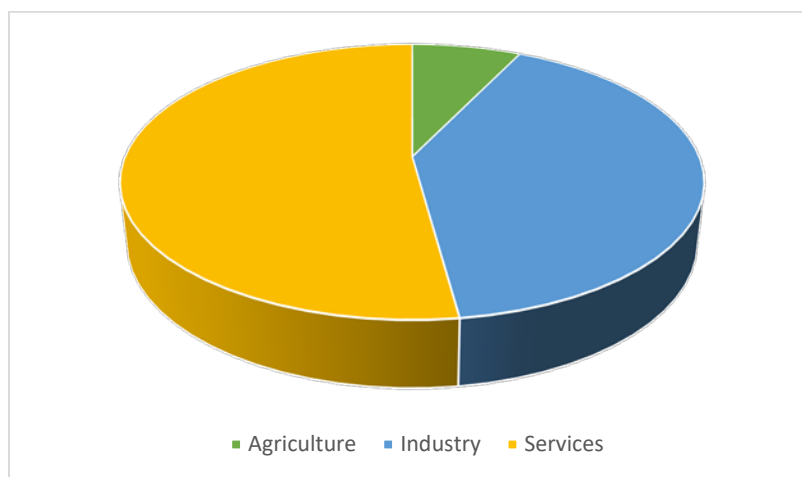


Figure 2: The structure of China's GDP in 2018 (Source: http://www.stats.gov.cn/tjsj/zxfb/201902/t20190228_1651265.html)

Figure 2 shows the distribution of GDP across economic sectors in China in 2018. Whereas the services sector contributed 52.2 %, 40.7 % originated from the industry and only 7.2 % from the agricultural sector, respectively (World Bank, 2019).

In the beginning of the 2000s, the Chinese economy comprised about a tenth of GDP of the United States. After China became a member of the WTO in 2001, its export-

led growth rose sharply. Its share in the economy of the U.S. more than tripled from 12 % in 2000 to over 40 % in 2010 and the rapid expansion was expected to grow further as illustrated in the original projection by the Goldman Sachs Group Inc. (2018), a leading global investment, banking, security and investment management firm. According to this estimate, the Chinese economy under the leadership of Xi Jinping, current PRC, should even exceed the United States in the late 2020s (Steinbock, 2018).

The Goldman Sachs projection further depicts that both economies developed differently. While America’s growth was gradual, China experienced a boom in the 1990s and expanded rapidly during following years and was expected to reach the economic output equal to the U.S. shortly (Figure 3).

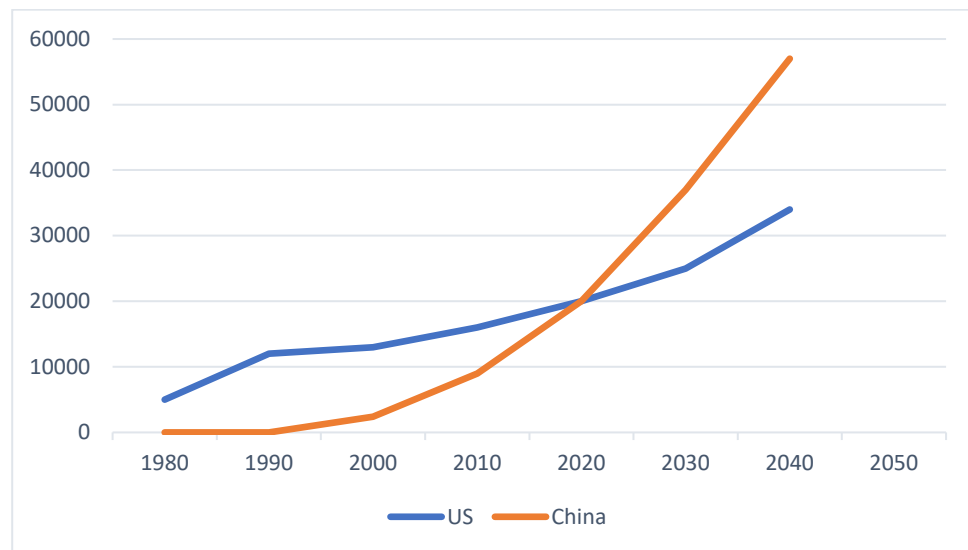


Figure 3: Expansion of the U.S. and Chinese economies, 1980-2040 (Source: <https://www.worldscientific.com/doi/pdf/10.1142/S2377740018500318>)

Yet, there are two major external threats to the Goldman Sachs projection; the first involving international trade prospects amid rising the American protectionism; the second being the impact of these trade actions on the consequent global prospects.

Bouët and Laborde (2017) studied balance of trade in goods between China and the United States and found a significant inequality in the balance of trade between Chinese exports to the U.S. and vice-versa. Based on their analysis, the U.S. regularly recorded a deficit in the trade balance during the last years. Piros and Pinto (2013)

defined trade deficit as a situation in which the domestic economy is spending more on foreign goods and services than foreign economies are spending on domestic goods and services. Hence, it can be assumed that the country spends more than it produces, and one country's deficit is another country's surplus.

Figure 4 depicts the size of the trade deficit. In 2014, the trade deficit with China reached 363 billion US \$, in 2015 extended to the 386 billion US \$ and in 2016 some 366 billion US \$. It is evident that the trade relationship is significant particularly for China, for which the U.S. represented in the last years major destination for its exports. From the perspective of U.S., this could be identified as a reason to apply the protectionist approach.

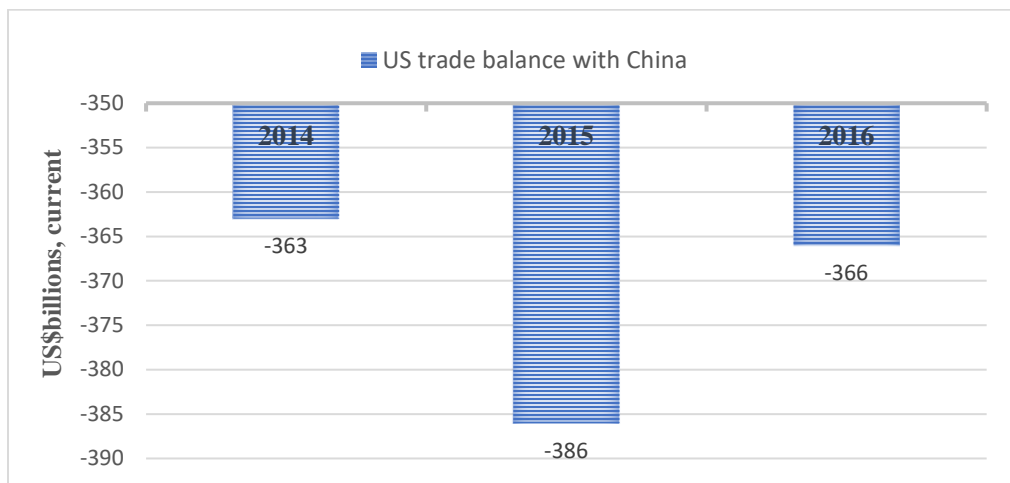


Figure 4: Levels of the U.S. trade deficits, trade in goods, billion US \$ (Source: https://www.parisschoolofeconomics.eu/docs/koenig-pamina/article_us_tradewars_bouet_laborde_2017.pdf)

The U.S. Department of Commerce publishes a report on an annual basis which describes the American international trade. In a report published in 2017, the structure of the US-China import-export was following; the main U.S. exports to China were transportation equipment (22 % of total exports in value), agricultural products (14.9 %), and computers and electronic products (14.8 %). The principal U.S. imports from China were computers and electronic products (34.8 %), electrical equipment, appliances and components (8.8 %), and other miscellaneous goods (8.8 %) in 2017 (Bouët – Laborde, 2017).

The total value of the trade flow for the years before the trade war is shown in the Figure 5 – the figures for imports are relatively comparable, in 2014, the total value of imports was 495 billion US \$, in 2015 515 billion US \$ and in 2016 485 billion US \$.

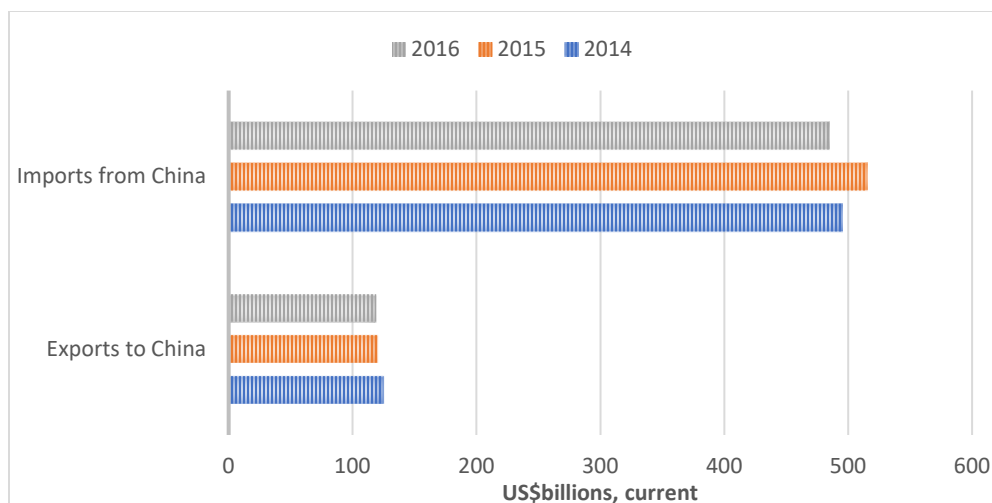


Figure 5: U.S. exports and imports to and from China, trade in goods, billion US \$ (Source: https://www.parisschoolofeconomics.eu/docs/koenig-pamina/article_us_tradewars_bouet_laborde_2017.pdf)

While the American businesses spent about 500 billion US \$ on imports from China, exports to China were responsible only for some 130 billion US \$. From Figure 5, following can be derived; There is a running trade deficit with China which means, that the Chinese are providing more goods to Americans than vice-versa. Conversely, the Chinese get in return U.S. assets. This results in transfer of wealth from Americans to foreign residents. From the China’s point of view, it runs a trade surplus and spends less than it produces.

1.2.4. The role of import tariffs

In order to be able to understand the clash between the U.S. and China, one must first be acknowledged with the forms of retribution used in the trade war. For some countries, especially developing economies, tariffs are a very important tool and represent the main form of government’s revenue. Usually, a country is entitled to use some form of tariffs as a reaction to a breach of rules set either in a bilateral or

multilateral agreement. Dieterle in his work (2020) identified two situations that can occur in a trade war:

1. Retaliation

When Country A imposes a tariff on specific goods of Country B, Country B most likely will retaliate with their own tariffs on certain country A goods. It usually leads the two countries to discussing a trade settlement for both countries, however, there are situations when the parties do not agree to a settlement.

2. Dumping

Another form of retaliation is known as dumping; when a Country A tries to sell a product in Country B at a price lower than it costs to manufacture the product. However, under the rules of WTO, dumping is illegal. In that case, the abused country is authorized to impose its own protecting measures to protect its domestic industries of the same product.

1.2.5. The U.S. protectionism as an apology for the trade war

The United States import steel from more than 85 countries. The International Trade Administration (2019), identified its main partners as follows: Canada, Brazil, Mexico, South Korea, Russia, Japan, Turkey, Germany, Taiwan, and China together accounting for $\frac{3}{4}$ of the total steel imports. Since 2009 steel imports increased by 192 %, whereas export only by 32 %. The U.S. faced a market deficit in more than 11 metric tons of steel in 2018 with biggest importers comprised of countries Canada, Brazil and Mexico, South Korea and Russia. However, in September 2018, the country reported the biggest decrease of steel import from its main trading partners – from Turkey by a half, Brazil by one fifth, Taiwan, Japan and Russia by 10 % and last being South Korea by 9 %. By contrast, some countries reported an increase in its exports, primarily Greece + 800 % and Romania 230 %. In comparison to 2017, the U.S. recorded increased demand for the product made of steel, such as sheets, anti-rust steel, welded pipes, plates etc. Although the steel-processing industry employs only 0.2 % of total workforce, its output serves as an input for other industries. Therefore, any changes in this sector can have significant implications on the whole economy. One of them being, for example,

decrease of country's GDP which would not inevitably mean a considerable loss, however, a trade war could lead to a significant decrease in the economic output of a country (ITA, 2019).

In March 2018, due to the reported deficits, the U.S. government introduced a new protectionist strategy for foreign trade in a form of unilateral implementation of import tariffs on steel and aluminum with unlimited duration. It was presented as a safety measure. Steel was burdened with 25 % tariff, aluminum with 10 %. The only countries freed of this burden were those part of the Single market area within the NAFTA (North Atlantic Free Trade Agreement), including Canada and Mexico. Regarding the euro area, officials agreed on a postponement of tariffs after rounds of negotiations. The main aim of the import tariffs is generally known as protection of domestic industry from the foreign competition and support of the domestic production. However, the rules of the World Trade Organization state that a member state is not allowed to make a burden higher than 40 %. This prerequisite was met. Another regulation restricts the state from discriminating one country against others. The burden must be the same for all countries, the only exception is when states have a signed bi- other multilateral agreement which would exclude them from the rule. The U.S. however, enforced the exception under Article XXI from the GATT (General Agreement on Tariffs and Trade) and argues that their action was taken due to the national security justified by the GATT. In such cases, import tariffs are with unlimited duration and can be withdrawn at any time. According to the Article, the country itself determines whether it is in a state of national threat and is authorized to set the tariffs to protect state's safety.

As already mentioned above, import tariffs should protect and support the domestic industry. From the economic point of view, the implications are, however, multiple:

- a) in order to raise domestic production, an increase of factors of production such as capital and labor is needed,
- b) impact on domestic prices of metal,
- c) change in the price of inputs in industries using steel and aluminum.

From the above stated can be deducted following; the price of domestic production of metals will probably rise due to higher production cost. Further, it will affect primarily the sector producing machines which will report decreased production due to increased costs, and hence, falling demand at home and abroad. Despite that, the macroeconomic factors do not show any significant impact. However, if both sides introduce unreasonably high import tariffs in all sectors of the national economy or a trade war begins, it could have a considerable impact (Sposi, 2018).

In a situation analyzed by Sposi (2018) the American market deficit could be lowered to zero against China, however, for the price of reduced productivity in both economies. The main reason of the implementation of import tariffs is the market deficit against China, in other words, because the export to China was lower than the import from it. China has retaliated with 15 and 25 % tariffs on groceries such as pork, fruits and nuts, alcoholic beverages – wine, beer and whiskey and aluminum scrap and steel pipes in total value of 3 billion US \$ in April 2018. In the following months, the United States responded with 25 % tariff on all goods imported from China in total value of 34 billion US \$ and affected a wide area of the industrial sectors. The tariffs hikes on imports and their values are listed in the Table 1. The leaders justified its action under the Section 301 of the Trade Act of 1974 and identified *unfair* foreign barriers to the U.S. exports as follows:

„The U.S. Trade Representative determined that the acts, policies, and practices of the Government of China related to technology transfer, intellectual property, and innovation covered in the investigation are unreasonable or discriminatory and burden or restrict U.S. commerce. [...] The Trade Representative proposes an additional duty of 25 percent on a list of products from China.” (Office of USTR, 2018, <https://www.regulations.gov/document?D=USTR-2018-0005-0001>)

With the enactment of the Section 301, Chinese economy could be threatened as various goods became a subject to the investigation and it was upon the consideration, whether they will impose additional burden on those goods.

Table 1 depicts tariff increases chronologically since July 2018 and further escalations till September 2018 when the U.S. put a burden on Chinese goods in total value of 200 billion US \$. China retaliated with the same tariff on American goods which affected various industries such as automotive, agricultural and chemical industry. A third round of tariffs on 200 billion US \$ worth of the U.S. imports from China was imposed on September 24, 2018 at an initial rate of 10% but was supposed to be raised to 25 % on 1 January 2019 (Lau, 2019).

Date	Import value (US \$)	Tariff hikes	China's reaction
July 6, 2018	34 billion	25%	Full retaliation
August 23, 2018	16 billion	25%	Full retaliation
September 24, 2018	200 billion	10% (increased to 25% on May 10 th , 2019)	5-10% tariff hikes on \$60 bn worth of imports
After trade talks deadline*	267 billion		
Total	517 billion		

*estimated

Table 1: Section 301 Tariffs on Imports from China (Source: <https://www.worldscientific.com/doi/pdf/10.1142/S2377740018500318>)

On the other hand, there can be some advantages to the situation. Some inland American metal mining companies reported increased demand in production and thus, higher investments. The forecast says it will create 25 000 jobs in the field in the next three years, estimated the Freedonia Group in 2019. Despite that, the U.S. is expecting fall in the employment rate and increase in prices of a wide range of products, such as cars, household appliances and windows and doors – whose production is highly dependent on Chinese import and requires cheap inputs. Biggest losses were reported among American farmers, automotive industry and producers of electronics (The Freedonia Group, 2019). At the beginning, the tariffs covered a wide range of products, however mostly focused on the manufacturing sector. However, over time the

government extended tariffs to consumer products and thus, increased prices mainly for citizens and farmers.

2 Thesis objectives and methodology

Structure and process

The Master's thesis consists of two main parts, theoretical and practical. The first, theoretical part, relies on primary sources which described history and events prior to the trade war as well as the current situation. It presents the most significant changes in the history of the nations' international relations and their political and economic status. It relies mainly on renowned sources such as *The Economist* or online available reports published by organizations such as the *International Monetary Fund*, the *Bureau of Economic Analysis* or the *World Bank*. To introduce the reader to the basic economic measures belongs to the aims of the thesis. It also presents collected data regarding the performance of the economies with a particular focus on the period before and during the initial phases of the trade war. Evaluated information helps to understand and describe the position of the countries in the current world economy.

For most individuals, a trade war is a relatively abstract term, because at first, it does not produce any easily noticeable effect on individual's daily life. The thesis intends to measure the expected economic effects of the ongoing trade war between the U.S. and China through macroeconomic factors. The reason why it studies this phenomenon is because there occurred some public concerns on the issue. The trade war may negatively affect the international relations, create a climate of uncertainty for the businesses and affect the whole economic system, so its functioning as we know today may be changed for many coming years.

The practical part deals with economic development of the global economy. In the introduction, the prospective future political and economic situation is described. The upcoming presidential elections in the U.S. is now of great importance in conjunction with the trade war and its development. This part relies on predictions which is basically a statement that describes a state of thing yet to come. It represents a kind of a proposition about a future event or effect. In this case a prediction can be „The global economy will enter a recession in 2020". The thesis presents macroeconomic data regarding the global economic growth. It analyzes the negative trend in the balance of trade in conjunction with a decline on a global scale. The data should also contribute to a clearer

understanding of the outcomes for the U.S. and China economies, respectively. Based on some opinions, the United States will suffer more as the cost of the trade war are passed on their consumers and manufacturers. The study hence provides a new insight into the relationship between the trade war and impact on the national economies.

Therefore, the Master's thesis presents two hypotheses:

H1: The U.S. economy that relies on imports from China will lose in the trade war relatively more compared to the Chinese economy.

H2: The US-China trade war will affect the global economy and lead to economic recession.

While the first parts are mainly concerned with the economic overview, the next considers the role of monetary policy and its level of involvement. The last section describes the role of travel and tourism as a part of the national economy which is of great importance. The last part analyzes the impact on travel and tourism based on the presented conflict-peace-tourism model.

Methodology

Economic science belongs under probabilistic sciences, in other words, they deal with phenomena which cannot be impeccably foreseeable. The same applies in a case of a slowed global economic growth. Even though a trade war might have a negative impact on the global economic growth, it does not necessarily need to be the only cause. The thesis focuses on the U.S. and China as the main actors in the current trade war and aims to assess the current situation and future development. It also seeks to prove or disprove the causal relationship between a conflict and a recession. Firstly, one must know the difference between a correlation and causality. In general, a correlation means a relationship between two sets of variables used to describe or predict information. On the other hand, causation is when an observed event appears to result from another event or action. In order to be able to find a causality, a scientist or an expert must perform an experiment followed by a control. An ex post control of the experiment must also consider a possible impact of other, side variables. Thus, a decrease in the global economy in year 2020 caused by the trade war is analyzed. We evaluate the results of

various research to prove whether the trade war will cause of a decreased global economic growth. Furthermore, the thesis formulates explanations of the data and information since it is one of the key features of sciences in general. In order to meet specified objectives, various scientific methods are proposed. The applied methods provide a basis with an intention to interpret new information and gain some knowledge about the matter.

Firstly, the thesis abstracts information where it considers only relevant data and leaves out other non-relevant features. For instance, it is not concerned with the actions of the countries in field of climate change, since it is not relevant for the topic. Another method, analogy, is mainly used to describe a resemblance in development of the local and the world economy. The thesis also uses many analyses and uses the scientific method of comparison. When processing the status of issues, it also relied on synthesis and acknowledges many valid arguments.

3 Results and discussion

The relationship between the United States and China currently belongs to the most important and most monitored ones in the world affairs. In a state where the United States faced many challenges, but still preserved its status of the world power, China's global economic importance came about in. The thesis aimed to prove or reject the following hypotheses;

H1: The U.S. economy that relies on imports from China will lose in the trade war relatively more compared to the Chinese economy.

H2: The US-China trade war will affect the global economy and lead to economic recession.

For the purpose of study, it presents the macroeconomic analysis and identifies the incoming phase expected for year 2020. Its aim is to provide clear results regarding short- and middle-term development of the situation. It concurrently examines determinants which will shape the world economy. This chapter summarizes the results of the practical part as well as offering recommendations for the praxis. The author presents here her own perspectives and confronts the point of view with other authors.

In order to be able to prove or reject the stated hypotheses, it is firstly needed to acquaint oneself with the matter. That included research of a literature concerned with the matter, whereas only relevant data was analyzed and later synthesized. The results of the analysis are presented in the following chapter. Only credible information which are always cited were used in this research. The results are supported by many figures which help the reader to be better oriented in the given field. The gathered data are arranged in a logical order and later summarized. The outcomes are supported by valuable arguments from various authors which were often compared. A brief summary of the most important information is provided at the end of every part.

3.1. Future political and economic development

So far, this Master's thesis has examined the mutual relationships and provided a comparison of the pre-trade war market situation. Since every trade war is a two-way

battle, we will describe the current phase of the economic cycle and the impact on both American and Chinese balance of trade. From the perspective of political-economic development, many authors expect that that America will enter a recession in 2020. Guest (2019) believes that the President Trump cannot afford it before the election, because it would logically lower his chances to win the November presidential election. According to Abruzzese (2019), a recession is not inevitable in 2020 for the U.S., but a slowdown is. He supports the statement by the fact that there is still no sign of ending the conflict which would lead to following; firms will be required to manage weaker profits along with higher labor costs and falling prices on the stock market. Finally, Steinbock (2018) expects that lasting trade tensions may lead to a serious global recession.

Another point of concern is the politics of Donald Trump who will be probably confronted by the Congress in the matter of ending the economic conflicts with China (Beddoes, 2019). Allegedly, he plans to impose further levies on Chinese goods. Beddoes (2019) further added that the President Trump will probably decide for a more aggressive approach because currently, he is often criticized (by the Democrats) for his tolerance of China's incarceration of Muslims in Xinjiang along with his inability to support pro-democracy protesters in Hong Kong.

Since the U.S. economy is one of the biggest in the world, it can be said that if there are conflicts inside its national government, it will have an impact on the economies of other states too. In an article called *Anglosphere vs. Sinosphere* the author admits that China should be punished for its abuse of human rights, but not on the ground of the trade negotiations. If they start to include those, it is possible that they will reach an impasse (Guest, 2019). On the other hand, if the President Trump will succeed with the ending of the conflict, it will undoubtedly increase his chances to win in the election in November 2020 (Abruzzese, 2019).

In this subsection, the thesis will be mainly concerned with macroeconomics which Lisý (2015) described as the study of the behavior of the whole economies instead of behavior of individual firms or markets. It is mainly concerned with the forecasting of the domestic product through the analysis of major economic factors which can show patterns and trends as well their influence on one another. Sometimes also referred to as

macroeconomic indicators, these include the level of employment, GDP, balance of payment, inflation and money in circulation. It also looks on the relationship between consumption, savings and investments (Lisý, 2015) but also includes the role of the fiscal and monetary policies and economic growth. In this subsection, the results of the partial objective focused on implications on the global economic growth are presented.

The growth of the global economy is currently one of the most discussed topics around the world. One of the causes of its decelerated growth is undoubtedly the Sino-American trade war, stated Abruzzese (2019). As already mentioned, government is a contributing factor to the macroeconomics. Therefore, it is also crucial to be aware of the situation regarding political background.

Macroeconomic data regarding the economic size of the U.S. and China can be important in interpreting future results of the trade war. Currently, China's and America's economies are the two largest in the world, which in 2020 will jointly account for 40% of the nearly 90 trillion US \$ global economy. After decades of rising, the value of two-way trade declined by 13% from January till August 2019. Both countries can be considered large countries, with the populations of 1.379 million and 324 million, respectively, in 2016, and their GDP in the same year of 11.392 billion US \$ (China) and 18,562 billion US \$ (U.S.), in nominal terms (Abruzzese, 2019). Both countries are members of WTO; the United States since January 1, 1995, China became a full member in 2001.

As implied in the Figure 6, in 2019 the global growth already slowed and its accumulating consequences have affected the manufacture, trade flow as well as business confidence. Moreover, the businesses around the globe are deeply interdependent, even a slightest change can slow business activity as they must face increased costs and find new partners. Despite that, Beddoes (2019) claimed that the U.S. will still benefit from its rising wages, and the lowest unemployment rate in the last fifty years at the end of the 2019.

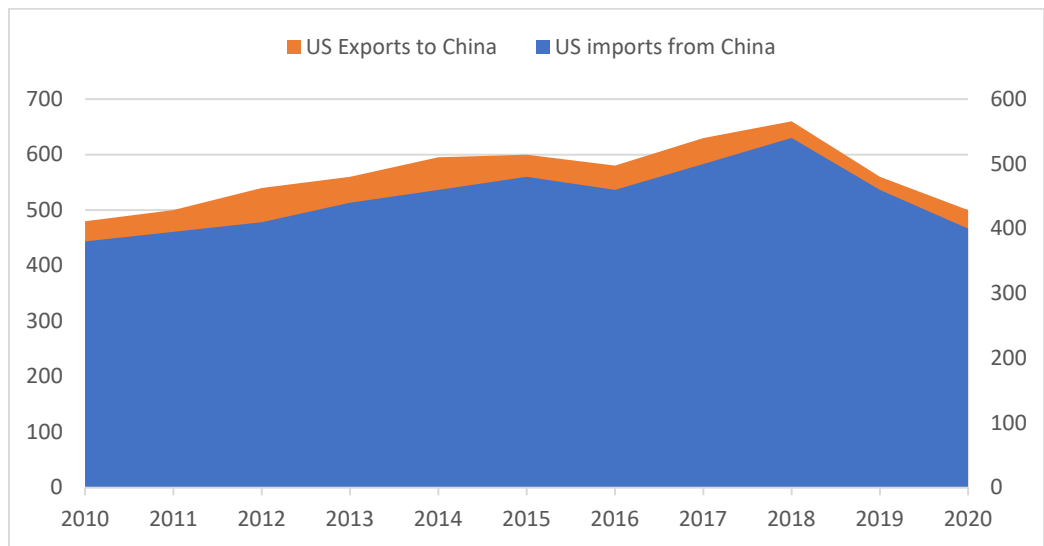


Figure 6: Trade between the U.S. and China, billion US \$ (Source: Haver Analytics)

Some analysts confirmed the statement by adding that the unemployment rate was below 4% in 2019. However, this favorable situation will start to change in 2020, with the changes on the stock market and increasing unemployment rates. It is also expected that the Americans will escape a formal recession since the Federal Reserve (sometimes referred to as the Fed, central banking system of the U.S.A.) cut the interest rates in July, September and October, and possibly will decrease them further in order to support the national economy (Beddoes, 2019).

A recession is usually defined as a period of a general decline of economic activity, a contraction in country’s GDP for two consecutive quarters (six months or longer). A recession typically involves high unemployment, stagnant or falling wages and falls in retail sales (Lisý, 2015). Usually, economists distinguish between a demand-side and a supply-side recession. While the first constitutes a situation in which rising

interest rates or financial crisis causes demand to fall, the latter describes a situation in which economies are deprived of their productive capacity. The last known example of a supply-side recession were the oil-shocks in 1970s. It is expected that if the recession happens in 2020, it may belong into the same category, because it will have been caused primarily by the trade barriers raised between China and America (Curr, 2019). Therefore, the reason why only a formal recession was mentioned is due to the fact trade alone does not constitute enough large share of the American output to pose a reasonable threat (Figure 7), but the business confidence affects the whole system.

When business confidence is low, subsequently investments are lower, and businesses usually do not hire new workers or even lay off. Figure 7 depicted the trade to GDP ratio, that is the share of trade on gross domestic product per annum. The negative trend started even before 2013, but for the purposes of illustration the figure indicated only data published since. In 2013, the ratio was 30.01% and declined by 0.5 in 2014 (29.96%). In comparison to previous years, trade comprised only about 27.73% of American GDP in 2015.

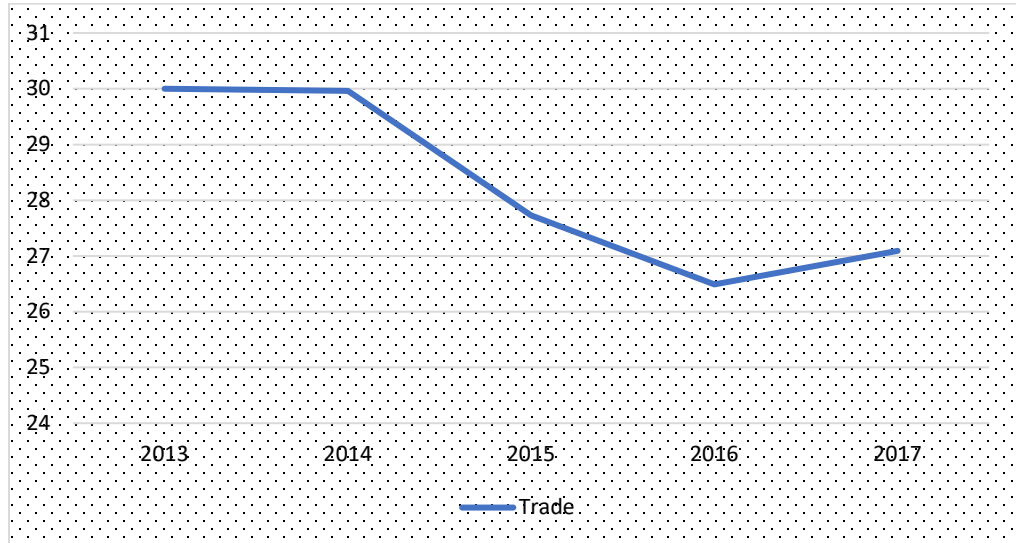


Figure 7: U.S. trade to GDP ratio 2013-2017 (Source:

<https://www.macrotrends.net/countries/USA/united-states/trade-gdp-ratio>)

As implied in the Figure 7, there was a steady decline in the share of trade in the American output where annual percentage changes reached negative amounts, the most significant decline by 2.2 % in 2014-15. In 2016, trade comprised only 26.49 %. Since

then, there was a slight growth and the annual percentual change was positive for the first time in indicated years by 0.6 % in 2016-17 and is expected to rise in the following years (World Bank, 2020). Although the share of trade to GDP increases, it can be assumed that is not significant enough to pose a threat if a trade recession occurred (World Bank, 2020).

Regarding China, the growth of net export and import became important attributes of the economic growth since 2005. Compared to previous year the growth would double and reached 125 billion US \$ which comprised approximately 5.4% GDP in 2005. In the course of two following years, the growth rose to 305 billion US \$ (8.9% GDP). The share of net trade (= import – export) on economic growth was more than 20% on average between 2005-08 and thus it indicates that the economic growth in time before the financial crisis was largely supported by the export. Following financial crisis pointed on the dependency between the export and growth. As a result of the global recession, the net export along with gross domestic product slowed down in 2009 to which China reacted with government subsidies in order to increase the domestic consumption. Furthermore, it intended to deviate from export and improve the consumption. Analysts have estimated this ratio to reach 45% in 2015 (EconGrapher, 2010).

The data published by the World Bank (2020) regarding China trade to GDP ratio show a slight difference compared to the U.S. namely in percentage levels. In 2015, trade comprised 39.6 % of the total value and was marked with a significant decline from 2014 (5.4 %). This trend continued only for another year and until 2017, when China reported an increase in the share by 0.9 %. Compared to U.S., the growth is faster. Since then, China shows only little increase in the share as indicated in the Figure 8, only 0.1% increase from 2017 to 2018 hence it is suggested that its economy would survive a supply-side recession with larger loss.

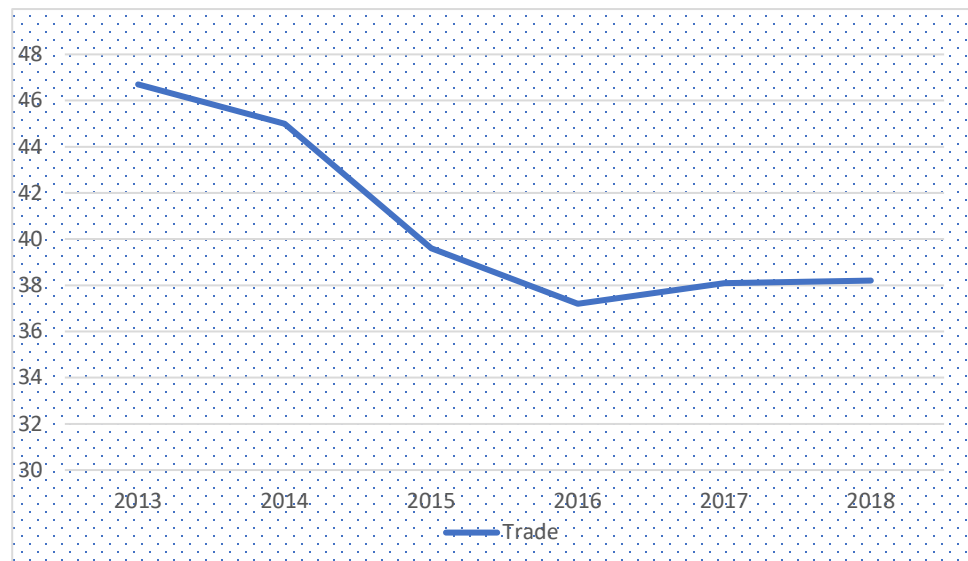


Figure 8: China Trade to GDP ratio 2013-2018 (Source: <https://www.macrotrends.net/countries/CHN/china/trade-gdp-ratio>)

From the point of view of China, its economy will slow further amid the trade war, though only gradually, since its government will strain to provide enough support to reach its aims regarding growth, expected Abruzzese (2019). Despite China receiving just a mild slowdown, other Asia's economies already reported being affected by the slowing Western demand and the trade war, added Abruzzese (2019). Eventually, the initial goals of China will be affected by the latest development of the global economy.

Chinese market already shows decreasing confidence among consumers as well as businesses, added Miles (2019).

The economy of Europe is also highly dependent on foreign demand and export, especially from China, therefore, Beddoes (2019) suggested it will be close to a recession at the beginning of the 2020. Moreover, Germany was probably in the recession during mid-2019 already, and Britain has growing concerns due to Brexit (Abruzzese, 2019).

The trade war affects the whole global economy and likely, there will be a decline in all major areas as displayed on Figure 9. For the purpose of demonstration, the overall impact is divided into the three main areas – the Chinese, the U.S. and the euro area.

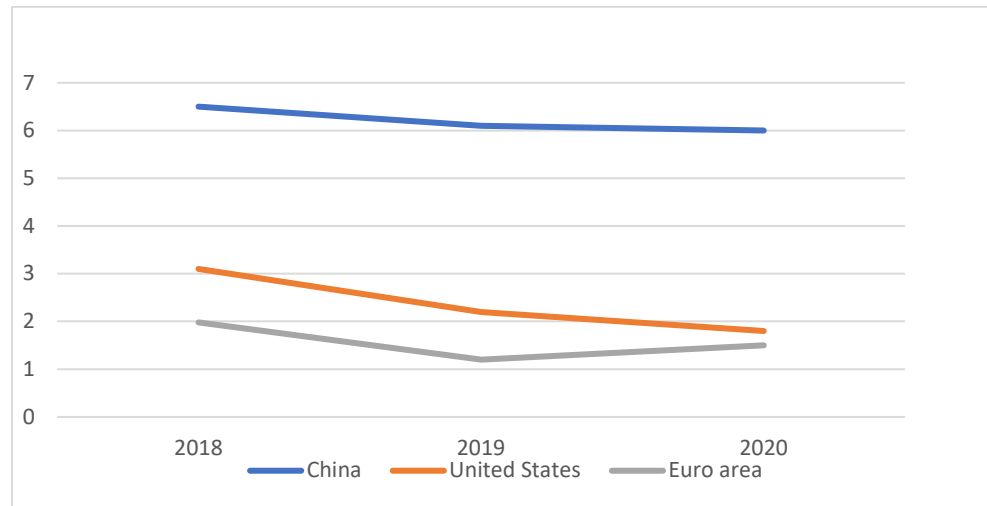


Figure 9: Synchronized slowdown of GDP, % change on a year earlier (Source: The Economist Intelligence Unit)

Although economic development can be slightly different in all the major areas, there is a visible decline in the areas between 2018-19 and the negative trend is predicted for future periods, too. An article published by Curr (2019) stated that the history offers only little guidance as how to treat a trade-war recession. It is expected that tariffs, like all supply-side disruptions, will be inflationary, in other words that the inflation will rise. As always, the economic situation concerns central banks of all countries.

The overall result from the U.S.-China conflict will likely be reflected in growth figures which could show that Europe's economic driving force, Germany, will diminish. Economists further claim that the declining unemployment in Europe since the

recession in 2009 may be ending. Furthermore, if the trade war escalates to include higher tariffs on cars made in Europe, the situation could be even worse. Germany is the Europe's largest economy and a key trade partner of both the United States and China. According to the source (McHugh, 2019) exports amount to almost half of the German economy (47%) as the German companies have a dominancy in global markets for automobiles and machinery. Herbert Diess, Volkswagen CEO, warned that growing protectionism poses a challenge for the globalized automotive industry. The growing concern is due to its high dependence on demand from Chinese operations. For example, Daimler, producer of Mercedes-Benz cars reported its first quarterly loss in 2019 since 2009. Another company, BMW, saw a loss in the first quarter for the first time in a decade. Germany's impact extend into eurozone countries and its profits are often invested in countries such as Slovakia, Hungary and Poland. It means that the market remains more vulnerable than the less open economies (McHugh, 2019).

The next part illustrates development of the economy from the global perspective. As indicated in the methodology, the thesis regards only data published by various authentic institutions who are concerned with the data analysis. In order to be able to predict what is about to happen, one must take into consideration currently available data as well as other affecting factors such as political development. The predictions, usually known as forecasts, give some evaluation as well as some estimation of the forthcoming situation. However, they cannot be considered as definite since they are often updated and adjusted based on various unpredictable factors. It is widely believed that forecast tend to be more optimistic than the reality. For example, during 2008-17, long-term global growth forecasts made a decade earlier exceeded the actual growth outcomes almost in all years (except 2010), stated the World Bank (2018).

The forecast was applicable to all countries in almost all years since 2008, except period 2010-11. By that it was basically proven that forecasts for long-term growth tend to be more optimistic than actual outcomes. Moreover, the World Bank (2018) stated that the longer the forecast horizon, the larger the degree of over-optimism. For example, 10-year-ahead growth forecasts surpassed the predictions by 1.2 percentage points and 5-year-ahead by 0.8 percentage point over the period until 2017. This tendency is known

as systematic optimism (World Bank, 2018) and is described as a result of both cyclical and structural factors. Since long-term growth expectations presumably abstract from those cyclical factors, they should reflect the forecasters' judgement about the economy's potential growth in comparison to the model-based estimates which use several methods. In order to study whether growth expectations differ from other measures, estimates of potential growth (based on production function model) are compared with forecasts made in the same year (Celik et al., 2018).

The financial crisis was not foreseen by most forecasters as well as the post-crisis period which had also been marked by additional severe and unforeseen negative shocks, for example 2014-2016 oil price collapse. These events were followed by substantial and persistent downward growth revisions and accompanied by weak business confidence and uncertainty. As new information revealed its impacts on the global economy, long-term forecasts adjusted gradually. For instance, when growth fell short of 1-year-ahead predictions in three consecutive years, 10-years-ahead forecasts were downgraded by 0.2 percentage point on average. Currently, it is believed that growth in 2028 will reach 2.6 % which is somewhat higher than in previous year, although it is still below this year's projected growth of 3.1 %. This may indicate that the post-crisis underperformance may have ended. Yet again, based on the previously stated, it may be only an issue of a very optimistic approach. The projected growth in the coming years may be much below the current forecasts, somewhere around 2.1 % instead of 2.8 % (Kose – Terrones, 2015).

The above-mentioned example of overly optimistic growth expectations should have demonstrated that deviations from long-term forecasts are quite common. However, such failures sometimes lead to severe economic implications such as mentioned financial crisis and a following recession which was not foreseen by the experts. As implied by the Kose and Terrones (2015) the global economy experiences a recession every decade, therefore it is suggested it is due for another one.

The chapter was concerned with the forecast of an expected growth, positive or negative, of the global economy. However, the actual course may differ and even change over time. For example, over a decade, various growth disappointments can make a

major difference to global incomes, clarified the World Bank (2018) in its work. Therefore, the forecast described in this Master's thesis can change in the course of time and serves only as forecast in time when was created.

One of the authors who analyzed possible global implications was Steinbock (2018), who believed that the rising tariffs could potentially spread across industry sectors and geographic regions. A report published by the International Monetary Fund (2019) suggested that among advanced countries, growth in 2019 was considerably slower than in 2017-18 in the euro area, North America, and smaller advanced Asian economies. It reflects to a certain extent the slowdown in industrial output resulting from weaker external demand.

The IMF growth projections have already been revised down for Europe, Japan, the United Kingdom, Brazil and India among other major economies. It is mainly due to the fact China accounted for almost 50 % of global growth and continues to constitute some 30 % of global prospects today. According to the IMF (2019), this trade war could cause a decline in the total global GDP growth by half percent annually. The global growth pattern reflects a major downturn and projected recovery in group of emerging economies. By contrast, for the Group of Four comprised of the most significant economies – China, Europe, Japan and the United States – growth is expected to moderate into 2020 and beyond.

As shown in the Figure 10, the world economy was projected to grow at 3.0 % in 2019 which means a significant drop from 2017-2018 and is expected to recover to 3.4 % in 2020. Some economies were provided with support, for instance, China received fiscal stimulus and some easing of financial regulatory strengthening. In addition, a slightly higher growth rate is projected for 2021-24 (IMF, 2019).

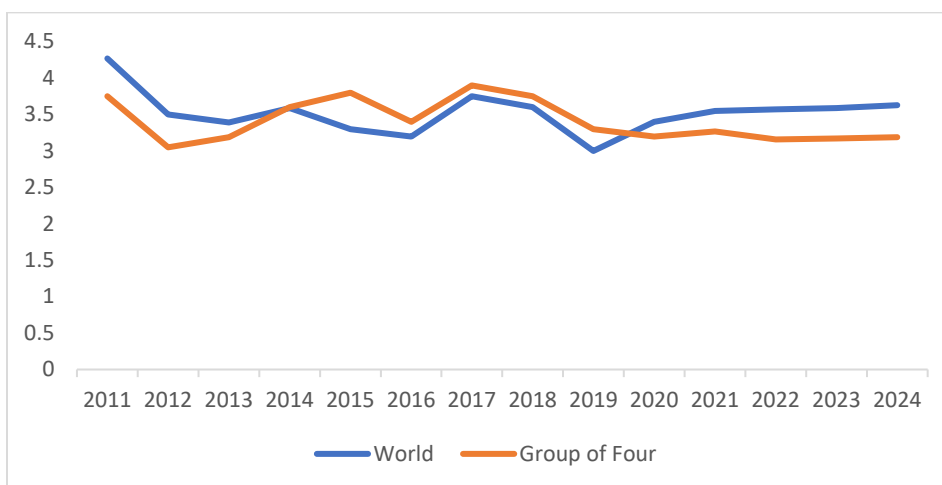


Figure 10: The GDP Growth: World and Group of Four (%) (Source: <https://www.imf.org/en/Publications/WEO>)

In a report from January 2017, due to rising trade tensions and increasing economic uncertainty, the WTO warned that global trade growth is losing tempo and that risks have grown (IMF, 2017).

The change of American trade policy and its potential impact in a form of a trade war was also studied by Bouët and Laborde (2017). They state that it will influence the global market system without any addition to the U.S.

Guo et al. (2018) evaluated mainly trade war situation and studied its harmful effects on the bilateral trade. They claimed that if the trade conditions will not change, China will lose too.

The report published by the IMF (2019) identified three main contributors to the global slowdown in the last years:

1. A decline in car production and sales in 2018 – a global vehicle purchases decline by 3 percent in 2018 reflected a decrease in demand after the

expiration of tax incentives in China, production adjustments required because of new emission standards in the euro area and possible preference shifts by consumers due to new transportation and sharing options followed by a shift in technology.

2. Weak business confidence amid growing tensions between China and the United States – since the latter introduced various tariffs in 2018, many businesses reported increased input costs as well as uncertainty in future trade relations which results in limited investments. This trend is most evident in East Asia, Germany, Japan where the industrial production was lower compared to the previous year, and in China, U.S. and U.K. where growth considerably slowed.
3. Decreased demand in China due to trade tensions and uncertainty.

A slowdown in the global trade is primarily related to reduced investment spending in line with reduced import growth and the impact of trade tensions on business confidence. Similar to what happened in 2015-16, the investment spending in China has been limited more than the slowdown in imports in 2019. Major factors that contributed to the situation include reduced export growth and a decrease in demand for cars and technology products such as smartphones.

In this part, we examined whether the world will enter a recession in the following year. Based on the outcomes, the world will most likely experience a drop in the global economic growth. The evidence is consistent with the currently visible situation on the global market which already showed signs of business uncertainty. The responses by the WTO which stated that the growth is losing tempo or the IMF which confirmed that the trade war is a cause of the current slowdown, support the given hypothesis H2.

3.1.1. The ‘winner’ and the ‘loser’ of the trade war

Dieterle (2020) in his work claimed that in a trade war, there is no winner and if a country believed it won, it usually means it only suffered less. There are many consequences to the trade war, such as isolation of the country from the rest of the world or reduction in trade with others. The results of protectionist policies suggest that while

some jobs may be saved in one industry, retaliation creates job losses in the other. A universal trade theory suggests that tariffs levied by a country should lower the prices of imports, because the foreign producers try to keep their goods competitive. The Trump administration had the same intention, to close the trade deficit and by using the protectionist policies increase the demand for homemade goods and restore the jobs.

In the analysis published by Steinbock (2018), the early impact of the Chinese tariffs on the American exports was likely to prove greater than vice-versa. As illustrated below, 50 billion US \$ represents 38 % of the U.S. exports to China (Figure 12) whereas only 10 % of Chinese exports to the U.S. (Figure 11). By this logic, if a country imposes a tariff of 50 billion US \$ worth of goods, the country would suffer respective losses. Despite its seeming advantage, China continues to negotiate a deal to ensure imports from the United States while protecting its domestic market.



Figure 11: China's exports to U.S. and Figure 12: U.S. exports to China (Source: <https://www.worldscientific.com/doi/pdf/10.1142/S2377740018500318>)

Considering Chinese exporters agree with the tariffs, the U.S. consumers will need to find substitutes for higher-priced Chinese goods, since it would be very costly to import from their Chinese counterparts. This is one of the fundamental dilemmas of the trade war, because if the American consumers are price sensitive, it will help the competitiveness inside the country. However, American and Chinese currencies need to be considered as well. Generally, if a country (in this case China) devalues its national currency so that the American consumers are not affected by the price, the cost remains high and results null. Implicit is that such tariff escalation could raise prices for U.S. consumers and firms and thus, lead to job losses, added Steinbock (2018). It is therefore

questionable, whether American producers would risk a higher cost in order not to lose its share on the market, assuming these tariffs will be only short-termed, or try to find a substitute on the market.

From the point of view of Europe, it is suggested that the direct effect of the trade war can be seen in sectors relying on technological equipment, like transport, motor vehicles or chemical products. On this level, the most affected European countries will be Germany, France, the U.K. and some Nordic nations. Moreover, the European economy is more dependent on the American than the Chinese, therefore, it is suggested that the Chinese tariffs pose a bigger threat. It is due to the fact China's global participation is more of a recent phenomenon and thus, there are not many historical ties between the European and Asian region (Bovino et al., 2019). From a broader view, there can be a few small benefits for the continent. The U.S. has largely kept tariffs on European products the same, except for the initial charges on steel and aluminum imports, and China even lowered its charges on exports from the 19 European countries that use the euro (McHugh, 2019). Yet, Curr (2019) claimed that the economies which can profit from the situations the most are the markets in the emerging economies, although their interest rates are higher. The reason is that for them, the policy introduced by the Fed is an advantage because it removes the pressure on their currencies.

At this point, from the geopolitical perspective it seems that the U.S., as a stronger world power, is in advantage. Despite the fact the country may not suffer a great financial loss, the U.S. companies and especially consumers will certainly bear the cost of the trade war. Also, the federation needs to turn to other markets which could provide the inputs for the American manufacturing. Unlike China, whose partners are mostly in developing regions such as India or Latin America, for the United States is the Chinese market one that they can hardly ignore. For now, the American businesses have turned to Vietnam or Taiwan, but it still illustrates one of the fundamental problems with Donald Trump's approach to foreign trade. He believes that by imposing tariffs on one country, he can eliminate the total trade deficit. However, the global trade is not based on one-to-one transactions, more likely the decreasing deficit with one country can increase the negative balance of trade with another. Still, it seems that the American

economy is very robust and its central bank possesses a great power. In summary, China may suffer bigger loss from the long-term perspective if it continues to lower its currency. However, from the political point of view, China has strategic advantage because of the coming presidential elections in the U.S. scheduled for November 2020. Hence, its political bargaining is more vulnerable. Since the tariffs are associated mainly with President Trump's personality, the Chinese can afford to wait for the new president and see what will come. Still, it has to be admitted that both countries have to keep some economic growth and thus, both should strive to reach an agreement as soon as possible.

3.1.2. The role of monetary policy

National economies are undoubtedly highly dependent on its banks and monetary policy. The primary role of banks is to stabilize the national economy by providing stimulus or restrictions to either boost it or avoid a recession. For instance, if a country needs to boost its money circulation, its central bank will lower its interest rates so the money would be more available for people getting loans of mortgages as well as consumer loans. This will start the economy circle in which money is operated. On the other hand, when there is too much money in the circulation, central banks need to restrict the amount of money by making them harder to obtain, most often by increasing the interest rates. Thus, they ensure that the national economy will preserve its balance and will not enter a recession. Central banks, however, cannot decide freely, but are dependent and must cooperate with the national government. Its role is mainly to implement decisions agreed upon in the parliament.

Based on the opinion of Curr (2019), central banks need stimulus during the trade war. According to some sources, the Federal Reserve System (the Fed) of the United States has already cut interest rates and the European Central Bank (ECB) has restarted quantitative easing (QE) which is basically a direct supply of money into the system when the interest rates stand almost at zero by a country's national bank (BBC, 2016). Regarding the former, the Fed cut the interest rates three times in 2019 to avoid a collapse. This may help to supplement 1.6% growth in 2020 which, according to Abruzzese (2019), will match with years 2011 and 2016 being the weakest performance years since the 2009 recession. Chinese policymakers have eased both monetary and

fiscal policy. Yet, these newly introduced monetary policies are not without limits. In the euro area, the ECB has already introduced negative interest rates and the formerly mentioned interest rates cuts by the Fed cannot be decreased much further, added Curr (2019).

3.1.3. The impact on the travel and tourism sector in the U.S. and China

The question of Sino-American relations is present throughout the course of the whole thesis. As previously mentioned, the relationship between the countries is a dependent variable which is caused and influenced by many events. The first chapter described international relations and the level of involvement of the countries on the global scene during the late 19th century as well as the following decades. By studying the sources, it is immediately clear that there were some long-lasting disputes. The matter was also addressed by the former President of the U.S. Barack Hussein Obama who stated that the ties between the U.S. and China will shape the 21st century (CBS, 2009).

In the global context, this quote undoubtedly refers to the fact that the U.S. and China comprise the largest economic powers. Both countries are expected to reach an agreement regarding the issues despite their diverse opinions.

During the last decades, the East Asian culture has presented itself contrary to the Euro-American concept, especially in regard to the protection of the human rights. The East Asian way of protection of the human rights oriented on the solidarity does not have a universal nature. One of the main characteristics of China is that its economic interests are put above the personal interest of its citizens. It is common to see a violation of the human rights in the country which can be demonstrated by the famous example of the one-child policy. The violation of the human rights was quite common during the reign of Mao Zedong which did not end even after his death in 1976 (Bakešová, 2001).

The previous parts were concerned with the three sectors of the national economy; primary including agriculture, secondary involves manufacturing and industry and tertiary mainly services. This part deals with the last sector, particularly focusing on tourism. It will be concerned with the impact of a lasting conflict on the tourism in China

and the U.S. It will also add some new knowledge to the relationship between tourism, peace and conflict. For the purpose of the thesis, the term conflict involves any state of dispute or distrust between two or more countries.

Travel and tourism mean an important economic activity for most countries and it always reacts sensitively to conflict and responsively to peace (Upadhayaya et al., 2011). The sector comprises a significant deal of GDP for some countries, for instance, the United States which prospers mainly from the tertiary sector. Although a trade war is not an armed conflict, it has an impact on a vulnerable tourism sector. Oftentimes, tourism has to deal with a state of peace absence caused by various conflicts and its induced factors which can be adverse. These fluctuations in tourism affect developed just as well as developing countries. However, the latter are more sensitive as they possess fewer resources to mitigate the impacts. On the other hand, Upadhayaya et al. (2011) believe that tourism can help revive the industry and act as a catalyst for peace.

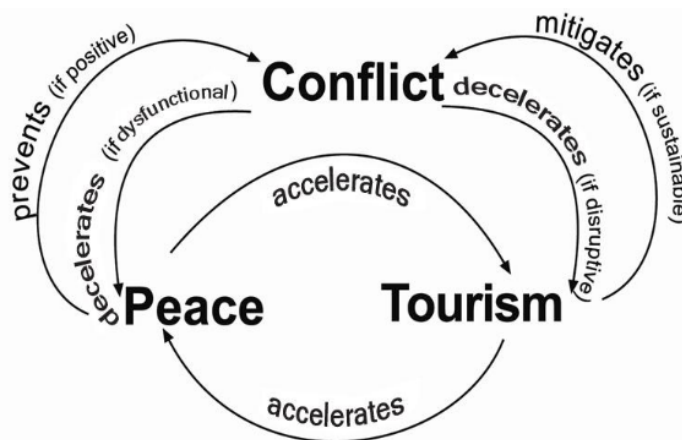


Figure 13: Interrelationship of conflict, tourism and peace (Source: https://www.zora.uzh.ch/id/eprint/42464/1/Upadhayaya_Mueller-Boeker_Tourism_Amidst_Conflict_2011.pdf)

In their study, they suggest that tourism, conflict and peace exist in a reciprocal triangular relationship as shown in the Figure 13. From the point of view of a conflict, it slows the growth of tourism in case there is present violence and threat to peace. For example, if a tourist is likely to experience some serious conflict, the destination becomes less appealing. This involves war, political unrests, riots, terrorism, violations of human rights or crime, although, there are some instances where attractions are results

of the conflicts. On the contrary, in case there is only a minor dispute and the concerned parties can address the issues and cooperate, it is highly probable that tourism will not be affected.

The UN Division for Sustainable Development listed the sustainable tourism as the eighth of 17 goals in their 2030 UN for Sustainable Development associated with sustained, inclusive and sustainable economic growth, further aimed at jobs creation and local culture and products promotion (UN, 2015).

The role of tourism can be discussed from many perspectives such as socio-cultural, political, environmental, globalization as well as less-known areas of intergenerational tourism or alternative tourism. All these perspectives prove that there is a causal relationship between tourism and peace and supports the theory that it can help mitigate conflicts. Peace is based on human rights, economic wellbeing and socio-political equality. Furthermore, it is a state characteristic not only by the absence of violence, but also by a sustained positive relationship among all levels and members of society. If there is a positive approach to conflict resolution, it can prevent them inside as well as outside one country (Upadhayaya et al., 2011).

Travel as the key word in tourism was redefined in 2009 by the IMF in order to reflect all travel-related activities, so that other institutions will be able to bring all international accounts into alignment, for example, the BEA confirmed that such classification improved its travel statistics with those of other countries. The U.S. Department of Commerce further claimed in its report that is recommended to use a broader definition of travel which includes education-related, health-related expenditures and expenditure on goods and services by border, seasonal and other short-term workers. The first two being classified under personal travel, the rest as business travel (n.d.).

Based on the study, some of the major negative impacts of the trade-war on international travel is a decline in the number of tourists linked to a loss of revenue, a decrease in the average stay, and reduction in the quality of services provided to tourists as well as uncertainty among tourism entrepreneurs.

In order to assess the balance of trade between the countries, the thesis used data from bilateral statistics as defined in a paper published by the U.S. Department of Commerce (n.d.) which provided an insight into the quality of statistics and identified the areas of concern. The statistics shows the transactions between any two countries, whereas Country A's export of services to Country B should be reflected in Country B's imports of services from Country A. Money which is spent by foreign visitors to a country (or exports) builds a central component of the direct contribution to GDP.

Receipts (Exports)	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Total tourism-related and travel exports	6,9	10,2	14	18,2	21,6	26,4	30,7	33,9	35,4	34,6
% change	13%	49%	36%	30%	19%	22%	16%	11%	4%	-2%
Payments (Imports)	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Total tourism-related and travel imports	3,3	3,8	3,8	4,3	4,4	4,6	4,9	5,3	5,5	5,5
% change	-15%	15%	-1%	15%	1%	4%	8%	7%	4%	1%
Balance of trade	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Balance of trade	3,6	6,4	10,2	13,8	17,2	21,8	25,8	28,7	29,9	29

Table 2: U.S. Travel and Tourism balance of trade – China Receipts and Payments – 10-year time span, billion US \$ (Source: https://travel.trade.gov/outreachpages/download_data_table/China.pdf)

Following the given logic, Table 2 shows the balance of trade between the U.S. and China from the American perspective. The table above shows a situation when a foreigner enters the country for tourism which means export for the country, because funds are ultimately being transferred from outside of the country. A similar situation is with students, although nothing is physically sent outside the borders, funds are coming from outside and staying here. Vice versa, when people from the U.S. travel for business or education, it is considered as import even though people are physically leaving the country. The delta between the exports and imports creates a balance of trade (U.S. Department of Commerce, 2019).

Total tourism-related and travel exports and imports is a representation of the amount which visitors spend while in the country plus the expense to get into the country. Based on the data provided by the U.S. Department of Commerce, travel includes purchases of goods and services by the U.S. persons traveling abroad as well as by foreign visitors in the United States. for business or personal reasons. Such goods and services include food, accommodation, recreation, gifts, entertainment, local transportation in the country of travel, and other incidental expenses (U.S. Department of Commerce, 2019). The figures cover all travel purposes, that is business travel, including expenditures by border, seasonal, and other short-term workers and personal travel, education-related and health-related travel, supplemented by spending on one-day trips.

The table examined recent development of the balance of trade regarding travel and tourism and the contribution to the country's GDP. The balance of trade has been steadily rising during the last decade, reaching its peak in 2017 with 29.9 billion US \$. But with the trade war continuing, spending dropped in 2018 for the first time in the last decade by 2% in exports after growing 4%, 11% and even 16% in four previous years. According to the report published annually by the U.S. Commerce Department (2018), the visitors from China spent nearly 34.6 billion US \$ collectively in 2018, despite being only the fifth-largest number of international visitors. According to the data, tourism comprised 2.9% of GDP in the U.S. in 2018 and the total number of Chinese tourists visiting the U.S. reached 3 million (U.S. Department of Commerce, 2018). Conversely, the number of American visitors in China reached 2.5 million in 2018.

The relations between a trade war and tourism are deeply intertwined; the trade tensions negatively influence the relationships on the level of state leadership as well on an individual level and quantity of foreign visitors in countries. In June 2019, China's Ministry of Culture and Tourism has issued an advisory about travel of Chinese students and academics and risks involved in studying in the U.S. Later, the advisory was extended to Chinese companies and tourists saying that the citizens have been interrogated, interviewed and subjected to other forms of harassment by the American law enforcement agencies (White, 2019). The number of Chinese travelers coming to

the United States has been decreasing moderately since 2018 and some reports suggest a 50% decline which would mean approximately 18 billion US \$ loss for the American industry. Taking into consideration that tourism can lower the trade deficit of a country, the U.S. would experience a considerable decrease of its output.

For China, travel and tourism is a critical engine of economic development. Tourism in China is a relatively recent phenomenon and has been concentrated in the coastal cities and few inland areas, such as Beijing, Shanghai, Guilin, Chengdu, Yunnan or Xi'an, most of them ancient cities whose domination has restricted the market and caused some economic disparities for people living in the rural areas. The number of international visitors has greatly expanded over the last few decades since the beginning of the reforms, and China has become one of the world's most visited destinations. The opportunities were further extended when China joined World Trade Organization which brought some more opportunities to the tourism development, including fewer formalities and barriers regarding cross-border travelers, reduction of costs and removal of some protectionist policies. By 2000, China was a leader in Asian tourism regarding both outbound and inbound tourism. The country made a concerted effort to develop its tourism industry and some forecasts indicated that by 2020, China would overcome world's leading tourism destinations, such as France, Spain and the U.S. The China National Tourism Administration expected to receive 145 million visitors generating 75 billion US \$ (Lew et al., 2013). Such estimates were published before the beginning of the trade war and thus, cannot be not considered as relevant anymore. Despite that, in 2018, China's travel and tourism industry comprised 11% of GDP (1.5 trillion US \$) (Statista Research Department, 2019). The World Travel and Tourism Council estimated that the industry's value will reach approximately 2.7 trillion US \$ by 2028 (WTTC, 2019).

From the global perspective, unexpected events and circumstances always impact tourism rates. Factors such as attractiveness and currency strength always affect traveler behavior. The situation will not be any different in the coming years. The trade war along with new coronavirus 2019 n-CoV originating in the Chinese city of Wuhan, is likely to impact tourism around the whole world and especially in China. The Covid-

19 disease caused a quarantine of the whole nation, with several countries completely blocking travel to and from China.

The impact of travel and tourism is analyzed on an annual basis by the WTTC in a quantitative research. The research studies the global economic and employment impact of travel and tourism in 185 countries and 25 regions. According to the data, the sector accounted for 10.4% of the total global GDP and 10% (319 million jobs) in 2018. Countries leading the list are the U.S. and China, followed by Japan, Germany and the U.K. (WTTC, 2019). The sector is expected to grow further, however, the recent statistics may deviate due to a current worldwide pandemic. It is needed to take into consideration not only the strained ties between the nations, but also the growing concern regarding the outbreak of the virus disease. Many nations have declared a state of emergency and restricted the functionality of their major industries. As a result, the global economy growth is already much less than expected and thus, governments have an uneasy task in dealing with the global economic downturn. In order to avoid a global collapse, it is needed that every country and every union adopts measures that aim to protect the economy, people, their health and employment.

The study was related to several strands of literature. Firstly, the thesis contributed to the literature on the U.S.-China relations and studies as how the trade war affects the economies. The results of the study proved the hypothesis H2: *The US-China trade war will affect the global economy and lead to economic recession*. The results build on existing evidence that Europe has lost a great deal as the Chinese demand for European products diminished, the American economy has already reported a decline in the quarter growth and China has lost many business opportunities. In a context of rising global uncertainties, we also looked at the potential impact of the trade war initiated by a change in the U.S. trade policies. It showed that trade wars can hurt world's leading economies just as well as the emerging ones and damage the global economic system without bringing any significant gain for any of the involved. Throughout the course of the U.S.-China trade war, mixed signals have been given off which only added pressure to and strained the markets worldwide. Based on the results, the thesis proved its objective to identify the phase of the economic cycle and shown the upcoming

slowdown. The balance of trade as another point of concern will likely decline as well, particularly in the area of secondary and tertiary sectors. Regarding future development of the national economies of China, the U.S. and the world economy, the thesis draws back to many statistics and data for evaluation. It also analyzed the global negative trend in terms of economic growth in conjunction with other implications.

Although protecting American market was the primary goal of the President Donald Trump, the result was quite the contrary. Nowadays, the risks associated with doing business are higher than ever. Therefore, experts now more and more discuss ways how to mitigate the damages without hurting the most vulnerable ones, the consumers. From their perspective, they will now start to see the real costs of the trade war, hence their biggest hopes are that the countries will reach an agreement. The nations are recommended to lead more strategic dialogues that could benefit the whole world. In line with the hypothesis H1: *The U.S. economy that relies on imports from China will lose in the trade war relatively more compared to the Chinese economy*, various arguments were presented. Contrary to the hypothesized association, we did not prove a scenario in which the United States would be the ultimate winner although they are a more favored nation. Despite its overall strength, the U.S. has many shortcomings, one of them being President Donald Trump and the volatility of his administration which only worsened the situation. However, in case of new restrictions to which the Chinese government would respond with a retaliation, the American companies would be either forced to cover the higher production costs caused by the tariffs or search for substitutes besides home and China. The same applies to U.S. consumers who would be constrained to buy higher-priced goods. On the other hand, the federation has a strong economy of global significance that would be able to resist the trade tensions and adapt itself to the new environment. This could be however, particularly hard under the presidency of Donald Trump whose decisions are often harsh and irrational. But he needs to realize that if a consensus is reached, his chances to be re-elected as a president will definitely improve. From this perspective, the American position is more politically vulnerable and time sensitive. On the other hand, China may have the most to lose if it continues to devalue its currency. It may concern the policymakers who aim to avoid debt. Generally, scholars and authors agree with the above stated, however add that the trade

war impacts third countries as well. Europe being another large participant on the international trade will likely suffer from the trade war, mainly regarding the sector of technology, transport, motor vehicles and the chemical industry. It is due to the fact Europe is relatively highly dependent on the trade with the U.S., mainly as a result of the historical ties. Nevertheless, it has to be admitted that the overall impact is ambiguous and depends on more counteracting effects. Finally, as stated by Schelling (1981), the winner nation will be the one that can impose more pain on his opponent than it experiences itself. The trade war, although being something relatively new and unexperienced, is by its nature nothing more than a conflict of first and second leading power for dominance. Laker (2020) mentions the example Peloponnesian War where Sparta was threatened by Athens – a rising power. We can also mention a more recent example of the Cold War, a rivalry between the United States and the Soviet Union in which the countries and its supporters intended to demonstrate their global power. It could also be an interesting topic for a study, to analyze the reasons and competition among the nations struggling to become leading powers.

The generalizability of the results is limited by the lack of attention given to the basic factors of competitiveness, such as natural resources, the population or the total area of a country and the significance of its economy worldwide. In addition, Mühlfeit (2016) believes that the key values of a state are also new technologies, education and talent of its residents. While the natural resources are becoming increasingly scarce, new ideas from the younger generation create technologies which not only save the resources, but also bring innovations and improvement to our daily life. By doing so, they contribute to the knowledge-based competitive advantage of the state. China has shown an advantage in the mentioned field. Despite its high technological progress, high-speed trains or smartphones, China still struggles with social inequality, predominantly in the rural areas. From the perspective of the world economy, when talking about the importance of the American and Chinese economies one must consider also non-financial factors of the GDP growth. During the last decade, the approach in both the U.S. and China has changed. Particularly, since China joined the WTO in 2001, its market became more liberalized and the approach of its leaders towards the foreign investments has shifted, too. Based on the experience of working with such data, there

is still room for improvement regarding the documentation and availability of the macroeconomic data from the Chinese side. The relevance of the data was often not verifiable. Also, one of the limiting factors is the amount of relevant literature in the Slovak language as well as statistical data as not many scholars have been concerned with the topic. Yet, we hope that this situation will change in the following years, since it would greatly help the Slovak-speaking population to get familiar with the matter and thus, will be able to build their own opinion instead of taking the perspective presented by the media.

Based on the outcomes, we think that it is better to consider short- and middle-term analyses which provide more accurate data, because of the cohesion of the local and global economies. Still, there are many other angles how to look on the topic. The thesis objectives were limited mostly to the economic-political issues, but one can analyze the trade war for example from the perspective of Donald Trump's rhetoric. He is known to express himself on social media, mainly Twitter, without any restraints and using his influence to move the perceptions on the issues towards his viewpoint. It would be interesting to see how much President Trump will strive to reach an agreement which could potentially help him win the presidential elections in November 2020. On this matter, Yangxiaoshi Gao (2019) wrote an interesting piece of work about the impact of the trade war, focused on Donald Trump's communication strategy. To conclude the matter, we think that humans should always learn from the history and understand the fact that no rivalry has ever brought peace, only war. Therefore, it is needed to understand the consequences and outcomes of the trade war.

4 Conclusion

The concept of a trade war will always have various consequences, and these can be dangerous to the global economy. Nevertheless, the trade war can also have a negative impact on the friendship of two nations. In the aftermath of new tariffs imposed by the U.S. President and changes to trade with goods, many economists believed a recession was inevitable. The conflict now escalated to the point where it affects international trade and travelling between the countries. It is questionable whether the powers will pursue more cooperation and dialogue to manage trade tensions or compete even harder. Many nations now try to protect their interests and economies may suffer for a longer period. Being a country participating in a global trade always brings a certain level of dependency. So-called open economies are usually the biggest victims to such fluctuations. In case of the US-China trade war, the situation on the global level brought no surprise.

The thesis also looked at the political-economic situation in China and the United States and their mutual relationship. In comparison to other literary sources, it introduced only a brief overview of the historical background of the Sino-American relations. Both economies belong to the most powerful ones in the world. During the last decades, the focus of the Chinese economy has shifted from primary into the tertiary sector, investing mainly into financial services and other sectors in which the country wants to gain certain influence. An interesting fact is that the country is still governed by the CPC, or the Communist Party of China, one of the last dictatorships in the world. The system has many cons such as a low level of social-political standards. On the other hand, some advantage is a prompt reaction of government and adoption of measures compared to democracies where decision-making usually takes longer time. Despite that, some experts criticize the regime as the primary cause that blocks China from faster development of its economy. Undoubtedly, China has a great impact on the global scale. During the reign of a rather unpopular leader Mao Zedong the nation intended to introduce an independent industrial system. However, the ideology aimed to preserve Chinese communism only achieved more isolation with almost no participation in the foreign trade. The situation began to change after Deng Xiaoping as a new leader

succeeded in lowering poverty and shifting the economy towards a mixed type of economy. The reform was called the Open Door policy and till this day is marked as a turning point in the history of the Chinese economic development and its participation in international trade, although officially, the country entered global trade only after joining the World Trade Organization at the beginning of the twenty-first century. The accession was a milestone that started a rapid growth of the country's economy. From the global perspective, China is the largest exporter. The main trading partner of China is the U.S. The initial threats of the trade war deteriorated the relatively constant growth of the world economy which was finally achieved after the end of the financial crisis of 2008. As the foreign trade constitutes an important part for almost all economies, it is necessary to nurture and respect trading partners as they contribute to the output of the country too. Based on the data presented in the first chapter, it seems that foreign relations were an important source of the American nation's expansion. The country was successful in creating room for liberalization of the global trade and its special position in the foreign affairs. Undoubtedly, its decisions were always dependent on its leaders and world events. In terms of economic output, the U.S. are noted as one of the world leaders. As we pointed out, the country has experienced a relatively stable growth over the past decades. However, it still struggles with issues such as high trade deficit and high governmental expenditures. The activities have always been focused mainly on development of the global exchange of goods, services and capital as well on the reduction of trade barriers. Despite the common goal to liberalize the trade, there was sometimes a difference in opinions inside the U.S. government. While the Republicans favored mostly *ad valorem* tariffs, the Democrats preferred specific tariffs which eventually led to transfer of the competency to the President. Another classic measure applied by the American government is protectionism, a policy aimed on preservation of the domestic industry from unfair competition from foreign ones. Such instrument is used predominantly during serious situations, for example an economic recession. As implied in the thesis, the protectionist policies introduced as safety measures by the President Donald Trump were used as an excuse for the implementation of the first tariffs in 2018. The real aim was to lower the large trade deficit of the U.S. against China. Thus, March of 2018 was marked as the beginning of the U.S. – China trade war.

The practical part examined and compared arguments proposed by many authors. One of them, Abruzesse (2019), used the term *slowdown* among the first, whereas another, Curr (2019), identified that the world economy would enter a supply-side recession. It is characterized by the lack of productive capacity rather than lack from the demand-side. In addition, a report published by the IMF (2019) identified three main contributors to the slowdown. Based on the data, these include a decrease in demand, in car production and car sales and a weak business confidence all of which are associated with the trade war. All mentioned factors will likely lead to a decreased output on the global level. The thesis also studied the development from the perspective of travel and tourism and found out that the number of international visitors had already decreased. The last chapter was concerned with a connection between a conflict of any kind and tourism. It relied mainly on information provided in the work of Upadhayaya et al. (2011) who studied the interaction between a conflict, peace and tourism. It was proven that conflicts affect travel and tourism negatively which leads to financial loss in the sector.

Resumé

História medzinárodných vzťahov medzi USA a Čínou siaha ďaleko do histórie. Počas devätnásteho storočia bolo USA skôr pozorovateľom diania na Ďalekom Východe než jeho priamym účastníkom. Vďaka výhodnej polohe za oceánom sa mohla v krajine rozvíjať zahraničná politika bez toho, aby bolo územie narušené zahraničnými vpádmi. Devätnáste storočie však prinieslo aj formovanie ďalších svetových mocností; Nemecka a Japonska. Tieto mocnosti disponovali silnými armádami a námorníctvom, čo prinútilo USA prehodnotiť zahraničnú politiku, a nakoniec aj vytvoriť spojenectvo s Veľkou Britániou (Flagg Bemis, 1951). Hlavnou oblasťou záujmu boli pre USA obchodné vzťahy s Čínou a Japonskom. Preto v roku 1844 podpísali Doložku najvyšších výhod, ktorá zaväzuje štáty k poskytovaniu rovnakých práv v obchode a ochrane štátnych príslušníkov. Cieľom USA bolo zachovanie jednotnosti a obchodnej rovnosti voči Číne, Japonsku či Kórei, narozdiel od Veľkej Británie alebo Ruska, ktoré boli pripravené na tieto krajiny zaútočiť, aby si zachovali obchodné záujmy. Tieto krajiny sa vtedy snažili získať kontrolu nad trhom vo Východnej Ázii aj prostredníctvom pôžičiek. No bývalý prezident Woodrow Wilson po čase odstúpil z konzorcia a nechal ostatné krajiny súperiť o kontrolu. Na začiatku 20. storočia obyvatelia Číny protestovali proti mandžskej dynastii, výsledkom čoho bol vznik prvej republiky. V rokoch 1898-1914 USA podporovalo samostatnosť Číny. V roku 1922 sa USA podieľalo na podpise Washingtonskej zmluvy, čím sa snažili zabrániť svetovláde v Číne a udržaniu politiky „otvorených dverí“, uvádza Flagg Bemis (1951). V tejto súvislosti však vznikali obavy zo zvýšenej militarizácie Japonska, čím krajina porušila aj Washingtonskú zmluvu. Z toho vyplýva, že počas devätnásteho storočia a začiatku dvadsiateho storočia bol vzťah medzi USA a Čínou relatívne pokojný a stabilný a väčšou hrozbou boli záujmy Japonska.

Čína si počas histórie prešla mnohými udalosťami. Po povstaní v meste Wuhan, ktoré viedlo k pádu dynastie Čching, 15 provincií vyhlásilo nezávislosť a v priebehu dvoch týždňov bola Čína vyhlásená za republiku. Yuan Shikai sa stal prvým prezidentom. Neskôr, v roku 1949 založil predseda Komunistickej strany Číny Mao Ce-tung Čínsku ľudovú republiku, čo však viedlo USA k prerušeniu diplomatických

vzťahov. V nasledujúcich rokoch si krajina prešla vážnymi problémami. *Veľký skok vpred*, ekonomický a sociálny plán vypracovaný Mao Ce-tungom viedol k hladomoru a smrti mnohých obyvateľov. USA uvalila embargo na čínske produkty a zabránila vstupu do Organizácie Spojených národov, čím Čínu odstrihla od svetovej ekonomiky. Lin (2015) uvádza okrem embarga a uzavretého trhu aj ďalšie problémy ako centralizovaná ekonomika alebo prudký rast populácie. Napriek tomu, že viac ako 70 % celkovej pracovnej sily bolo zamestnanej v poľnohospodárstve, nestačilo to na zabezpečenie jedla pre všetkých. Problémy boli spojené aj s tým, že produkcia nedokázala pokryť spotrebu, a rastúca chudoba vytvárala ďalšie obavy (Lin, 2015). Naopak, USA videla v tej dobe v Číne potenciál, aby sa stala svetovou mocnosťou a tým vyrovnala vplyv Sovietskeho zväzu. Modernizácia štátu začala po tom, ako sa k moci dostal Teng Siao-pching, významný čínsky politik, reformátor a generálny sekretár Komunistickej strany Číny, ktorý zaviedol viaceré reformy. Na začiatku dvadsiateho prvého storočia bola Čína schopná zrýchliť industrializáciu a modernizáciu, jej ekonomický rast dosahoval 9,6 % ročne (Lin, 2015). Teng Siao-pching chcel štvornásobne zvýšiť rast HDP do roku 2000. Miles (2019) však uvádza, že krajina síce dosiahla tento cieľ už v roku 1995, no približne 130 miliónov ľudí stále žilo v chudobe. USA tento vývoj uvítala, pretože v Číne videla lacnú pracovnú silu a nevyčerpané zásoby nerastných surovín (So, 2015). Viacerí autori sa zhodujú na tom, že jedným z najväčších míľnikov v histórii Čínskej ľudovej republiky bol jej vstup do Svetovej obchodnej organizácie. Vývoj ekonomických ukazovateľov Číny v porovnaní s inými krajinami v týchto rokoch bol dvoj- až trojnásobne vyšší (World Bank, 2001). Zdá sa, že Čína mala napriek rýchlemu vývoju ekonomiky problém s chudobou. Podľa Milesa (2019) by sa situácia mala zlepšiť v roku 2020, kedy štát dosiahne status *xiaokang*, teda relatívnu prosperitu.

Je preto otázkou, ako medzi týmito štátmi vznikol konflikt medzinárodných rozmerov. Tú si kládli mnohí autori, jedným z nich bol aj Shambaugh (2013), ktorý sa na konflikt pozeral z hľadiska kultúry. Sinosféra a Anglosféra predstavujú dve odlišné sféry, a preto je dôležité chápať aké psychologické aspekty ako aj skúsenosti prinášajú obe tieto kultúry do vzťahu. Guest (2019) vidí možné východisko, a to, aby sa obe strany zamerali na riešenie globálnych problémov, napr. klimatické zmeny, boj s pandémiou,

alebo bezohľadné rozhodnutia Severnej Kórei. Foot (2013) dodáva, že aj napriek rozdielom sú obe spoločnosti vzájomne závislé. Shambaugh (2013) opisuje americko-čínsky vzťah pojmom vzájomná štrukturálna závislosť, ktorá tieto štáty spája a zároveň zhoršuje ich vzťah čím však zabezpečuje konkurenciu. Mnohí uvažujú nad budúcim vývojom a očakávajú, že rýchly rozmach Číny prinúti USA prehodnotiť svoj vplyv a správanie na globálnom trhu. Naopak, od Číny sa vyžaduje, že prevezme časť zodpovednosti. Obe situácie závisia od ochoty krajín ustúpiť bez toho, aby si vytvorili dominantné postavenie.

Naopak, situácia v USA v 21. storočí sa dá charakterizovať ako storočie populizmu, tvrdí Ballová Mikušková (2019). V kontraste k rastu spomínanému rastu Číny, prezident Donald Trump sa v USA snaží o oslabenie a ignoranciu medzinárodných inštitúcií. Jeho vedenie sa, zdá sa, stále riadi heslom *America First* (Beeson – Watson, 2019), a vládny kabinet často diskutuje o tom, ktoré clá uprednostniť. Tejto téme sa venoval vo svojom výskume Irwin (1998). Podľa Irwina (1998), Demokrati sa snažia o liberalizáciu trhu znižovaním dovozných ciel a ciel na určité tovary, pretože prinášajú poplatok za predaj lacnejších produktov a tým aj zaťažujú spotrebiteľa. Na druhej strane, Republikáni uprednostňovali protekcionizmus a uplatňovanie takýchto ciel. Neskôr bola preto táto právomoc presunutá na prezidenta (Barone, 2020). V súčasnosti existujú mnohé medzinárodné organizácie, ktoré upravujú podmienky uplatňovania ciel v zahraničnom obchode. Medzi ne patria napríklad recipročná obchodná dohoda podpísané spolu s Všeobecnou dohodou o clách a obchode, či Dohoda o voľnom obchode, ktoré sa snažia o liberalizáciu trhu a znižovanie dovozných ciel (Irwin, 1998), v prípade dohôd o voľnom obchode o redukciu prekážok (Barone, 2020). Dnes predstavuje medzinárodný obchod predmet záujmu mnohých krajín. Týka sa to hlavne rozvinutých ekonomík, ktoré sa snažia nájsť trhy pre svoje produkty. Dnes je takmer nemožné, aby štát fungoval s uzavretou ekonomikou a nepodielal sa na medzinárodnom obchode. Úlohou štátu je však zistiť, do akej miery môžu otvoriť svoje ekonomiky, aby neohrozili fungovanie domáceho trhu. Spojené štáty americké ako aj Čína patria medzi krajiny s otvorenými ekonomikami a zároveň lídrami na trhu. Teoretická časť sa zaoberá základnými makroekonomickými ukazovateľmi, hlavne HDP USA a Číny. Čo sa týka HDP, teda hodnoty všetkých finálnych výrobkov

a služieb vyrobených na území daného štátu spravidla za rok, obe krajiny zaznamenávali rastúce hodnoty aj napriek krátkodobým fluktuáciám na trhu.

Diplomová práca prezentuje HDP USA aj Číny pred začiatkom obchodnej vojny. Jedným z cieľov je predstaviť očakávaný vývoj celosvetového HDP v krátko- a strednodobom horizonte, t.j. od roku 2020 ďalej. Účasť na medzinárodnom trhu so sebou prináša aj určité riziká. Jedným z nich je obchodný deficit. Táto situácia nastáva ak množstvo dovážaných tovarov a služieb presahuje množstvo exportovaných tovarov a služieb, inými slovami domáca ekonomika utráca viac na zahraničných tovaroch a službách ako na domácich (Piros – Pinto, 2013). USA dlhodobo dosahuje s Čínou obchodný deficit, čo si plne uvedomuje aj vláda krajiny. Tá sa preto rôznymi nástrojmi snaží ochrániť domáci trh. Kapitola 1.2. analyzuje HDP USA a Číny v období pred začiatkom obchodnej vojny. Podľa údajov, ktoré zverejnil Úrad ekonomických analýz, štruktúra HDP USA v roku 2018 pozostávala zo 68 % služieb, 11,2 % spracovateľského priemyslu a 8,1 % poľnohospodárstva (The Deloitte Global Economist Network, 2019). V prípade Číny to bolo podľa údajov World Bank (2019) 52,2 % služieb, 40,7 % pochádzalo zo výrobného sektora a 7,2 % z poľnohospodárstva. Pre porovnanie, na začiatku 21. storočia tvorila ekonomiky Číny asi desatinu HDP USA. V roku 2010 sa jej HDP strojnásobilo a očakáva sa, že ekonomika bude rásť aj naďalej, čo ilustruje aj predpoklad Goldman Sachs, podľa ktorého mal HDP Číny presiahnuť HDP USA v roku 2020. Čo je však pre americkú vládu viac znepokojujúce je spomínaný rastúci obchodný deficit. V roku 2014 dosahoval schodok 363 miliárd amerických dolárov (US \$), v roku 2015 386 miliárd (US \$) a v roku 2016 366 miliárd (US \$). Americká vláda sa preto snaží uplatňovať protekcionizmus a ochrániť a znížiť trhový deficit voči Číne. Ďalším ukazovateľom bola celková hodnota obchodného toku; v roku 2014 bola hodnota tovarov dovážaných do USA 495 miliárd (US \$), v roku 2015 515 miliárd (US \$) a v roku 2016 485 miliárd (US \$). Pre porovnanie, vývoz do Číny sa vo všetkých troch rokoch pohyboval len okolo 100 miliárd (US \$). Graf č.5 ilustruje, že USA mala výrazný schodok v obchode s Čínou, ktorá im poskytovala viac tovarov. Z toho sa dá odvodiť, že USA uplatnila prvé clá v marci 2018 na oceľ a hliník práve s cieľom znížiť obchodný deficit. Podľa pravidiel Svetovej obchodnej organizácie, štát môže uplatniť takéto clo, no nesmie presiahnuť 40 %. Navyše nemôže ich uplatnením

diskriminovať druhý štát voči ostatným. USA sa preto rozhodlo uplatniť článok XXI Všeobecnej dohody o clách a obchode (GATT), ktorý oprávňuje uplatnenie ciel kvôli zachovaniu národnej bezpečnosti. Situáciu analyzoval autor Sposi (2018), ktorý dospel k nasledovnému; cena domácej výroby pravdepodobne stúpne kvôli vyšším nákladom na výrobu. Tie ovplyvnia hlavne sektor zaoberajúci sa výrobou strojov, ktorá klesne kvôli vyšším nákladom, a teda klesne dopyt doma aj v zahraničí. Napriek tomu, že niektoré bankské spoločnosti ohlásili zvýšený dopyt, USA očakáva rast nezamestnanosti a cien mnohých tovarov - áut, domácich spotrebičov, okien a dvier – pretože sú závislé na dovoze vstupných surovín z Číny. The Freedomia Group (2019) informovala, že najväčšie straty utrpel automobilový priemysel, poľnohospodári a výrobcovia elektroniky.

Diplomová práca sa v praktickej časti zaoberá budúcim vývojom na svetovom trhu. V úvode sú prezentované dve hypotézy, ktoré na základe použitých metód práca potvrdzuje alebo vyvracia. Skúmané hypotézy sú:

H1: Americké hospodárstvo, ktorá je viac závislé na dovoze tovaru z Číny, utrpí v obchodnej vojne väčšie straty v porovnaní v čínskym hospodárstvom.

H2: Obchodná vojna medzi USA a Čínou ovplyvní svetové hospodárstvo a povedie k hospodárskej recesii.

Prezentované sú názory viacerých autorov, ktoré doplnené ilustráciami a informáciami. Jedným z prevažujúcich názorov je, že globálny ekonomický cyklus sa dostane do fázy recesie. Recesiu definoval Lisý (2015) ako celkový pokles aktivity spojený s rastom nezamestnanosti, inflácie, nedostatkom kapitálu a znižovaním kúpyschopnosti. O recesii môžeme hovoriť ak HDP krajiny klesne počas dvoch po sebe nasledujúcich štvrtrokov. Jedným z identifikovaných dôvodov očakávanej recesie je to, že krajiny nevedia s presnosťou povedať kedy skončí obchodná vojna. Beddoes (2019) očakáva, že Donald Trump zvolí agresívnejší prístup, keďže ho vo vlastnom kabinete kritizovali za toleranciu uväznenia moslimov v Číne či protestov v Hong Kongu. Keďže vlády krajín sú tiež jedným zo subjektov makroekonomiky, ich politické rozhodnutia môžu ovplyvniť celkové fungovanie trhu. Obchod medzi USA a Čínou od januára do augusta 2019 už spomalil o 13 % (Abruzesse, 2019). Zároveň sa spomalil aj

rast globálnej ekonomiky, ktorý mal dopad na výrobu, obchodné toky ako aj na podnikateľskú dôveru. Napriek niekoľkým optimistickým názorom, napríklad Beddoes (2019) tvrdí, že miera nezamestnanosti klesne, no všeobecne sa očakáva jej postupný rast od roku 2020. Niekoľko inštitúcií vrátane amerického Federálneho rezervného systému hovorí o formálnej recesii, alebo o ponukovom šoku. Kým bežne recesia vzniká na dopytovej strane a jej príčinami sú rastúce úrokové sadzby alebo finančná kríza, ktorá spôsobí pokles dopytu, ponukové šoky vznikajú ak ekonomiky strácajú svoju výrobnú schopnosť. Príkladom recesie zo strany ponuky sú ropné šoky zo sedemdesiatych rokov minulého storočia. V súčasnosti by ponuku mohli obmedziť obchodné bariéry a clá uvalené na čínsku a americkú ekonomiku. No treba vziať do úvahy aj to, že clá sa týkajú obchodu s tovarom, ktorý, ako práca spomína v prvej kapitole, nepredstavuje najväčšiu časť HDP oboch krajín. S rozvojom ekonomiky sa obe krajiny začali zameriavať skôr na obchod so službami než tovarmi. Kapitola 3.1. uvádza štatistiku, ktorú zverejnila Svetová banka, a ktorá ukazuje, že podiel obchodu s tovarmi na HDP USA má negatívny trend vývoja už asi desaťročie aj napriek miernemu rastu (0,6 %) medzi rokmi 2016-17. V roku 2017 bol podiel obchodu s tovarom na úrovni 27,09 % (World Bank, 2020). Rovnako v Číne, podiel obchodu s tovarom na HDP klesá, v roku 2018 dosiahol 38,2 % (World Bank, 2020). Avšak je potrebné dodať, že tento podiel je vyšší ako v USA a preto by Čína utrpela väčšie straty v prípade, že by na jej vývoz boli uvalené ďalšie clá.

Čo sa týka ekonomík európskych krajín, je pravdepodobné, že v roku 2020 tiež zažijú recesiú. Dôvodom je, že tieto ekonomiky sú tiež závislé na dovoze a vývoze z USA a Číny. Napriek malým rozdielom, predpovede ukazujú spomalenie ekonomického rastu vo všetkých regiónoch. Z pohľadu Európy, najviac by mohlo stratiť Nemecko a pozitívny trend klesania miery nezamestnanosti, ktorý trval od skončenia finančnej krízy by mohol skončiť. Slovensko má otvorenú ekonomiku závislú hlavne na obchode s Nemeckom, a teda v prípade recesie môže utrpieť výrazné straty. Dáta, ktoré zverejnil Medzinárodný menový fond (MMF) hovoria o polpercentnom poklese globálneho HDP ročne (IMF, 2019). Očakáva sa, že rast globálneho HDP bude v roku 2020 na úrovni 3,4 % (IMF, 2019). Kapitola 3.1. dodatočne identifikuje hlavných prispievateľov spomalenia ekonomiky v roku 2019, ktorými je znížená produkcia áut, slabá podnikateľská dôvera a pokles dopytu v Číne, pričom všetky tri elementy boli do

značnej miery spôsobené obchodnou vojnou a jej dôsledkami. Tým diplomová práca potvrdzuje hypotézu, že svetové hospodárstvo vstúpi v najbližšom období do fázy recesie.

Nasledujúca kapitola objasňuje, či je možné vyhrať v obchodnej vojne. Možno vychádzať z tvrdenia autora Dieterle (2020), ktorý verí, že neexistuje víťaz, len ten, ktorý stratí menej. Obchodné vojny často vedú k izolácii krajiny a poklesu obchodu s ostatnými účastníkmi medzinárodného trhu. USA ako hlavný aktér môže na súčasnom konflikte stratiť viac ako čínske hospodárstvo, pretože ich trh je viac závislý na dovoze z Číny. Napríklad, tovar v hodnote 50 miliárd amerických dolárov predstavuje 38 % amerického vývozu do Číny, no len 10 % čínskeho vývozu do USA (Steinbock, 2018). Ak americké podniky nebudú chcieť stratiť svoj podiel na trhu, budú nútené nájsť substitúty aj za cenu vyšších nákladov. Je potrebné dodať, že následky obchodnej vojny, budú znášať hlavne americkí spotrebitelia, ktorí musia čeliť vyšším cenám a výrobcovia vyšším nákladom. Riešením pre výrobcov je hľadanie dodávateľov surovín z iných krajín, alebo ukončenie činnosti. Naopak, kvôli zvýšeným cenám domácej produkcie sa pravdepodobne zníži spotreba. Vývoj situácie je závislý aj na poslednom bode, a to vláde súčasného prezidenta Donalda Trumpa. USA čakajú v novembri 2020 prezidentské voľby, a ak si Donald Trump chce udržať šance na znovuzvolenie, jeho najbližšie rozhodnutia budú kľúčové. Od toho sa bude odvíjať aj rast amerického hospodárstva. Z tohto hľadiska má Čína momentálne výhodu, pretože stačí, ak momentálnu situáciu prečká a bude sa snažiť o dosiahnutie vzájomnej dohody. Prezident Si Ťin-pching si uvedomuje, že Čína je pre USA dôležitým obchodným partnerom a preto je v rokovaníach veľmi obozretný. Z tohto pohľadu môžeme potvrdiť hypotézu, že americké hospodárstvo utrpí v obchodnej vojne väčšiu stratu v porovnaní s čínskym. V Európe utrpia najviac technologické sektory, transport, motorové vozidlá či chemický priemysel. Medzi najviac zasiahnuté krajiny patrí Nemecko, Francúzsko, Spojené Kráľovstvo či oblasť Škandinávie (Bovino et al., 2019).

Ďalším z účastníkov v makroekonómii je menová politika. Úlohou národných bánk je stabilizovať vývoj národnej ekonomiky a to expanzívnu alebo reštriktívnu monetárnou politikou. V prípade, že ekonomike hrozí recesia, banky uvoľňujú peniaze

a snažia sa tak rozbehnúť ekonomiku. V opačnom prípade znižujú množstvo peňazí v obehu, napríklad zvyšovaním úrokovej sadzby. V prípade obchodnej vojny, Federálny rezervný systém znížil úrokové sadzby a Európska centrálna banka začala s kvantitatívnym uvoľňovaním (nakupuje dlhopisy od bánk, čím zvyšuje ich cenu a dochádza k poklesu úrokových sadzieb).

Je však známe, že hospodárske zameranie rozvinutých štátov často prechádza z primárneho a sekundárneho sektora na terciárny sektor, t.j. sektor služieb. Cestovanie a turizmus sa v posledných rokoch stal dôležitým zdrojom príjmu krajín. V roku 2009 MMF prehodnotil definíciu turizmu a zahrnul doňho aj študijné pobyty, zdravotný pobyt, ako aj sezónne či krátkodobé cestovanie za prácou. V poslednej časti praktickej časti sa analyzuje dopad obchodnej vojny na cestovanie a turizmus v Číne a USA. Práca analyzovala vzájomný vzťah medzi konfliktom, turizmom a mierom. Upadhayaya a kol. (2011) vo svojej práci opísali, že cestovanie a turizmus vždy reaguje citlivo na konflikt a pohotovo na mier. V štúdiu zameranej na tieto premenné dokazuje, že ak v krajine dochádza ku konfliktu, miera návštevnosti sa znižuje. Naopak, ak v krajine vládne mier, môže to stimulovať mieru návštevnosti. Treba však dodať aj to, že niektoré destinácie lákajú turistov práve na pamiatky, ktoré sú pozostatkami konfliktov.

Kapitola sa venovala aj problematike obchodnej bilancie. Podľa ministerstva obchodu USA štatistiky ukazujú platby medzi dvoma krajinami, pričom vývoz krajiny A sa ukazuje v dovoze krajiny B. Množstvo peňazí, ktoré mívajú zahraniční návštevníci v cudzej krajine priamo prispieva k HDP. Obchodná bilancia medzi USA a Čínou zahŕňa aj cestovné exporty a importy plus náklady na to, aby sa návštevník dostal do krajiny. Podstatné je tiež vedieť, že ak návštevník vstúpi do krajiny, predstavuje to export pre danú krajinu, pretože finančné prostriedky pochádzajú z inej krajiny. Možno to vysvetliť na príklade študentov – aj keď fyzicky neposielajú nič z krajiny – finančné zdroje pochádzajú zo zahraničia. Naopak, pre domovskú krajinu to znamená import, aj keď študent fyzicky opustí krajinu. Rozdiel medzi nimi predstavuje obchodnú bilanciu. Na základe dostupných údajov, práca ukazuje, že obchodná bilancia medzi USA a Čínou počas uplynulej dekády stabilne rástla a v roku 2017 dosiahla svoje maximum na úrovni 29.9 miliárd amerických dolárov. Ministerstvo obchodu USA (2018) vo svojej správe

informovalo, že čínski turisti minuli v USA spolu 34.4 miliárd v roku 2018 aj napriek tomu, že boli až na piatom mieste v počte turistov (3 milióny). Celkový podiel turizmu na americkom HDP bol v roku 2018 2,9 %. Na druhej strane, v roku 2019 čínska ministerka kultúry varovala čínskych študentov a neskôr aj spoločnosti a turistov pred cestovaním do USA. Podľa jej slov boli niektorí čínski návštevníci vypočúvaní, alebo boli predmetom vynucovania práva niektorými agentúrami (White, 2019). Počet turistov sa v minulom roku výrazne znížil, a berúc do úvahy fakt, že turizmus je jedným z činiteľov znižujúcich obchodný deficit, pre USA to môže znamenať ďalšie straty. V Číne sa rozmach turizmu začal najmä po vstupe do Svetovej obchodnej organizácie keď sa odstránili bariéry medzinárodného pohybu, protekcionistické pravidlá a znížili sa náklady. V roku 2018 tvoril turizmus 11 % HDP Číny, čo predstavovalo 1.5 trilióna amerických dolárov (Statista Research Department, 2019). Tento vývoj mal podľa odhadov pokračovať aj naďalej. V globálnom meradle bol turizmus zodpovedný za 10,4 % svetového HDP v roku 2018. Avšak vo svetle nedávnych udalostí sa očakáva ešte väčší pokles turizmu ako bol pôvodne odhadovaný. Zostáva úlohou jednotlivých vlád, sa popasovať s globálnym spomalením ekonomiky a snažiť sa o zmiernenie ekonomických dopadov a zároveň ochranu a obyvateľov, ich zdravia a zamestnanosti.

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