

The Role of the World Trade Organization (WTO) on the Impact of the China-United States Trade War on International Trade

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Abstract

International trade opens up new, wider markets for domestic products. Products that were originally only limited to the domestic market will have a new market share abroad. The impact of exports and imports has a positive effect on economic growth. Other benefits that can be felt are an increase in state income, foreign exchange reserves, and capital transactions. However, international trade relations do not always go well. China and the United States have been in a trade war since 2018. The two countries used to be in harmony, but because the United States had a deficit in the trade balance, exports to China amounted to US\$ 405.7 billion. The United States then issued a policy of protectionism aimed at controlling export-import activities through setting customs and export-import bans, subsidies, quotas, and tariffs. This trade war continues to this day. Even though the two countries have made a Phase I agreement, they do not show that they will make peace. The impact of the China-US trade war does not only affect the two countries. The impact of the trade war is also felt in developing countries. The increase in tariffs carried out by China and the United States resulted in the two countries being unable to enter each other's markets. Thus, the two countries are eyeing other countries as a new market share to distribute their products. Indonesia as a trading partner is the target of the two countries.

Keywords: *World Trade Organization; International Trade; Trade War Effect; China-United States*

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Introduction

After support from the United States and the completion of various compromise and settlement stages completed with China's Protocol of Accession, China officially joined the WTO (World Trade Organization) on December 11, 2001 (Fajarianti, 2011). This had a positive impact on China's economic growth. because by joining China into the WTO, the doors to trade for China are opening wider. Around 2002, exports from China to the United States reached a value of 125 billion USD, whereas exports from the United States to China only touched a value of 19 billion USD. This happens because the behavior of the people of the United States is more consumerist compared to China. China's low ability or purchasing power is also an important factor that results in low and decreasing demand for goods produced in the United States, and ultimately has an impact on the gap in the number of exports and imports from the two countries.

The high value of the trade deficit from the United States, most of which was contributed by China amounting to 405.7 billion USD, this resulted in the President of the United States at that time, Donald Trump, starting a trade war with China. The trade war as intended started from the policies taken by each party, from the United States increasing import duties on imported goods from China. China then counterattacked by increasing import duties from the United States to China. This policy tit-for-tat is the main reason for the global economic deficit, triggering delays in economic growth due to supply chains being

cut off, several countries reducing market demand due to increased tariffs, as well as declining non-residential investment in both countries (Aer, 2021).

Donald Trump was annoyed because his country's trade balance with China experienced a deficit, then Donald Trump used protectionism to improve the United States' trade balance. United States President Donald Trump took steps to increase import duties on solar panels by 30% (thirty percent) and import duties on washing machines by 20% (twenty percent) on January 22 2018. It didn't stop there, on March 8 2018 President Donald Trump again took steps to impose steel import tariffs of 25% (twenty five percent) and aluminum import tariffs of 10% (ten percent) (CNBC, 2024) as well as aluminum scrap of 25% (twenty five percent), apart from that, China also sets a tariff of 15% (fifteen percent) on 120 commodities from the United States, including salmon and apples. Steel and aluminum import tariffs were the object of China's complaint to the WTO in April 2018. This was followed by United States trade policy which prohibited Chinese telecommunications companies from purchasing components from America for 7 (seven) years. Reply to each other on the policy. Finally, China and the United States met in May 2018, but unfortunately no agreement was reached. China made an offer to the United States to improve the trade deficit and it was agreed by both countries to increase agricultural and energy exports and China would reduce import tariffs from 25% (twenty five percent) to 15% (fifteen percent). However, Donald Trump was not satisfied with the offer and added tariffs of 25% (twenty five percent) to Chinese imports amounting to 50 billion USD.

United States Secretary of Commerce Wilbur Ross held a meeting with China in May 2018 but did not result in a resolution of the problem. China is willing to increase the amount of imports of goods from the United States such as soybeans, natural gas, coal and corn and submitted a proposal worth 70 billion USD as the total amount of purchases for the first year. The offer also cannot stop the conflict between China and the United States. The Office of the United States Trade Representative published a list of 1,102 imported goods from China with a value of 50 billion USD, 818 goods are subject to tariffs of 25% (twenty five percent) and the remaining 284 products will still be evaluated to determine the amount of tariffs that will be imposed. Donald Trump asked the United States trade representative to inventory goods from China with a value of 200 billion USD to be subject to additional tariffs of 10% (ten percent). China criticized Donald Trump's policies and stated that the United States was the first to start a trade war. There are 545 products from the United States worth 34 billion USD that will be subject to tariffs of 25% (twenty five percent) by China. Goods from China worth 200 billion USD were subject to a 10% (ten percent) tariff by Donald Trump in September 2018. China then imposed tariffs of 60 billion USD on goods from the United States.

The United States agreed to postpone the increase in tariffs from 10% (ten percent) to 25% (twenty five percent) on goods from China worth 200 billion USD in December 2018 as a result of the results of discussions between China and the United States in November 2018. The agreement is expected to be implemented within a period of 90 (ninety) days from December 2018 to May 10 2019, but in the end President Donald Trump insisted on continuing to increase import tariffs to 25% on goods from China worth 200 billion USD. . The trade war between China and the United States continued until January 2019, which marked the beginning of the end of the trade war, marked by the signing of the Peace Agreement. Trade Phase I. Several points of agreement agreed to by China were the purchase of goods from the United States worth 200 billion USD, plus the purchase of agricultural products and seafood worth 32 billion USD, factory goods such as steel, machinery, aircraft worth 78 billion USD and other products. energy worth 52 billion USD. The value referred to is targeted by China and the United States, in the first year the purchase target is 32.9 billion USD and 44.8 billion USD in the second year. America will continue to impose tariffs on

imported goods from China until there are discussions regarding the phase II agreement, however, the United States still agreed to postpone the increase in tariffs on electronic products worth 160 billion USD which took effect in December 2019. To date, China and the United States have not yet discussed the phase II trade peace agreement. This study focuses on one problem formulation, namely what is the role of the World Trade Organization (WTO) in the impact of the China-United States trade war on international trade?

Research Methods

This research study uses normative legal research methods or is known as doctrinal legal research. Legal research uses primary and secondary legal materials (Marzuki, 2010). The data is classified as qualitative, sourced from secondary data. Secondary data consists of primary legal materials and secondary legal materials. The primary legal material in this research is GATT 1947. This primary legal material is also strengthened by secondary legal material originating from books, journals and reports in the mass media.

Results And Discussion

The Role of the World Trade Organization (WTO) on the Impact of the China-United States Trade War on International Trade

The existence of dependence between one country and another (inter dependent) is the trigger for the emergence of international trade. Dependency as referred to is a situation where a country is unable to meet all the needs of its people, not limited to consumption or industrial needs (Rinald et al, 2018). A country definitely needs wealth from other countries. The nature of mutual need for each other results in international trade being established. The factors that trigger international trade activities between countries are:

1. Natural resources.
2. Capital resources.
3. Manpower (human resources).
4. Technology

Basically, international trade can occur because of mutually beneficial conditions, meaning that each party carrying out international trade can gain profits or benefits. This is also known as gain from trade. The benefits referred to are in the form of sending goods made domestically and sent or exported abroad, as well as buying goods from abroad or imported because if they are produced domestically they may be more expensive than importing (Aer, 2021). Some examples of benefits that can be obtained by countries carrying out international trade are:

1. Get goods that cannot be made in your own country.
2. Specialization that will generate profits.
3. The market becomes wider with increased profits.
4. Transfer of modern technology. (Feriyanto, 2015)

The economic growth of a country is also influenced by international trade activities. If a country frequently carries out export and import activities, economic growth will be positive due to increased income. Benefits can also be obtained by a country specializing in the procurement of goods and services that are better and cheaper than other countries so that it will attract the market for goods and services from that country. Not only that, but also foreign exchange reserves, state income, employment opportunities and capital transactions can increase with international trade (Efi Fitriani, 2019).

Adam Smith expressed the opinion that new areas of the market could be opened to domestic production through trade activities with other countries. Domestic production limitations can be expanded because the market also becomes wider. Economic resources that previously did not work (surplus) find a way (vent) to be utilized because the market

expands. In essence, economic growth can be triggered by opening or expanding markets (Hasoloan, 2013). International trade is not just a trade relationship but also a diplomatic relationship. The more harmonious diplomatic relations between countries will have a positive impact on economic growth in a country. In a relationship there is a possibility that it will not always run harmoniously, as happened with China and the United States. The two countries were previously harmonious however Because the United States experienced a deficit in its export trade balance to China, the United States issued a protectionist policy aimed at controlling export-import activities by regulating duties and prohibitions on export-import quotas, subsidies and tariffs. Trump also claims that his policy is to protect domestic products (Sianipar, 2019).

The slogan of enthusiasm for implementing a free trade system can be harmed by the implementation of protectionist policies. Protectionist policies are policies that are very difficult to eradicate, in fact new forms of protectionist policies are actually born by juxtaposing low political issues such as labor, health and environmental protection with non-tariff barriers. This policy distorts a country's goal of providing protection to the domestic market from the entry of imported goods into that country. Protectionist policies not only harm producers but also harm consumers because they limit product choices on the market. In fact, protectionist policies will force human resources to be creative and innovative, but this should not also have a negative impact on producers and consumers and can paralyze the producers' businesses (Fathun, 2017).

Trade wars are a manifestation of economic conflict in the form of import restrictions between countries. The restrictions referred to are carried out by increasing import duties on goods, prohibiting certain goods from being imported, increasing entry standards for goods, as well as additional testing of goods with additional certification (Aer, 2021). Steel import tariffs become 25% (twenty five percent) and aluminum to 10% (ten percent) was first raised by the United States. Then China raised tariffs on pork and aluminum scrap by 25%. The trade war between these two countries not only has an impact on these two countries but also on other countries, one of which is Indonesia. Based on news from CNN, a summary report from the WTO provides an illustration that the United States has set import duties in excess of what was previously agreed. As explained in Article I:1 GATT 1994, additional duties are disproportionate due to duties that apply specifically to products from China as well as the incompatibility of duties in accordance with Article II GATT 1994 and the Concession Schedule followed by the United States. The Concession Schedule as referred to is efforts to provide protection to consumers in terms of ensuring maximum duties are determined as well as reductions in import duties as agreed upon during tariff negotiations (Bossche, 2010).

Tariff policy is a policy with the aim of providing protection for domestic production and at the same time attracting income, however tariff policy must adapt to the provisions as regulated in GATT (Aggraeni, 2019). The provisions as mentioned above are a real depiction of the Most Favored Treatment , namely a principle not to discriminate against products from countries that are members of the WTO. The principle of non-discrimination in WTO member countries is carried out by treating each member country equally with regard to implementation and export-import policies and other costs. Products produced or sourced from GATT member countries must be treated equally, immediately and unconditionally (immediately and unconditionally) (Sood, 2011). Based on this, it is not permissible to give more or special treatment to certain countries and discriminate against other countries. The import duties applied by the United States to China are a form of discrimination against China. The United States has violated the principle of non-discrimination. Likewise, China's response to increasing import tariffs for America is also a discriminatory act. These two countries have violated the provisions of Article I:1 GATT 1994.

In 2022 China wins against the United States based on the decision of the World Trade Organization (WTO). The WTO gives permission to China to apply import duties to the United States, but not to all or part of products imported from the United States. The import duties in question are worth 645 million USD per month. If this rule is violated, then there must be rectification or payment of compensation in the form of concessions or market access (Rubiyanto, 2019).

The United States and China are the two main export destinations in the trade route from Indonesia, so trade relations with these two countries cannot be said to be ordinary trade relations. If you look at Indonesia's trade balance with the United States, it can be seen that in 2016 there was a surplus of 8.47 billion USD, while in 2017 it increased again amounting to 9.44 billion USD. Specifically for non-oil and gas exports, the total was found to be 15.58 billion USD and in 2017 the total exports reached 168.73 billion USD. The Central Statistics Agency (BPS) provides data on non-oil and gas export goods from Indonesia to the United States, this data can be seen as follows:

No	Types of goods	Years		Difference
		2016	2017	
1	Chloting & accessories (non-knitted or crocheated clothing)	1,93 billion USD	2,12 Billion USD	Increased by 10,07%
2	Chloting & accessories (clothing, knit opr fabric)	1,67 billion USD	1,99 billion USD	Increased by 18,91%
3	Rubber & Goods	1,63 billion USD	1,83 billion USD	Increased by 12,24%
4	Fish & crustaceans, molluscs, and other aquatic invertebrates	1,14 billion USD	1,39 billion USD	Increased by 21,89%
5	Footwear & foot protectors	1,29 billion USD	1,33 billion USD	Increased by 2,83%
6	Machinery & electrical equipment and recording parts	1,23 billion USD	1,02 billion USD	Decreased 16,97%
7	Coffe, tea, mate, & other spices	452,2 billion USD	437,7 billion USD	Decreased 3,33%

Cumulatively, Indonesia's exports to the United States in 2017 amounted to 168.73 billion USD and 180.06 billion USD in 2018, recording an increase of 6.71% (six point seven one percent). However, in 2019 total export revenues decreased to 153.11 billion USD, a decrease of 14.97% (fourteen point nine seven percent) is proof that the trade war between

the United States and China also had an impact on international trade. especially experienced by Indonesia.

Piter Abdullah, who is also the Director of Core Indonesia Research, explained that Indonesia had difficulty exporting due to the trade war, this happened because during the trade war Indonesia reduced production of raw materials for export. Large countries reduced production when it occurred. trade wars and global demand will decline. Because global demand decreases, product prices will become cheaper. Indonesia's exports to China and the United States will falter. Imports of goods from China and the United States will increase in Indonesia, and the increase in imported products will trigger competition with domestic products because the prices of imported products will become cheaper along with the large number of goods entering Indonesia. The end result of increasing import activities will reduce the quality of the domestic economy, also because the Indonesian government prefers to buy cheaper imported products as a result of the trade war.

International trade is one of the activities that the Indonesian economy is dependent on because large-scale export-import activities are the main factor in moving production from exporting countries to importing countries. It is the difference in costs in export-import activities that drives the national economy on a fairly large scale (Safitriani, 2014). The weakening of Indonesian exports also directly impacts Indonesia's trade balance. Apart from weakening exports, the China-United States trade war also resulted in a weakening of the Indonesian economy. When China and the United States carry out a trade war, the economies of the two countries will indirectly weaken, this will also have an impact on Indonesia. When the Indonesian economy weakens, economic growth will become increasingly slow. However, if Indonesia is able to see market opportunities, then with its abundant natural resources Indonesia has the potential to have great strength in terms of major power competition on the scale of geopolitical and geoeconomic escalation (Sonny, 2020).

The Central Statistics Agency (BPS) provides data that from January to August 2019 there was a decline in exports and imports from Indonesia to China and from Indonesia to the United States. Indonesia's exports to China, especially the non-oil and gas sector, fell by 10.3 million USD or the equivalent of 0.45% (zero point four five percent). Meanwhile, Indonesia's exports to the United States rose to 7.6 million USD or the equivalent of 0.48% (zero point four eight percent). On the other hand, in the non-oil and gas sector there was a decline in imports, from China there was a decline of 358.7 million USD or the equivalent of 8.75% (eight point seven five percent) while imports from the United States fell by 47.1 million USD or the equivalent of 6.09% (six point zero nine percent) (Bariah et al, 2020).

Indonesia's international trade which is directly affected by the impact of the China-United States trade war is related to the GSP (Generalized System of Preference). What is meant by GSP is the facility provided by the United States to developing countries such as Indonesia to obtain import duty relief, so that the best products from developing countries can enter America and be able to compete in the American market. The impression of GSP from one side can be interpreted as an opportunity or assistance provided from developed countries to developing countries, but from the other side it is a policy that is influenced by politics so that developing countries are pressured and continue to follow the policies determined by developed countries. The assistance provided by developed countries can be revoked at any time if developing countries do not follow or implement the interests of developed countries (GSP providers) in the event of human rights violations, do not help social democratization, ignore the environment and so on. In 2018, President Donald Trump threatened Indonesia with revoking the GSP facilities provided by America. There are 124 export products from Indonesia that will be evaluated through USTR (United States Trade Representative). The export products in question are textiles, plywood, cotton and fishery products such as shrimp and crab. However, USTR officially issued a decision to extend Indonesia's GSP in

November 2020. This decision is a very vital decision for Indonesia because the existence of the GSP facility allows Indonesia to continue to increase exports from Indonesia to the United States.

As a result of the free trade agreement, namely ACFTA (ASEAN China Free Trade Area), Indonesia has opened markets with ASEAN countries and China since January 1 2010. Imported products from ASEAN countries and China can enter the Indonesian market at lower prices. cheap with the reduction or elimination of tariffs, on the other hand, Indonesia also has the opportunity to enter the markets of ASEAN countries and China to compete with the domestic markets of these countries. Indonesia's relations with China seem good because Indonesia's largest trading partner is China. Indonesia's total exports to China increased by 10.96% (ten point nine six percent) in January-November 2020 compared to 2019. Exports were 23.7% (twenty three point seven percent) for iron and steel, 21, 48% (twenty one point four eight percent) for minerals, and 10.63% (ten point six three percent) for palm oil. However, Indonesia's imports from China fell by 13.82% compared to 2019. Imports were dominated by electronics at 23.41%, machinery at 22.85% and plastic products at 4.01%. However, in 2019 Indonesia's total imports from China fell by 13.82% (thirteen point eight two percent).

Conclusion

In general, the World Trade Organization (WTO) plays a role as an institution for resolving international trade disputes. In 2022 China wins against the United States based on the decision of the World Trade Organization (WTO). The WTO allows China to impose duties on US\$645 million worth of US imports per year. However, the impact of the trade war resulted in global production and demand decreasing, resulting in cheap supply. Imports to Indonesia can weaken the economy because local products have to compete with foreign products. Another obstacle is that Indonesia has to go through export barriers because the United States had time to evaluate Indonesia's GSP facilities. If the GSP facility is revoked, Indonesia's export activities to the United States will be hampered. However, this facility has been extended by the United States through USTR. As a result, the role of the WTO is unable to accommodate the impact of China's trade war with the United States.

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