

Editorial

China–United States trade war, its impact on the global economy and the onset of the global economic downturn

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This editorial article of the Journal Amazonia Investiga ISSN 2322-6307 raises the topical issue on the theme of China–United States trade war. It is an ongoing economic conflict between the world’s two largest national economies, China and the United States.

The economy periodically repeats ups and downs over a number of years, which determines the cyclical nature of the economic movement.

The economic cycle is a constant dynamic characteristic and represents the time between two identical states in the economy. There are four main periods (phases) of the economic cycle:

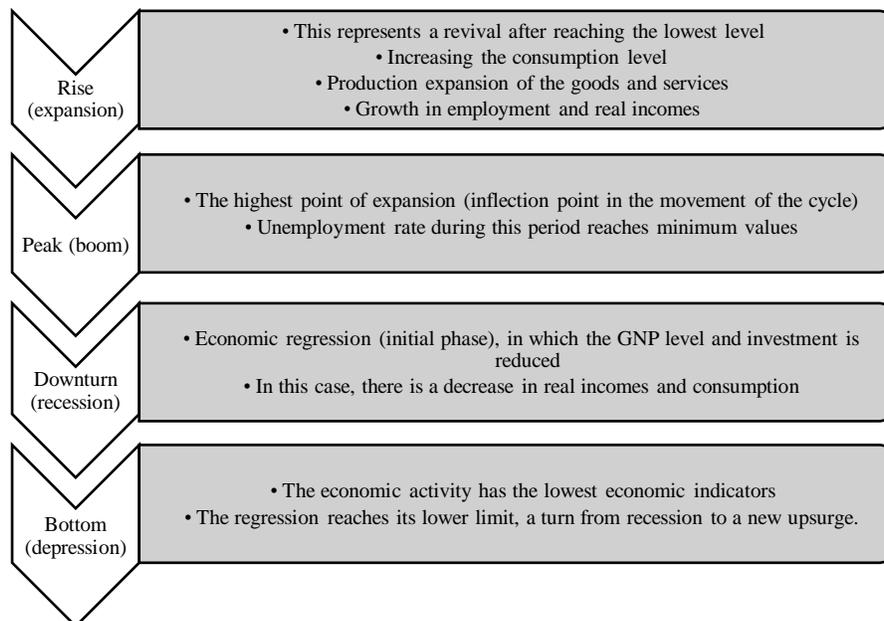


Figure 1. Phases of the business cycle

Each of these periods is inevitable. The cycle creates itself the conditions and prerequisites necessary for the transition from one phase to another. After depression (crisis), the expansion

follows and the cycle repeats. The transition to the next phase occurs under the influence of both internal and external socio-economic and political factors.

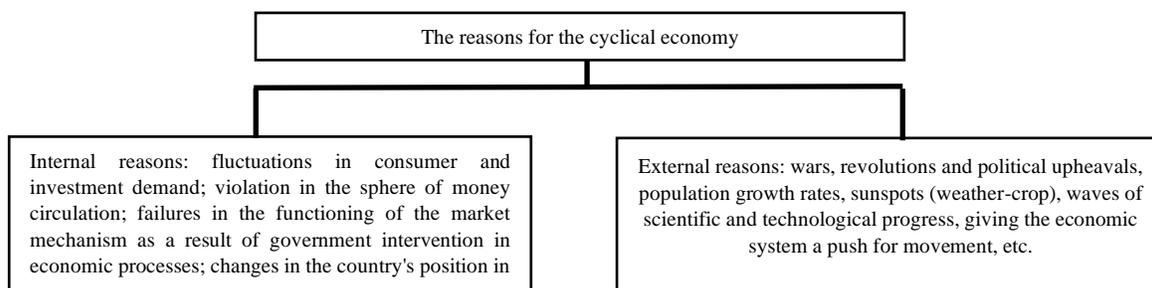


Figure 2. Factors (reasons) of cyclicity

The economy development occurs not only cyclically along the time “ladder”, the phases will repeat every once in a certain number of years, but also in a spiral, the economy improves with each phase passed, because the recession and crisis contribute to the identification of hidden conflicts and imbalances, which in turn leads to formulation and solution of international economic problems.

Crisis (ancient Greek: κρίσις - decision; turning point) is a coup, time for a transitional state, fracture, it is a condition when existing means of achieving goals become inadequate, resulting in unpredictable situations.

The duration of one economic cycle averages from 10 to 15 years in the modern world. Each phase duration depends on the development level of the state, or the countries, market participants are affected in particular by such global trade giants as the United States and China if we look at the global economy. The regression process can last 2-3 years and even 50-60 years.

Cycles of varying lengths have been named after their researchers in economic literature. So, the cycles lasting 3-4 years called Kitchin cycles, 10-year cycles called Juglar cycles or Marks cycles, 15-20-year cycles called Kuznets cycles, 40-60-year cycles called Kondratieff cycles.

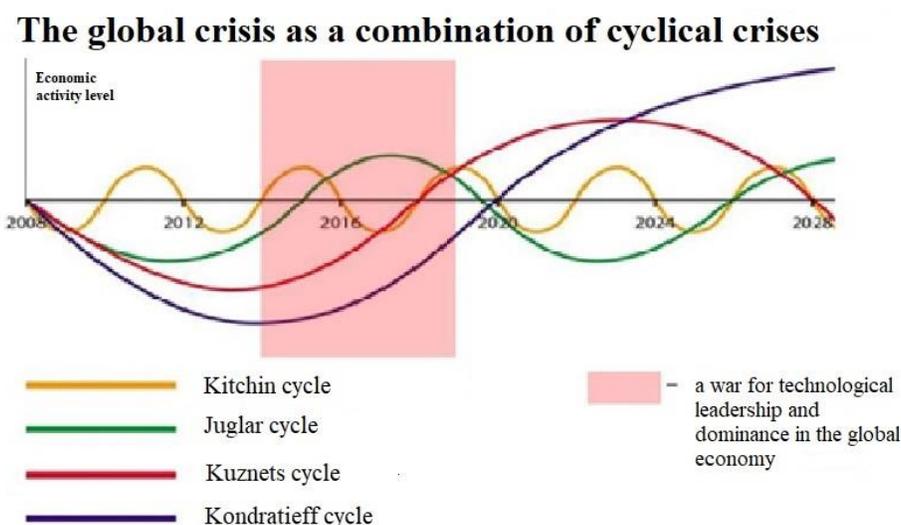


Figure 3. The waves' intersection of the cyclic crises

It is possible to predict a recession at the cycles' intersection of different durations according to this chart. However, an economic downturn can be triggered at any time.

The Higher School of Economics conducted a study "The business activity of Russian industry in June - July 2019," which notes that 12 years will pass in 2020-2021 after the last global financial and economic crisis of 2008.

It is this period (Juglar cycles) that is considered the average cyclic wave based on the economic theory, after which it is necessary to make the serious investments in fixed assets to increase the load level on aging production capacities and partially change the technological structure. As a rule, such rearrangements lead to a short-term recession. However, the experts make a destructive forecast for the architecture of the global economy. The following reasons are the possible reasons for the start of the global economic downturn:

- Difficult socio-political situation;
- Inept financial and economic management;
- Market oversupply with offers (competition);
- Natural phenomena (cataclysms, wars, disasters);
- Risky decisions regarding the development of banks and financial institutions.

One of the reasons for the destabilization of the global economy may also be a trade war. There is the trade rivalry of two or more countries, aimed at capturing foreign markets (offensive trade war), the US has been using active offensive tactics in recent years, or preventing trade "occupation" of the national economy (defensive trade war).

The trade wars conduct leads to a decrease in the economic well-being of all countries participating in the war in terms of the classical direction.

The trade wars are theoretically justified in the framework of many theoretical concepts, such as institutional and Keynesian theory.

There are many examples of the trade wars in world history and the consequences have always been reflected not only on the participants in hostilities, but also to one degree or on another, on the

economies of countries not involved in the conflict. Thus, the trade wars consequence was the spheres redistribution of economic influence within the existing at that time model of the world economy.

The trade war provokes a crisis, both for direct participants and for the global financial system. Moreover, where there is a crisis, there are potential losses for investors.

We are witnessing the events of a large-scale trade war between China and the United States, the consequences of which will inevitably affect the global economy.

"China and the United States - this is 35% of global GDP, will spread to all countries, because all countries, except North Korea, Cuba and Laos, are integrated into the global economy," says the director of the HSE Market Research Center.

"If the trade war reaches a boiling point between the two largest economies in the world - the United States and China, and accordingly, the economic growth rates of these countries are almost certain to slow down for a certain period, this will instantly lead to a noticeable decrease in world prices for commodities traded and create significant difficulties for the main Russian exports," - experts say.

On the other hand, US companies are cutting purchases in China due to increased import duties, and vice versa. They have to look for a replacement for suppliers of goods and components, which allows other countries to increase exports.

"The countries that benefit from technological and economic development will be able to replace the products of American and Chinese firms more than others from friction between the US and China," - the United Nations Conference on Trade and Development (UNCTAD) report said.

Vladimir Putin noted that no one wants any trade wars and restrictions in practice, except for those who intentionally initiate them, reports Russian News Agency TASS.

The Federal News Agency quotes Vladimir Putin about Russia's place in the trade war between China and the United States: "The Chinese have a good saying: when tigers fight in the valley, a smart monkey sits and looks how it will end."