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Submission date: 11-Aug-2020 11:56PM (UTC+0530)

Submission ID: 1368508026

File name: Week_6_Assignment.doc (33.5K)

Word count: 840

Character count: 4152

Tariffs and Trade

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Tariffs and Trade

Introduction

In the last two years, various trade policies have been implemented by the United States government. An example of the implemented trade policies in the last two years includes a ³25% tariff on steel and a 10% tariff on aluminum that was implemented on March 1, 2018 (Amiti, Redding & Weinstein, 2019). Aluminum and steel are believed to form more than 4.1% of all the U.S imports. Also, the United States in a separate move is reported to have escalated tariffs on the goods from China. This move resulted in a trade war that is now negatively affecting global trade activities. Hence, it's important to show various ways in which the trade war is going to affect international trade.

Body

1. How the trade policies have affected global trade

The U.S trade war has negatively affected the operations of major international companies in both the U.S and China. In China, the trade has slowed down economic growth and the manufacturing activities are also reported to have slowed to their lowest rates in decades (Amiti, Redding & Weinstein, 2019). China imports most of its products to the United States. Also, Chinese conglomerates have been buying stakes in the U.S companies. However, due to the trade war that exists between these two countries, most Chinese companies have shut down as they wait for the two countries to reach a favorable deal. Also, the Chinese based companies exporting goods to the U.S have stopped their operations because of the trade war which has slowed down the manufacturing activities in China. On the other hand, the trade war has negatively affected the United States' economy because it has led to major U.S companies such as Nvidia company which were selling to China to shut down. Existing evidence has also shown

that most U.S Banks operating in China remain closed for outsiders. As a result, the companies have not been able to make huge profits as before.

2. Economies prediction

Economies have projected the unemployment rate in both the United States and China to increase tremendously in the future. According to Grundke & Moser, (2019) many invested are afraid of investing in new plants and entrepreneurs are afraid of starting a new business because of the uncertainties that are caused by the trade war which is a product of recent trade policies. With many students graduating from the universities in both China and the United States, a lack of new businesses means that soon, both countries will have many unemployed graduates. Also, the U.S and China have not reached a permanent deal to end the trade war. As a result, many companies that shut down due to the trade war stalemate are still not in operation which means that people will continue losing their jobs. Moreover, many businesses are not hiring at the moment as they wait for the two countries to reach a favorable deal. All these factors show that soon, there will many unemployed people in both the U.S and China which will lead to a higher unemployment rate.

3. How the trade policies have affected people I know

My father has been working for the Nvidia company for five years now. Nvidia company  an international technology company based in Santa Clara United States. Nvidia company designs graphics processing units that are used for gaming. Nvidia company has over the years depended on China for sale. However, due to recent trade and tariff policies that escalated into the trade war, the company had to pull its products from China late last year. The financial status of the company was negatively affected by this move. As a result, the company had to retrench most of its employees. My father happened to be among the employees that were retrenched. My

father was the breadwinner in our family. After he lost his job, my family was negatively affected financially. I could not afford to continue studying in the best school I was studying before because my father could not afford to pay my school fees. Until today, my family is still struggling as my father is still looking for a job.

Conclusion

The recently implemented trade and tariff policies by the U.S have negatively affected global trade. China is the most affected country and as a result, ²the trade war now exists between China and the United States. The trade has negatively affected the operations of major companies in the U.S and China. For example, companies like Nvidia which depended on China for the sale of its products had to pull out due to unfavorable environments for doing business. Many people have also lost jobs as a result of many companies shutting down.

References

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