Journal of Strategic and Global Studies

Volume 5
Number 2 *July*

Article 5

7-31-2022

The Trade War Of China And The Us In 2021, And It's Impact On The Indonesian Economy

Marthen Napang
Universitas Hasanuddin Makasar, stafmn71@gmail.com

Syaiful Rohman
Universitas Indonesia, syaifulrohman71@gmail.com

Recommended Citation

Napang, Marthen and Rohman, Syaiful (2022) "The Trade War Of China And The Us In 2021, And It's Impact On The Indonesian Economy," *Journal of Strategic and Global Studies*: Vol. 5: No. 2, Article 5.
DOI: 10.7454/jsgs.v5i2.1102
Available at: https://scholarhub.ui.ac.id/jsgs/vol5/iss2/5

The Trade War Of China And The Us In 2021, And It's Impact On The Indonesian Economy

Marthen Napang[1], Syaiful Rohman[2•]
[1] Professor of Faculty of Law, Universitas Hasanuddin, Makasar
[2]National Resilience Studies, Universitas Indonesia, Salemba Jakarta

Abstract

This study will explore the trade war between China and the United States (US). The US government initially paid close attention to the principle of free and open economics; this was because the US believed that free trade was not only to develop the US domestic economy but also as a tool to generate mutual benefits between cooperating countries. This is in contrast to the US in President Donald Trump 2017-2021, which implemented a policy of protectionism against Chinese trade. Trump did this as a strategy to overcome the negative impact of free trade, which in the end, the US trade dominance was rivaled by China's economic progress. In the era of President Joe Biden, the policy did not change even though the public demanded renegotiation. In this study, the author uses the theory of free trade and economic nationalization. The author uses exploratory qualitative research methods. The study results show that the protectionism policy is part of the US's disappointment with the free trade system because it is not in accordance with the wishes of the US. Without realizing it, the policy of protectionism has become a boomerang for the US domestic economy, considering that free trade is aimed at mutual benefit. This has an impact on the Chinese economy and the Indonesian economy as a developing country. Therefore, protectionism does not benefit the US, considering that the US cannot get the maximum benefit.

Keywords: Trade war; Policy War; China - the United States; Indonesian Economy

1. INTRODUCTION

World War II created international economic upheaval, and it forced countries to formulate a global trading system that guarantees economic growth and world peace. The United States (US) was the initiator in the establishment of GATT (General Agreement on Tariff and Trade) in 1947. However, GATT was considered inadequate because GATT only contained international agreements that reduced barriers to international trade. After that, the GATT member countries agreed to replace GATT with the WTO (World Trade Organization) (Meltzer, J.P, 2017). GATT and WTO show that the US has always been at the forefront of the economy and upholds free trade. The

• Corresponding Author :
syaifulrohman71@gmail.com

existence of the US in the WTO makes the US play a dominant role in economic globalization (Bakry, 2015).

When Donald Trump became US president from 2017-2021, the opposite happened. The US, which holds the principle of free trade, sets protectionism as a trade-economic policy. Protectionism policy is an implementation of US economic nationalism with the slogans carried by President Donald Trump during his campaign, namely, Make America Great Again and America First (United States Trade Representative, 2019). Make America Great Again and America First are slogans that refer to US foreign policy, emphasizing nationalism and unilateralism. China is the largest trading partner of the United States, which is interdependent on trade between the two countries. China was the third-largest goods export market for the United States until 2018 (United States Trade Representative, 2019). The US and China's total export and import trade was 659.83 billion USD during 2018 (United States Trade Representative, 2019).

The driving factor for the US to implement protectionist policies is the US trade deficit against China. The US claims that China uses unfair trade practices, including theft of intellectual property through forced transfer of technology, as a privilege that China gets from trade access provided by the US (United States Trade Representative, 2019). The unfair trade practices carried out by China are allegedly aimed at developing China's economy to be more innovative in the future. The US claims that these unfair trade practices contribute to an increase in the number of unemployed in the US, increase the US trade deficit, and threaten US national economic security. Jetin, B. (2016).

In recent decades, according to the US Department of Commerce, US trade with China has experienced a deficit because the value of US imports of goods from China is greater than the value of US exports of goods to China (US Department of Commerce, 2019). In other words, there is an imbalance in the trade in goods between the US and China, so that the US trade deficit is the result of unfair trade practices with China (Carballo, JR, K. Handley, and N. Limão (2015). Increasing significantly has eliminated 2.4 million US jobs, or about 985,000 of the US population had to lose their jobs in manufacturing from 2000 to 2010 (Schneider-Petsinger, 2017). The US protectionist policy is also based on US political interests towards China. The US sees China as always echoing the slogan Made in China 2025. Made in China 2025 is a plan intended to turn China into a world economic leader. China will create an innovative economy, and Chinese products will slowly dominate the market, especially technology-based products. Globally (Cheney, 2019).

The Made in China 2025 design is indirectly assessed by the US as a threat to US economic and military power. China's economic progress is also supported by the Belt Road Initiative (BRI) program designed by President Xi Jinping; these Belt Road Initiative trade routes make it easier for China to export its products (Fatin Harahap, 2020). Not only that, but China also designed the Asian Infrastructure Investment Bank (AIIB), which aims to provide infrastructure development capital (ports, airports, and railways) to developing countries as China's trading partners (Zhu, Z. (2015). The US is trying to hinder China's economy by implementing a policy of protectionism against products from China (Schneider-Petsinger (2017). Based on this, it appears that Trump has implemented a policy of protectionism to secure US jobs and domestic income, reduce the high trade deficit in the US and protect intellectual property rights (Bown, C. (2017). The US protectionist policy on Chinese trade was implemented through several actions, one of which was the imposition of a 25% import duty on imported goods from China and the withdrawal from the Trans-Pacific Partnership (TPP), which is an agreement between twelve countries from three continents that had been negotiated for about ten years presented by Barack Obama (Li, Y. & Schmerer, H-J, 2017). President Trump's implementation of protectionist policies to return the US economy to 4% growth and create 25 million new jobs in the next decade (Schneider-Petsinger, 2017). President Joe Biden then continued this policy as a successor to the continuation of the trade war between China and the US.

The trade war between China and the US is not only about the high tariffs imposed by the US and China's response; it is also part of a much wider confrontation over who will dominate in future economic and technological growth. In addition, President Joe Biden sees the US, which is known as a superpower, must experience a trade deficit, most of which comes from China. The rise of China's economy can contribute to the rapid development of its technology industry (Angela, Tritto (2021). On the other hand, the ability to develop high technology can contribute to economic growth. In other words, the emergence of new emerging power countries such as China which plays an active role in the world of political economy international law, makes a country like the US practice a nationalist economic policy.

Thus, the trade deficit resulting from the bilateral trade relations between China and the US is considered to have contributed as an obstacle to US economic growth, so President Joe Biden continued the policy of protectionism. On the one hand, the policy of protectionism has a side effect in the form of a trade war between the two countries. On the other hand, protectionism policies are applied as an instrument to win the international competition (Dylan Gerstel, 2018). This study will explore and analyze the trade war between China and the US amid US protectionism policies in the era of President Joe Biden. In addition, this study also looks at the implications of China's and US economic policies at the global level and their effects on the Indonesian economy.

2. Literature Review

China's rapid economic growth has finally caused the Chinese government to design various policies, especially in the trade sector. Belt Road Initiative (BRI) is a strategy used by the Chinese government (Lee, J.Y. & Kim, H-J, 2017). This strategy to support trade progress and to achieve other domestic interests is through the Belt Road Initiative. BRI aims to connect China with various countries in Asia and Europe (Holmes, Frank. 2018). The construction of the Belt Road Initiative, China started from Central Asia as a strategic area in implementing the initiative. The overland silk route is exciting to discuss because its emergence is considered a solution to trade and energy transportation problems. The distribution of energy from China and those going to China who have traveled by sea often have issues with piracy, long travel times, and high costs (Hong Z, 2016). The importance of discussing the land silk route also aims to understand China's strategy in mapping its territorial position to achieve its various interests.

The rapid development of the Belt Road Initiative (BRI) by the Chinese government is considered a threat to the US, especially in Central Asia, economic dominance and interests, US politics has developed rapidly since the emergence of the "rebalancing" (Pivot to Asia) policy (Nurhasanah, Siti, et al., 2020). This step was taken by establishing various cooperations to maintain close relations with countries in the region. Meanwhile, from an economic perspective, the US wants to control countries' oil reserves in Central Asia and get easier access. Therefore, the US remains a distributor and transit country for energy originating from Central Asia to Europe (Alice Hughes, 2019). This causes the US national income from the energy sector to remain stable.

The South Pacific region has been known as an area where many actors play their influence in power. Actors such as United States, Australia, and New Zealand. Since China is present in the constellation of international relations in the South Pacific region, China has initiated an approach with island countries by providing grant assistance (Zhang B, 2016). Until now, China ranks 3rd as the largest donor in the region. However, behind China's attitude that began to pay attention to the South Pacific, economic interests such as US interests. In addition, there is also a security interest in the integration of China's territory (Vanaga N, 2014). Currently, the scope of BRI's territory continues to expand; China has also signaled its intention to raise the BRI line to Latin America. Through the increasingly global BRI underlines that China uses this strategy to frame and market its overall foreign policy. Currently, BRI is also not limited to economic purposes. The vision of maritime cooperation built by China also highlights one other kind of cooperation, namely on security issues that are one of China's cooperation (Lee, J., Hyun, K., Jin, L, 2015). This is based on increasing Chinese investment and a growing community of Chinese expatriates in risk-prone countries. Because of this, China feels the need to take action on security issues that occur along the BRI pathway. In 2015, China began opening its overseas military base in Djibouti, a hub of the BRI pathway (Hallgren, H. & Ghiasy, R, 2017). Not only that, but the Chinese government has also begun to promote its technological, law enforcement, and military capabilities to countries covered by the BRI line in security-related issues such as satellite navigation, disaster management, and crime-fighting strategies.

In carrying out its BRI strategy, China has established a new financial framework based on existing and new organizations. Some of these economic frameworks are called the Asian Infrastructure Investment Bank (AIIB), New Development Bank (NDB), BRICS Bank, China's reformed Development Bank. In its development, one of the investment institutions founded by China sparked a heated debate about geopolitics (Joy-Pérez, Cecilia, and Derek Scissors, 2018). Today, the AIIB has been defined as a competitor to the World Bank (WB) and the International Monetary Fund (IMF) and a controlling tool for building a new world order. Then, China's relationship with the WB and the IMF has always been far from ideal. For a long time, the WB and the IMF have asked China to reduce its corporate debt and implement an economic reform within the country.

3. Conceptual Framework

International trade is trade carried out between countries or across countries. International trade is defined as a relationship of economic cooperation carried out by one government with another related to goods and services to bring prosperity to a country (Bown, C. and M. Crowley (2013). International trade is a relationship of economic activity between nations that is realized by exchanging goods and services on a voluntary basis and mutually beneficial. International trade is also known as world trade. The increasing variety of products in the domestic market today cannot be separated from the increasingly open role of international trade (John, K., Lin, S., & Qi, Q, 2016). When various regulations and policies in trade are facilitated, the market is more wide open, and the traffic of goods is higher.

In openness, a party can consume goods or services that are not produced. Also, in transparency, resources will be allocated to sectors in which these countries have comparative and competitive advantages. International trade provides an opportunity for countries to divide labor and specialize in producing goods and services, where they can produce these goods relatively cheaply (Baker, S., N.Bloom, and S.J. Davis, 2016). The series of successes from specialization is an increase in creativity and productivity of production factors. The allocation of resources in the production process will be at the 'increasing return to scale, i.e., the increase in output value is more significant than the increase in inputs.

Based on the opinion (Schneider-Petsinger (2017), several factors can cause international trade, including differences in technology, differences in resources owned, government policies, imperfect competition in the domestic market and economies of scale, and differences in the demand side, such as tastes and per capita income.

Technological differences between countries can encourage international trade. When two countries have technological differences in production, these differences can be exploited to create trade (Bown, C. and M. Crowley, 2013). Each of these countries will specialize in producing products that have superior production technology and export these products to be exchanged for products that do not have technological advantages in production. This technological difference will create differences in production capabilities which in turn will increase production capacity. Create a comparative advantage (Baker, S., N.Bloom, and S.J. Davis, 2016). This comparative advantage will cause price differences, thus allowing each country to have an advantage by trading. In addition, differences in resources owned by a country can also encourage trade. Let's analyze the advantages of each product between the two drivers of the global economy, namely China and the US, in terms of production costs and quantity. China is undoubtedly superior to the US, whereas if we look at the technology, the US to be superior.

4. Effect of Production on International Trade

The amount of production capacity owned by a country will affect its competitiveness in the international market. A country that is ready for a trade war will undoubtedly try to increase its production capacity to meet world market demand, increasing state income or reducing production costs so that its exports will experience a surplus (Jetin, B. (2016). This can happen because of production capacity. Which increases will increase the number of products available for the market, which can then increase income. In contrast, the increased quantity of production can reduce costs by creating economies of scale. Increasing production capacity can expand a country's international trade (Hillman, Jonathan E. 2018). The more products are produced, the government will try to find new markets to market these additional products. When entering a new market, competitors who already exist in the market will become new competitors. In other words, capacity building will increase join p also increase the number of competitors faced by the state. But in this decade, it seems that no country can compete with the economic progress of China and the US.

International trade regulations are finalized through the World Trade Organization (WTO) and several regional agreements such as MerCOSUR (Mercado Común del Sur) in South America, NAFTA (North American Free Trade Agreement) between the United States, Canada, and Mexico, and the European Union between 27 independent countries (Bown, C. (2017). While China is developing regional or global agreements through the Belt Road Initiative (BRI), which focuses on export-import trade routes, and the Asian Infrastructure Investment Bank (AIIB), which focuses on finance and financing infrastructure development (Zhu, Z, 2015) Although the name of this institution is Asian bank, its membership covers globally, it can even be predicted that in the next ten years, AIIB became the main challenge for the WB and IMF, which was spearheaded by the US.

5. RESEARCH METHODS

The author uses a qualitative approach in this study with data from reliable sources, including international and national journals, proceedings, and information from websites. Qualitative research methods that emphasize the understanding of problems in state life based on realistic, complex, and holistic realities or natural settings. The descriptive-analytical type with a qualitative approach is expected to be able to provide descriptive notes from previous research and other data sources observed by researchers to be able to describe and explain comprehensively the trade war between China and the United States.

6. RESEARCH RESULTS AND DISCUSSION

6.1. The Rise of China

The rise of China has become a threat to US supremacy and dominance in the Indo-Pacific region and the world. It is undeniable that since the end of World War II, US dominance in the Indo-Pacific region has been unbeatable (Jetin, B., & Mikic, M. (Eds.), 2016). However, over time, this perception began to be refuted. In the context of tianxia, the author argues that the rise of China into economic hegemony will occur naturally without conflict (He, Alex. 2019). This can be seen from China's GDP, which has continued to grow in recent years; without a doubt, China will take the position of the US and become the country with the largest economy after 2030 (Fau N, 2016). Economic hegemony needs to be achieved to support China so that it can influence world countries to interact from a global perspective. In realizing the ideals of tianxia as 'the world,' China needs to show its existence and strong influence in the international context (Chatterjee, B. & Kumar S, 2017).

Therefore, the ongoing trade and policy war between China and the US is being spearheaded by various strategies to compete openly. In the context of the US indo-pacific with 'Free and Open Indo-Pacific (FOIP)' which was introduced at the APEC CEO Summit in Vietnam in 2017, China first adopted the One Belt One Road (OBOR) strategy and then became the Belt Road Initiative (BRI) which President Xi Jinping introduced in 2013 (Chung, J. H, 2014). The FOIP strategy implemented during the Trump administration was clearly designed to counter China's growing influence in the Indo-Pacific region, or rather, FOIP was created to counter the BRI. However, the US 'free and open Indo-Pacific' strategy seems weak in implementation and objectivity against BRI. In addition, the US's exit from the Trans-Pacific Partnership (TPP) will also strengthen China's dominance in the Indo-Pacific region (Dewi, Puspita & Akbar, Hikmatul, 2017). As a result, the US will inevitably recognize the rise of China (in an economic context) both in the Indo-Pacific region and the world. Another impact of China's rise is that President Xi Jinping will continue to convince other countries to support and join the BRI (Hayakawa, K., Lee, H.-H., & Park D, 2014).

The implementation of the BRI project will certainly sustain China's current rise. In other words, China will continue to reconstruct the international world based on a tianxia perspective, with BRI as a tool to move it. The Chinese Embassy in South Africa (2018) noted that 113 countries and 29 international organizations had signed BRI project agreements. This means that more than 50% of the world's countries (a total of 193 countries) have given a positive signal to the rise of China. The Belt Road Initiative is a way for China to achieve its political interests. Through various existing cooperations and investments in the construction of this new silk road, China will strengthen its relationship with the countries involved (Napang, M., Nurhasanah, S., & Rohman, S, 2019). The broad scope of this policy will also make China have its international status as a big country.

The Belt Road Initiative policy is divided into two lanes; the first is the land route (Silk Road Economic Belt) and the sea route (The 21st Century Maritime Silk Road). These two routes will be connected, and various modern infrastructure facilities will be built to facilitate trade between the continents (Chaisse, J., & Górski J, 2018). Regarding the Silk Road Economic Bell, President Xi Jinping presented five joint proposals for development to strengthen relations between China, Central Asia, and Europe. The five proposals are maintaining policy communication, strengthening ties, facilitating trade, monetary cooperation, and enhancing community relations (Cheng, L. K, 2016). The Silk Road Economic Belt consists of rail routes, roads, oil and gas pipelines, and other infrastructure projects (Johni Robert Verianto Korwa, 2019). This route is planned to build the New Eurasia Land Bridge Economic Corridor and develop other economic corridors: China-Mongolia-Russia; China-Central Asia - West Asia; the China-Indochina peninsula; China-Pakistan; and Bangladesh-China-India-Myanmar (Chaisse, J., & Matsushita M, 2018).

Second is Maritime Silk Road, namely developing port infrastructure to facilitate trade routes. The 21st Century Maritime Silk Road was introduced by Chinese Premier Li Keqiang at the 16th ASEAN Summit in Brunei and also delivered by President Xi Jinping in his speech in Indonesia in October 2013. The 21st Maritime Silk Road route will start from China, then to the South China Sea, to Southeast Asia, the Indian Ocean, Africa, and Europe. The southern extension of this route offers access to the South Pacific (Chen H, 2016). The 21st Maritime Silk Road will play an essential role in developing sea lanes through regional cooperation, integration, and infrastructure cooperation.

In realizing the project, China has formed a financial institution that will help fund the BRI. The institution is the Asian Infrastructure Investment Bank (AIIB); this institution will accommodate various investments from various countries to develop various infrastructure projects, including BRI projects. The Infrastructure Asia Investment Bank (AIIB) is a multilateral development bank that aims to boost the economy and finance infrastructure development (Cerutti, E., & Zhou H, 2018). AIIB started operations in 2016 with 57 founding Members (37 regional and 20 non-regional). By the end of 2020, the AIIB had 103 approved Members representing approximately 79 percent of the global population and 65 percent of global GDP (AIIB, 2021).

The gap in infrastructure funding, especially in Asia, was the main reason for establishing the AIIB. This gap occurs because existing international financial institutions cannot cover various global funding needs or financial assistance to developing countries. It is estimated that in the next ten years, Asian countries will need $8 trillion for infrastructure development—for example, the Asian Development Bank, which was founded in 1966 in the Philippines. Unfortunately, the ADB, which has been around for more than half a century, has not been the answer to the needs of Asian countries in various development projects (AIIB, 2021). One reason is that ADB's capital is only $160 billion. While the demands of developing countries in Asia are now increasing, countries in Asia that are members of the AIIB consider that they cannot rely solely on the WB and the IMF because these two institutions not only focus on infrastructure funding but also support various sectors such as poverty, gender equality. To environmental issues. On the other hand, AIIB uses all capital specifically for the infrastructure sector. Therefore, the AIIB will complement the infrastructure development of member countries in various regions (AIIB, 2021). For example, in developing the energy and electricity sectors, transportation and telecommunications, rural infrastructure and agricultural development, water supply and sanitation, environmental protection, urban development, logistics, and others.

Analysts consider that China's move is one of the ideas that emerged due to China's lack of power in the World Bank and IMF. On the other hand, China needs financial institutions to guarantee various development projects, one of which is the Belt Road Initiative (Joy-Pérez, Cecilia, and Derek Scissors, 2018). Therefore, China is cooperating with Asian countries, which are also aggressively carrying out developments to establish an independent financial institution. With the power of voting rights reaching 300,600 or 26.9 percent in the AIIB, China can make financial regulations that are following its national interests, including promoting Chinese policies (Zhu Z, 2015), just as the US uses the WB and the IMF to encourage free markets to member countries. China, of course, played a significant role in establishing and investing in this institution to be able to realize the development of BRI. In addition, China is also actively promoting BRI's policy to invite countries in Asia, Europe, and Africa to participate in building the Silk Road.

6.2. China's Economy in 2021

The world economy is experiencing a positive trend amid fears of the emergence of a second wave of the COVID-19 pandemic. The two engines of the global economy, China and the United States showed an astonishing economic growth performance in the first quarter of 2021. Each positive growth even in China to double digits. China's economy is racing away from other countries after suffering a downturn due to Covid-19 last year. The National Bureau of Statistics of China (NBS) reported that China's gross domestic product (GDP) increased 18.3 percent in Q1/2021 year-on-year (YoY) (National Bureau of Statistics of China, 2021).

In the first quarter of 2021, China recorded its highest gross domestic product (GDP) economic growth since 1992, 18.3 percent (YoY). This is the highest GDP growth record ever achieved. The increase was slightly lower than economists forecast in a Bloomberg survey, which indicates an 18.5 percent expansion. The figure is influenced by comparisons from last year when the economy closed to curb the coronavirus outbreak. However, that number appears to be lower than a Reuters poll predicting about 19 percent. In the first quarter of 2020, China's economy contracted by 6.8 percent due to the initial national quarantine of the Covid-19 pandemic (NBS, 2021).

The Chinese government is still wary of the pandemic that is still spreading globally, which causes uncertainty and instability to still haunt throughout 2021. However, China emphasizes optimism for a continued economic rebound in the following quarters. China's National Bureau of Statistics (NBS) noted that China's industrial production in March 2021 grew 14.1 percent, and retail sales grew to 34.2 percent; this is a pretty promising growth trend. Monthly indicators show that industrial production, consumption, and investment all rose in March 2021, respectively.

6.3. U.S Economy in 2021

Since presidential campaign, US President Joe Biden has indicated he will steer the US economy towards an open economy and increased taxes. In his administration, Proseiden Biden will increase the tax on companies to 28 percent from the previous 21 percent (Lisbet, 2021). President Joe Biden also wants to expand the child tax credit to help working families during the pandemic by providing $3,000 per year for each child between the ages of 6 and 17 and $3,600 for children under six years of age. Less than two months after his inauguration, President Joe Biden has issued an economic stimulus policy of US $ 1.9 trillion. This policy, which was welcomed positively within the US for US policy supporters who are outward-looking, raises concerns that it will hinder Biden's steps from restoring the US' active role in the international world (Falahi & Nainggolan, 2021). But surprisingly, the United States economy grew to reach 6.4 percent on an annual basis in the first quarter of 2021. This figure is higher than the projections of several economic observers.

US economic growth in the first quarter of 2021 has increased compared to the previous quarter of 4.3 percent (USITC US, (2021). The increase in the first quarter of 2021 is the largest since the third quarter of 2003. This measure shows how fast the economy will develop if the high growth rate continues for an entire year. After the devastating contraction of the US economy last year, the economy slowly started to recover. GDP growth is beginning to run rampant, as reflected in the increasingly vibrant US economic activity. However, the reopening of businesses and increased spending are also pushing prices higher. Department of Commerce recorded inflation soaring 3.5 percent in the January-March 2021 period. (United States Trade Representative, 2021). This figure is a jump when compared to the 1.5 percent increase in the previous quarter. Even this increase does not include food and energy prices which are less expensive.

In addition, under President Joe Biden's leadership, the US has shown an unchanging attitude towards the polemic of the trade war with China. The US still considers China a challenger that cannot be ignored. China is a challenger to the trade war, the values of prosperity, security, and democracy that we have embraced. The US will confront China's abuses of the economy, countering its aggressive actions to push back against China's attacks on human rights, intellectual property, and global governance. However, if it is in the interest of the US, then-President Joe Biden has expressed his readiness to cooperate with China.

6.4. China and U.S trade war in 2021

The trade war between the two drivers of the global economy, China and the US, is predicted to continue even though the government has been under President Joe Biden. During the 2017-2021 President Trump administration, the imposition of import tariffs on several Chinese products was seen as the right policy for the future of the US industry. President Trump has set taxes of around US$50–US$60 billion or around Rp.827.34 trillion on Chinese products entering his country. The US has also imposed tariffs on imports of 25% for steel and 10% aluminum from China (Schneider-Petsinger (2017). The US government continues to pressure China to open up its economy more to US businesses, reduce the trade deficit to US$100 billion, remove regulations that require foreign corporations to form joint ventures with Chinese corporations and stop forcing US businesses to grant intellectual property rights to operate in China. President Trump's policy has sparked controversy within the US. Several politicians and industries, including retailers, have expressed concern about the possibility of retaliation because the US agricultural industry will be hit (Bown C, 2017). US agricultural products have been heavily dependent on exports to China. Worse impacts are feared if China boycotts other US products. Market participants reacted negatively to the move by President Trump so that the US stock market experienced a decline.

Under the Joe Biden administration, the US is likely to continue the trade war with China; this can be seen from its policy of asking the executive to limit investment from the US in several companies affiliated with China's military capability development efforts. In the order, President Joe Biden barred US investors from financial interests in 59 Chinese companies because of concerns over their ties to Beijing's geopolitical ambitions (US White House, 2021). This executive order allows the United States to prohibit US investments in Chinese companies that undermine the security or democratic values of the United States and our allies. said the White House in a press release.

On the other hand, the Chinese government is willing to resolve its trade war with the United States (US) through calm negotiations and firmly opposes escalating conflicts (Mofcom China, 2021). China is currently one of the spearheads of the global economy, and its economy is highly integrated with the US economy. Economic observers argue that China has won the trade war with the US; this can be seen from the data submitted by the Chinese government. Data from the General Administration of Customs of the People's Republic of China showed that China's exports grew more than expected in December 2020; the disruption of the coronavirus worldwide fueled demand for

Chinese goods from around the world and the US. In 2020, China's exports reportedly rose 3.6% from a year earlier to US$2.6 trillion, which is a record high in history.

Meanwhile, imports only fell by 1.1% in 2020 (General Administration of Customs People's Republic of China, 2021). This means that China's economic activity has been spinning quite fast when other countries have stalled due to facing the coronavirus. That way, it can be said that China is the winner of the trade war with the US; this is reflected in the data on China's trade balance surplus, which increased in 2020 despite the corona pandemic. China posted a trade surplus of $78 billion in December 2020, according to official data from the General Administration of Customs of the People's Republic of China. China's overall trade surplus in 2020 reached a record US$ 535 billion, up 27% from 2019. Meanwhile, China's exports rose to an all-time high (Mofcom China, 2021).

China's trade relationship with the US has become complicated, despite the US being tough on China. China's trade surplus with the United States (US) increased by 7 percent to US$317 billion throughout 2020. Data from the General Administration of the Customs People's Republic of China showed that the trade surplus was driven by an increase in electronics and personal protective equipment (PPE). Judging from the surge in US imports from China in 2020, it seems realistic to say that China won the China-US trade war.

6.5. Indonesia's Economic Position

The Indonesian government targets economic growth in the 2021 Indonesian State Budget (APBN) of 5 percent. However, the projection is included in the government's outlook of 4.5 percent to 5.3 percent. Meanwhile, the World Bank predicts that the Indonesian economy will grow by 4.4 percent throughout 2021. This figure is the same as the World Bank's projection at the end of 2020. In Indonesia, economic growth is expected to recover to 4.4 percent in 2021 (World Bank, 2021). According to the World Bank, several sectors are recovering slowly, including the trade, transportation, and hotel sectors. Low value-added services, such as trade, transportation, and hospitality, have been severely impacted by the crisis and will be the slowest to recover, especially if the second wave of Covid19 emerges. Economic performance depends on the effectiveness of controlling the virus, the ability to take advantage of the revival of international trade, and the ability of state governments to provide fiscal and monetary support (World Bank, 2021)

Statistics Indonesia recorded a contraction of 0.74 percent year on year (YoY) in the first quarter of 2021. With this figure, Indonesia's economic growth has not been able to return to the positive zone. The achievement of economic growth in the red area in the first quarter of 2021 shows that it is still in line with the government's projections (Statistics Indonesia, 2021). When viewed quarterly, the first-quarter economic growth contracted 0.96 percent (QoQ). The Indonesian economy is based on GDP for the first quarter of 2021 at current prices of IDR 3,969 trillion. Meanwhile, based on a constant base price with the base year 2010 is Rp 2,683 trillion (Statistics Indonesia, 2021). The National Development Planning Agency (Bappenas) projects that the new economy will recover and grow positively in the second quarter of 2021. The increase in government spending, public spending, and Indonesia's export performance is still considered to support this growth (Bappenas, 2021).

Statistics Indonesia reveals several supporting indicators for economic growth in the first quarter of 2021. These supporting indicators include car production in the first quarter of 2021 and 255,312 units, up 23.36 percent quarter to quarter (QoQ) and down 22.16 percent YoY. Then wholesale car sales were 187,021 units, an increase of 16.63 percent QoQ and a decrease of 21.05 percent YoY. Wholesale motorcycle sales were 1.29 million units, up 64.52 percent QoQ, but down 17.61 percent YoY (Statistics Indonesia, 2021). The realization of state expenditure (APBN) in the first quarter of 2021 was Rp 523.04 trillion, increasing from the first quarter of 2020 of Rp 452.41 trillion. Then the realization of investment recorded at the BKPM was IDR 219.7 trillion, an increase of 4.3 percent compared to the period in 2020. The global economy in the first quarter of 2021 showed improvement and increased from January to March 2021 (Statistics Indonesia, 2021). This is in line with the Covid-19 vaccination process carried out or is currently underway in several countries. Prices of food commodities such as palm oil, soybeans, and coffee improved. Mining commodities such as tin, aluminum, nickel, and copper in the international market in the first quarter of 2021 experienced an increase in QoQ and YoY. Overall, the global economy in 2021 will grow unevenly, especially in the East Asia and Pacific region. Only China and Vietnam will have their economies recover quickly in 2021.

The trade war and the policies of China and the US are quite capable of boosting Indonesia's exports to China. According to the Ministry of Trade, from 2020 to March 2021, China is still Indonesia's leading export destination with USD 1.75 billion (minus January 2020) (Statistics Indonesia, 2021). When viewed from the trade balance, although the value of exports to China is still minus, it has experienced extraordinary improvements. If the previous one in March 2021, it has decreased from minus USD 0.83 billion in February 2021 but is now minus USD 0.16 billion in March 2021. Although the value of exports to China is still minus, the Ministry of Trade said that when compared to the previous month series, such as January 2021, the deficit was minus USD 1.01 billion. It was minus USD 0.83 billion in February, and March 2021 was reduced to minus USD 0 .16 billion (Ministry of Trade, 2021). Exports to China are certainly influenced by its rapid economic growth, so that it requires a variety of raw materials exported from Indonesia, such as steel. This is also due to the stretching of the trade war with the US. If the value of Indonesia's exports to China is in deficit, then the value of Indonesia's exports to the US is a surplus of USD 1.19 billion in March 2021. The surplus of non-oil exports to the United States for the January-March 2021 period reaches around USD 3.3 billion. The Minister of Trade said that the highest surplus of non-oil and gas exports was obtained from the United States of USD 1.19 billion (Ministry of Trade, 2021).

In Infrastructure Development, Indonesia can take advantage by becoming a founder and joining the Asian Infrastructure Investment Bank (AIIB), which China pioneered. The National Development Planning Agency projects the cost of infrastructure development for 2020-2024, amounting to Rp. 36,625.9 – 37,225.8 trillion, this is to achieve the target of average economic growth of 5.4 – 6.0 percent per year. Of the total needs, the government and SOEs will contribute 8.6 – 11.0 percent and 8.5 – 9.0 percent, respectively, while the rest will be met by the public or the private sector (Beppenas, 2020). For Indonesia, which is also the founder of AIIB, the presence of this financial institution can provide another alternative as a provider of development loan funds other than the World Bank (WB) and the International Monetary Fund (IMF). In early 2017, Indonesia leveraged $225 million in AIIB loan funds. The funds are for dam repair projects and regional infrastructure development in Indonesia. The Indonesian government seems enthusiastic about the AIIB financial institution. In terms of opportunity, Indonesia has almost no decision-making power at the World Bank and IMF because it only has 0.95 percent voting rights (AIIB, 2021). While in the AIIB, Indonesia occupies the 8th position as the holder of the most significant voting rights, as much as 3.26 percent. Indonesia is a country in Southeast Asia that holds the largest voting rights. Indonesia can take advantage of its position in the AIIB to fight for its national interests. On the other hand, this opportunity aligns with Joko Widodo's government program, which focuses on infrastructure from 2015-2014. An essential position in the AIIB will make it easier for Indonesia to obtain loans for infrastructure development funds.

7. CONCLUSION

This paper has tried to explain the trade war between China and the US and the rise of China in the 21st century using the perspective of the Global Economy. To expand global economic domination, China then sought to revive the Silk Road in the Belt and Road Initiative (BRI) scheme and the Asian Infrastructure Investment Bank (AIIB) financial system. This large project has a long-term vision, supporting the leading creative economy, tourism, education, technology transfer, and trade. To support this ambition, China is also building an independent financial system part of the Asian Infrastructure Investment Bank. This policy is quite effective if we refer to China's economic growth, which grew by 18.3 percent in the first quarter of 2021. This is certainly seen as a real threat to US dominance in the political and economic fields. President Joe Biden wants to restore the existence of the US as a strong country in politics and economy; aggressive economic policies have made the US economy increase by 4.3 percent in the first quarter of 2021. This is undoubtedly the first step to start a trade war with China, although China's economy is currently better than the US.

The trade war between China and the US certainly impacts the Indonesian economy; this can be seen from the opportunities for cooperation between the Belt and Road Initiative and the Asian Infrastructure Investment Bank initiated by China. This will further strengthen the longstanding cooperative relationship between Indonesia and

China. According to data from the Ministry of Trade, from 2020 to March 2021, China is still Indonesia's leading export destination with USD 1.75 billion. We can conclude that Indonesia-China is a potential economic cooperation partner. Cooperation with the United States is also very possible for Indonesia. The US is still the second-largest export destination after China. Looking at the Ministry of Trade data, the value of Indonesia's exports to the US in March 2021 was a surplus of USD 1.19. The non-oil and gas export surplus against the US for the January-March 2021 period reached around USD 3.3 billion. Under the leadership of President Joe Biden, Indonesia has several potential cooperation opportunities, including, first, the potential to strengthen the value of the rupiah as a result of global market sentiment against the US dollar. Second, the potential to increase Indonesia's export commodities (such as textiles) to the US due to the recovery of the US economy with the fiscal stimulus policy echoed by President Joe Biden.

REFERENCE

Angela, Tritto (2021), China’s Belt and Road Initiative: from perceptions to realities in Indonesia’s coal power sector, Energy Strategy Reviews 34 (2021) 100624

Badan Perencanaan Pembangunan Nasional (Bappenas). (2021). Rancangan Teknokratik, Rencana Pembangunan Jangka Menengah Nasional 2020-2024. Indonesia Berpenghasilan Menengah - Tinggi Yang Sejahtera, Adil, Dan Berkesinambungan. Kementrian Ppn/Bappenas. Versi 14 Agustus 2019.

Baker, S., N.Bloom, and S.J. Davis (2016), “Measuring Economic Policy Uncertainty”, The Quarterly Journal of Economics, Oxford University Press, vol. 131(4), pages 1593-1636.

Bakry, Umar Suryadi (2015). Politik Internasional: Suatu Pengantar / Umar Suryadi Bakry. Pustaka Pelajar: Yogyakarta.

Biggerstaff, L.D. (2012). Qualitative Research Methods. UK: University of Warwick.

Bown, C. (2017), “Will the Proposed U.S. Border Tax Provoke WTO Retaliation from Trading Partners?’’, PIIE Policy Brief 17-11, Peterson Institute for International Economics.

Bown, C. and M. Crowley (2013), “Import protection, business cycles, and exchange rates: evidence from the great recession”, Journal of International Economics 90(1): 50–64

Carballo, J.R., K. Handley, and N. Limão (2015), “Trade Collapse: The Role of Economic and Policy Uncertainty in the Great Recession”, in Essays in Trade and Uncertainty, Ph.D. diss. University of Maryland.

Cerutti, E., & Zhou, H. (2018). The Chinese banking system: Much more than a domestic giant. Vox (09/02/18). Available: https://voxeu.org/article/chinese-banking-system

Chaisse, J., & Górski, J. (2018). *The belt and road initiative: law, economics, and politics*. BRILL.

Chaisse, J., & Matsushita, M. (2018). China’s ‘belt and road’ initiative: Mapping the world trade normative and strategic implications. *Journal of World Trade, 52*(2), 163–185.

Chatterjee, B. & Kumar, S. (2017). “Promises and Pitfalls of the Belt and Road Initiative.” *Asia Pacific Bulletin*. East-West Center. No. 388, July 18.

Chen, H. (2016). China's “One Belt, One Road” initiative and its implications for Sino-African investment relations. Transnational Corporations Review, 8(3), 178–182.

Cheney, C. (2019). *China’s Digital Silk Road: Strategic Technological Competition and Exporting Political Illiberalism Challenges for the US* (Vol. 19).

Cheng, L. K. (2016). Three Questions on China's "Belt and Road Initiative." *China Economic Review*. 40, pp. 309-313.

Chung, J. H. (2014). East Asia Responds to the Rise of China!: Patterns and Variations All use subject to JSTOR Terms and Conditions to the Rise of East Asia Responds China!:Patterns and Variations *. *Pacific Affarirs*, *82*(4), 657–675.

Dewi , Ni Putu Saraswati Puspita & Akbar, Hikmatul (2017), Kebijakan The New Silk Road Cina Di Bawah Pemerintahan Xi Jinping, Jurnal Studi Diplomasi dan Keamanan, Vol 9, No 1 (2017)

Fathin Nisa Muthia Harahap (2020). Analisis Potensial Tiongkok Untuk Menjadi Negara Hegemon di Kawasan Asia Timur Melalui Strategi *One Belt One Road. Journal of International Relations, Volume 6, Nomor 2, 2020, hal 164:172*

Fau, N. (2016). Investment in Infrastructure and Regional Integration: Will Connectivity Reduce Inequalities? *ASEAN Economic Community: A Model for Asia-wide Regional Integration?* (pp. 291-310). New York: Palgrave Macmillan.

Falahi, Ziyad & Nainggolan, Poltak Partogi (2021). Arah Kebijakan Luar Negeri Amerika Serikat Di Bawah Joseph Biden. Bidang Hubungan Internasional. Kajian Singkat Terhadap Isu Aktual Dan Strategis. Vol. Xiii, No.3/I/Puslit/Februari/2021.

Gerstel, Dylan. (2018). "It's a (Debt) Trap! Managing China-IMF Cooperation Acros the Belt and Road". *New Perspectives in Foreign Policy*, issue 16, no. 16: 5.

Hallgren, H. & Ghiasy, R. (2017). Security and Economy on the Belt and Road: Three Country Case Studies. *SIPRI Insights on Peace and Security No 2017/4*. December. *Harian Medan Bisnis* (2017). "China, AS dan India pasar terbesar nilai ekspor Sumut." December 4, 2017

Hayakawa, K., Lee, H.-H., & Park, D. (2014). Are investment promotion agencies effective in promoting outward foreign direct investment? The cases of Japan and Korea. Asian Economic Journal, 28(2), 111–138.

He, Alex. 2019. "The Belt and Road Initiative: Motivations, Financing, Expansion and Challenges of Xi's Ever-Expanding Strategy". CIGI Paper no. 225, 11 September 2019.

Hillman, Jonathan E. (2018). "How Big Is China's Belt and Road?" Center for Strategic and International Studies. https://www.csis.org/analysis/how-big-Chinas-belt-and-road.

Holmes, Frank. (2018). "China's Belt And Road Initiative Opens Up Unprecedented Opportunities". *Forbes*. https://www.forbes.com/sites/greatspeculations/2018/09/04/Chinas-belt-and-road-initiative-opens-up-unprecedented-opportunities/#5d1baf793e9a.

Hong, Z. (2016). "China's One Belt One Road: An Overview of the Debate." *Trends in Southeast Asia No 3*. Singapore: ISEAS Yusof Ishak Institute.

Huang, Y. (2016). "Understanding China's Belt and Road Initiative: Motivation, Framework and Assessment." *China Economic Review*. 40, pp. 314-321.

Hughes, Alice C. (2019). "Understanding and Minimizing Environmental Impacts of the Belt and Road Initiative". *Conservation Biology*, 9 April 2019. https://doi.org/10.1111/cobi.13317.

Jetin, B. (2016). Reduction of Absolute Poverty, Increase of Relative Poverty, and Growing Inequalities: A Threat to Social Cohesion. In B. Jetin & M. Mikic (Eds.), *ASEAN Economic Community: A Model for Asia-wide Regional Integration?* (pp. 267-289). New York: Palgrave Macmillan.

Jetin, B., & Mikic, M. (Eds.) (2016). *ASEAN Economic Community: A Model for Asia-wide Regional Integration?* New York: Palgrave Macmillan.

John, K., Lin, S., & Qi, Q. (2016). Bilateral political relations and cross-border M& As. Working paper.

Johni Robert Verianto Korwa (2019), Kebangkitan China Melalui Belt And Road Initiative dan (Re) Konstruksi Hubungan Internasional Dalam Sistem Westphalia, Jurnal Hubungan Internasional Vol. 8, No. 1 / April - September 2019

Joy-Pérez, Cecilia, and Derek Scissors. (2018). "The Chinese State Funds Belt and Road but Does Not Have Trillions to Spare". American Enterprise Institute.

Lee, J., Hyun, K., Jin, L. (2015). "China's New Silk Road: Policies and Implications". *Journal of International Logistics and Trade*. 13. Pp. 55-70.

Lee, J.Y. & Kim, H-J (2017). "One Belt One Road Initiative and Its implications for the Global Economy." *Journal of International Logistics and Trade*. Volume 15 Issue 1, April 8-9, pp. 8-9.

Li, Y. & Schmerer, H-J. (2017). "Trade and New Silk Road: Opportunities, Challenges and Solutions." *Journal of Chinese Economic and Business Studies*. Vol. 15 No. 3, pp. 205-213.

Lisbet (2021). Arah Kebijakan Luar Negeri Amerika Serikat Di Bawah Presiden Joe Biden. Bidang Hubungan Internasional. Kajian Singkat Terhadap Isu Aktual Dan Strategis. Vol. Xiii, No.3/I/Puslit/Februari/2021

Schneider-Petsinger, Marianne, (2017). Trade Policy Under President Trump Implications for the US and the World. US and the Americas Programme | November 2017

Meltzer, J.P. (2017). "China's One Belt One Road Initiative: A view from the United States." *Brookings Report*, June 19, 2017. https://www.brookings.edu/research/Chinas-one-belt-one-road-initiative-aview-from-the-united-states/.

Napang, M., Nurhasanah, S., & Rohman, S. (2019). One Belt One Road (OBOR) and the Increase of China's Global Influence. *PEOPLE: International Journal of Social Sciences, Vol.5, Issue 2*, 53-69.

Nurhasanah, Siti., Napang, Marthen., Rohman, Syaiful (2020). Analyzing American Values in Belt and Road Initiative (BRI). International E-Journal of Advances in Social Sciences 5 (15), 1439-1447

Vanaga, N. (2014). *China's Military Rise: The Lack of Transperancy and Internal Political Uncertainty*. Retrieved from https://www.naa.mil.lv/sites/naa/files/document/12_SA-8-China.pdf

Zhang, B. (2016). Xi Jinping, "Pragmatic" Offensive Realism and China's Rise. *Global Asia*.

Zhu, Z. (2015). China's AIIB and OBOR: Ambitions and Challenges. *The Diplomat, October, 9*, 2015

Website

AIIB, (2021). Asian Infrastructure Finance 2020. https://www.aiib.org/en/news-events/annual-report/2019/home/index.html. Accessed 05 July 5, 2021

AIIB, (2021). https://www.aiib.org/en/about-aiib/governance/members-of-bank/index.html. Accessed 05 July 5, 2021

Asian Infrastructure Investment Bank (AIIB), (2021). (https://www.aiib.org/en/about-aiib/index.html). Accessed 05 July 5, 2021

Badan Perencanaan Pembangunan Nasional (Bappenas) (2021). https://www.bappenas.go.id/id/profil-bappenas/unit-kerja/deputi-bidang-ekonomi/direktorat-perencanaan-makro/contents-direktorat-perencanaan-makro/perkembangan-ekonomi-indonesia-dan-dunia/ . Accessed 5 July 2021

General Administration of Customs People's Republic of China (2021). http://english.customs.gov.cn/Statics/436edfa3-b30d-45cd-8260-7d5baf34a5a8.html. Accessed 5 July 2021.

Kementrian Perdagangan RI (Kemendag), (2021). https://statistik.kemendag.go.id/export-import. Accessed 5 July 2021

Ministry Of Commerce *People's Republic of China (Mofcom)* (2021). Http://English.Mofcom.Gov.Cn/Article/Newsrelease/. Accessed 5 July 2021

National Bureau of Statistics of China (NBS), (2021). (http://www.stats.gov.cn/english/) (http://www.stats.gov.cn/english/PressRelease/202107/t20210701_1818892.html). Access 05 July 5, 2021

NBS, (2021). (http://www.stats.gov.cn/english/PressRelease/202106/t20210625_1818758.html). Accessed 05 July 5, 2021

Statistics Indonesia (2021). Perkembangan Ekspor dan Impor Indonesia Desember 2020 No. 05/01/Th.XXIV, 9 July 2021. file:///C:/Users/user/Downloads/BRSbrsEng-20210115093158.pdf . Accessed 5 July 2021

Statistics Indonesia (BPS) (2021). Pertumbuhan Ekonomi Indonesia Triwulan I-2021 No. 36/05/Th. XXIV, 6 July 2021 https://www.bps.go.id/pressrelease/2021/05/05/1812/ekonomi-indonesia-triwulan-i-2021-turun-0-74-persen--y-on-y-.html. Accessed 5 July 2021

United States Trade Representative, (2019). https://ustr.gov/issue-areas/economy-trade - https://ustr.gov/about-us/policy-offices/press-office/-ustr-archives. Accessed 5 July 2021.

US White House, (2021). https://www.whitehouse.gov/briefing-room/statements-releases/2021/06/03/fact-sheet-executive-order-addressing-the-threat-from-securities-investments-that-finance-certain-companies-of-the-peoples-republic-of-China/. Accessed 07 July 5, 2021

USITC US, (2021). https://www.usitc.gov/ - https://www.usitc.gov/research_and_analysis.htm . Accessed 7 July 2021.

World Bank (2021). The Indonesia Economic Prospects, Boosting the Recovery. June 2021. https://openknowledge.worldbank.org/bitstream/handle/10986/35762/160410.pdf . Accessed 7 July 2021