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Tariff War between U.S.A and China, Side Effects to Colombia

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Tariff War between U.S.A and China, Side Effects to Colombia

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Dedicatory

We want to principally thank God for giving us life, health, patience and strength to reach this point in our careers, for allowing us to be surrounded by classmates, teachers and advisors that filled our mind with dreams and ideals to acquire the knowledge through this long path. Also thanks to our families and friend for giving us all the support we needed to get this, that today is a reality, our International Business career, and last but not least, thanks to our University Institution Esumer, for having the tools, facilities, and the staff that we needed to achieve our goal.

Abstract

With this research work the effects of the tariff war between the US and China will be determined in the Colombian economy, which describes the characteristics of the war, the reasons, the motives and its evolution, in addition to identifying the sensitive points in commercial matters and the effects for the economy of Colombia. It carries out a qualitative research process with type of applied research study and a descriptive level of depth.

Therefore, they were identified as the increase in US tariffs. UU to China in its eagerness to protect its economy from unfair competition by China, the facts carried out protectionist measures that point to the theory of deglobalization and in turn the actions that China has taken in making alliances with other markets to prevent its economy from slowing down by targeting the free market and encouraging measures that are made based on the theory of globalization.

It could also be seen that although Colombia has been greatly affected by the wave of products from the US and from R.P.C you can still take advantage of all the potential that the state, companies and the workforce have to produce and export more merchandise to the countries that demand and return to Colombia in a country that competes alongside the developed ones.

Finally, it was identified how the Colombian market has been greatly affected by macroeconomic factors such as the decrease in foreign investment, the high levels of Colombia's trade deficit, the increase in the unemployment rate, the devaluation of the peso and in turn the increase in the exchange rate but the national merchant has also benefited by matching the conditions of national merchandise with exports in terms of competitiveness.

Keywords:

U.S.A: America

P.R.C: People's Republic of China

Two strong powers: United States of America and China

Commercial Decline: Economy's development level drop

Commercial War: Tariff imposed by two or more nations as a measure to protect their nations from the competitions of free trade. In this case United States of America and China

Resumen

Con este trabajo de investigación se pudieron determinar los efectos de la guerra arancelaria entre EE. UU y China en la economía colombiana, describiendo las características de la guerra, las razones, motivos y su evolución, además de identificar los puntos sensibles en materia comercial y los efectos para la economía de Colombia. Llevando a cabo una investigación cualitativa con tipo de estudio de investigación aplicado y un nivel de profundidad descriptivo.

Por lo que se logró identificar como el incremento de los aranceles de EE. UU a China en su afán de proteger su economía de la competencia desleal por parte de China los han hecho llevar a cabo medidas proteccionistas que apuntan a la teoría de la desglobalización y a su vez las acciones que ha tomado China al realizar alianzas con otros mercados para evitar que su economía se desacelere apuntándole al libre mercado e incentivando medidas que se hagan en base a la teoría de la globalización.

También se pudo ver como a pesar de que Colombia se ha visto fuertemente afectado por la oleada de productos provenientes de EE. UU y de R.P.C, aun puede aprovecharse de todo el potencial que tiene el estado, las empresas y la fuerza laboral para producir y exportar más mercancías a los países que las demandan y volver a Colombia un país que compite a la par de las economías desarrolladas.

Por último, se logró identificar como el mercado colombiano se ha visto fuertemente afectado por los factores macroeconómicos como la disminución en la inversión extranjera, los altos niveles del déficit comercial de Colombia, el aumento de la tasa de desempleo, la devaluación del peso y a su vez el incremento de la tasa de cambio pero como también se ha beneficiado al comerciante nacional al igualar las condiciones de las mercancías nacionales con las extranjeras en términos de competitividad.

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Introduction

With the new presidency of U.S.A, a tariff war with the P.R.C has begun, because of the fear to lose the power. This war started with the excuse that P.R.C has a saturated internal trade of their products and the U.S local companies are threatened with the low cost products produced in China. Because of this, and to drop the worldwide deficit that U.S has right now, Trump decided to create barriers for the trade of goods that enter the U.S.A. The measures taken by Trump, have strongly affected third world countries with which these powerful countries currently have trade agreements, because those measures are harming their exports, increasing their imports, generating a deficit on the trade balance, and attacking directly their economic stability. It also affects the foreign investment worldwide because there's no certainty, so the investors have decide to transfer their funds to countries with more guarantees and that are more secure for their money, and this had increased the dollar's value, and devaluated others currencies, like it did with the Colombian.

This war between U.S.A and P.R.C, that's been happening for around two years just to show the world which one has more economic power, brings repercussions to the emerging markets, and have caused uncertainties, because we don't know which economic model is going to be employed, harming a lot of economies that don't get to adapt to the increasing goods entering to their countries, affecting their local trade situation by making it harder for local producers and sellers. We can also see how the globalization, even though is not happening in good terms and has strongly harmed the economy with the tariff increases, it has allowed the markets to grow more every time because of the free trade agreements, getting that their products are known in different places around the world, that although have been affected by the protectionist measures, it has forced to increase their costs in production so they can compete and avoid delaying the expected process to each emerging economy.

We could determine the effects of the tariff war between U.S.A and P.R.C, to the Colombian economy, describe the characteristics, the reasons, the causes and the evolution of the war, and also identify the sensitive points in trading matter.

To do this, we used diverse research methodology like the quantitative, when we analyzed the data and statistics of the Colombia's economic variables in the years before the war started. The other method was the descriptive method, which helped us to identify what dates were the most important ones, what changes were the ones that the war brought, not only for U.S.A and China, but the consequences of this to the Colombian economy

Concluding then that the attacks between U.S.A and China have slowed down both countries economy, also, that one of the reasons why this war triggered was the fear that U.S.A have on losing the first place as world potency, seeing itself very threatened by the 2030 China's plan, in which China increases even more its production and celebrates free trade agreements with a big part of the world, and with this, get its economy to evolve, turning in to the strongest worldwide. We also got to identify the products and economic sectors that have been more affected and benefited in Colombia, by the protectionist measures took by U.S.A. and China, of increasing the tariff to steel, aluminum, soy, motor vehicles, plastic, fruits, the agricultural sector, etc. And ultimately, the macroeconomic effect that Colombia has suffered through the transcending of the tariff war, highlighting big impact changes to the inflation, foreign direct investment, unemployment rate, trade balance, life cost, exchange rate and devaluation of the COP versus de USD.

This Project is divided in three sections; first the project formulation, in which was defined the state of the art, the problem statement, the general objective, the specific objectives, the theoretical, social/business, and personal justifications, the theoretical and conceptual framework, the methodological framework with its method and the research methodology and the scope; second the development of the investigation, in which we got to expand the specific objectives identifying the tariff war characteristic: reasons, motives, causes and evolution, the sensitive points of the aspects in Colombian commercial matter versus the tariff war between U.S.A and P.R.C and the effects of the tariff war to Colombian economy; and third the enunciation of the conclusions that this research generated, that was carried out in a way that the accomplishing of the objectives and some recommendations that were considered as relevant about the investigation result could be corroborated.

1. Project Formulation

1.1 State of the art

The work done by the teachers (Quiroga Obregon, 2019) of the Victoria's law school has as objective analyzing the repercussions to the Brazilian market that the tariff war between U.S.A and China has caused, this through an analytical method, which includes the study of international market and the variations that this problem between the two biggest economies in the world has caused.

Concluding that in Brazil, as an emerging economy, has been affected, because it was unconsciously included in the tax lists, harming its exchange rate increasing the price of many imported products.

The article written by (Rosales, 2019) from the Pontificia Universidad Católica de Chile is about the new globalization phase with the objective of showing by historical facts and possible scenarios what consequences would the tariff war bring to the rest of the world, showing the ambitious objectives that China has in a medium term, and the obstacles that the President of the U.S wants to put so China won't overcome U.S.A as the first world potency, all this with an analytical method in which gives numerous alternatives with different scenarios if the war continues happening.

In other side, the work done by (Brigitte, 2019) from Lima, which is about the construction of a global hegemony, in this case China over U.S.A, with the objective of show the reasons why China would be the principal global economy in a short time, overcoming its current biggest economic rival, work done by analyzing data and figures through a quantitative methodology.

As a principal conclusion we notice that the construction of China as hegemony, constituting a process leaded by its rules to the accomplishment of the final goal "The Chinese Dream".

Considering that neither of the countries wants to lose and doesn't want to be strongly affected by this factors, it generates a series of tariffs that not only prejudice the importer but also the exporter, and the consumer, because it attacks the prices, the workforce, the added value, etc.

It could be determined that the topic is very recent for the research, because some of the agreements that seek to stop the war are still taking place. There are some files and information from macro portfolio (Avila, 2009) where we can clearly see that in 1930, the U.S congress increased way too much the tariff to different products, which caused that other countries responded in the same way, causing high poverty and precariousness rates around the world.

The thesis for the master in economics by (Perez, 2018) from the Pontificia Universidad Católica de Chile has as objective to quantify the war between U.S.A and P.R.C effects on the added value market analyzing 40 economies, by performing simulations under the Leontief model, with the purpose of determine the tariff's effect on added value exports and the repercussions that this war would bring to the Netherlands.

It was concluded that the unmeasured increase of the tariff would cause a globular increase of prices on different products to protect the economies, and especially the Netherlands a wave of foreign goods that would enter to compete and end the internal market.

Mr. (Merino, 2019) from UNAM international relationships magazine, in its article titled "The commercial war and Latin America" under an observational study method seeks to analyze the impacts and dynamics of the commercial war in Latin America, observing the existing relationships between the Latin-American countries with U.S.A, the measures taken by the president Trump and the progress of relationships with China.

He gets to conclude that Latin America is a fundamental part to the new economy transition stage, if a pole of power that breaks the dependency to U.S.A and China could be consolidated, or if the decision of following the U.S protectionist model was taken to strengthen its plan of power, or in the other side following the China's expansionist model as a new commercial strategy.

In the article "Latin America in Trump's Era" the author of the magazine New Society 275th edition (Grabendorf, 2018) has as objective to analyze the way in which the politics that U.S president pretends to execute affect directly or indirectly the Latin-American countries' economies.

Concluding, South America has fragmented its relationships with U.S.A because of the discriminatory statements and the lack of diplomacy of president Trump when referring to the Latin- American countries. Besides, the South American politicians are focused on restructure its politics and internal markets, which have been affected by the uncertainty that this tariff war has generated.

In summary, this commercial war has strongly affected the existing relationships between Latin-American countries with U.S.A and China, however, there's still uncertainty on what will be the economic model to follow: the expansionist proposed by China, supporting the globalization processes that were taking place years ago or the protectionist politics that U.S government pretends to execute as a measure to support the local producers in each State.

As regards the authors previously quoted, protectionist measures have been taken in the markets that are currently affected by the war, but temporary, because generally these countries continue having conversations with China. This is why they agree on the fact that U.S.A has lost power and support from the Latin-American countries, not just because its new politics affect this regions on the diplomatic field, but also the commercial.

1.2 Problem Statement

At the beginning of 2017, according to the article by (Urgateche & Ocampo, 2018), the president, Donald Trump, starts a tariff war against China, pretending to lower the U.S worldwide deficit, and also because he fears losing the power that has as a the first world potency, this, by taking some measures that stop the fast economic growth that China is having; China has taken advantage of its purchasing power to invest in the steel industry and other raw material and takeover the American market, that's why that the measures taken by U.S are not only targeted to the Asian country, but to the third world countries with which currently China has free trade agreements, among those countries is Colombia, affecting strongly the economic stability by attacking the exports by increasing the entry fees to U.S.A.

In Colombia, the expectations aim that the country's economic situation is worse each time. Only the fact that in 2014 the economic statistics showed that the dollar price didn't reach or beat the COP \$2.000, and that only 5 years later is reaching and beating the COP \$3.500 shows a daunting panorama as we can identify at (Tradingeconomics.com, 2019), a market that is every time more packed with imported merchandise, since the results of the trade balance indicate that the exports of crude oil, agricultural products, drinks and other minerals have decrease 7.8% yearly, while the imports have increase 10.4% yearly and have caused an increase of the commercial deficit. (Commercial deficit 2018 US 385.8 Million FOB, Commercial deficit 2019 US1025.8 Million FOB).

The worrying thing about it is that Colombia is a country that can be highly affected by the macroeconomic factors, if the tendency of the market indicates that U.S.A is in a crisis, Colombia can immediately declare a crisis as well, as the trade balance indicates that Colombia depends on the imports that generates direct effects that impact the consumer prices and at the same time the local producers, since they must not only compete with new multinational companies with bigger production and supplying capacity but also have to increase the prices to their customers because they have to deal with more expensive supplies, the 26% of those purchases come from U.S.A that is Colombia's principal commercial partner.

Some commercial repercussions of the tariff war, according to (Eltiempo.com, 2019), have forced Colombia to take similar measures taken by the northern country to protect the local market; China's overproduction that will stop being imported to U.S.A will aim to markets with which already exists a free trade agreements, and in this case Colombia will be affected because its market would be filled with new competitors with lower prices and more capacity.

Considering that the steel producer countries currency has devaluated, the government has approved an additional 8.5% increase of the customs barriers as an antidumping measure to the supplies that come from China and Turkey, which derives from the highest fees imposed by U.S.A. The increase is also caused because some merchants were triangulating the steel with other countries of the region; however, Colombia will have another problem because U.S.A exported pork meat to China, and like this market is in trouble, Colombia has to divert the tons of meat to countries with which it has agreements, saturating the local market and causing losses to the Colombian pork and livestock sector.

On the other hand, Colombia has stopped receiving income that came from foreign direct investment, because these countries are taking their capital to countries with better warranties, so it has increased the price of the exchange rate and the market products have gotten more expensive considering the deficit on the trade balance.

With the study about the tariff war between U.S.A and China, it is expected to know the commercial repercussions that this war would bring to Colombia.

1.2.1 Research Question

What are going to be the sequels to Colombia in the face of the possible collateral effects of the tariff war between U.S.A and China?

1.3.Objectives

1.3.1. General Objectives

Determinate the effects of the tariff war between U.S.A and China to the Colombian economy

1.3.2. Specific Objectives

- Describe the tariff war characteristics: reasons, causes and evolution
- Identify the sensitive points of the aspects in Colombian commercial matter versus the tariff war between U.S.A and P.R.C
- Evaluate the tariff war effects to the Colombian Economy

1.4. Justification

1.4.1. Theoretical Justification

This research was done with the objective of finding the causes of for which the tariff war between China and U.S.A. started, based on the theory of globalization and deglobalization to get to spot the reasons of why Colombia has been strongly and frequently affected by the drastic tariff measures taken at the beginning by Donald Trump, by increasing the fees from 10% to 25% to the Chinese products valued in 200.000 million dollars, even though there have been many conversations where they could reach an agreement between these two countries to solve this problem, it hasn't been possible, and because of it the U.S president responded like that, affecting stock market causing loss of trust and a generalized drop of 0.4%.

Although for Colombia the repercussions have been minimal, it has been affected, because the prices are higher to the customers and the incomes are lower to the produces, since it's a country that is very attached to these two economies, to generate better income and keep an economic stability; Colombia could take advantage if this situation by increasing the exports to U.S.A to the markets to which the Chinese manufacture has stopped entering. However, will need tariff measures to the product that come to Colombia from China, as antidumping measure to avoid that big part of the good that China isn't exporting to U.S.A come to Colombian market, since China won't stop producing but will seek for new customers in countries with which it has agreements.

1.4.2. Social/Business Justification

We pretend to show in a detailed way how's Colombian society being affected and benefited and at the same time the companies, spot the researchers on this subject, because when the big economies have dropped the other dependent countries suffer downturns on their markets, so it's really important to see on what factors the society has been strongly affected noticing that most of the high trade products have increased their prices cause of the devaluation of the Colombian peso versus the American dollar, because the trade

balance shows a deficit, which means that more products come in than how much come out.

It is also a matter of local producers as it could benefit them because of the high income of products of the same quality could have an increase in cost due to the protectionist barriers that have been taken worldwide; benefiting the exporter and discouraging the importer, to give a break to the trade balance and thus generate a boost to the economy as long as governments know how to take advantage of the China-US tariff war.

1.4.3. Personal Justification

This project is done in order to broaden the knowledge in commercial and economic matters about the impact that the commercial war between the U.S and China would have on Colombia, creating criterion and opinion for the different points of view that this topic of debate can bring, and thus, with this research, achieve the culmination of our professional studies in international business and personal interests.

1.5. Framework

1.5.1. Theoretical Framework

- **Globalization Theory:** by (Giovanny, 2019). Over the years, humanity has changed the way it interacts, thanks to the reach of new technologies, communication between populations has become common, that is why governments have implemented different commercial strategies that aim to the ease of exchange between nations, reducing tariff, para-tariff and physical barriers to the circulation of goods and people between countries. In addition to that, the developed countries governments take advantage of the fact that the scope of technologies also influences underdeveloped economies, so cooperativism is implemented between nations of equal conditions to contribute to the growth of trade. However, countries with higher production rates tend to flood third world markets and strongly affect the economies and specifically the local market of each of these.
- **Deglobalization Theory:** this theory refers to a process for protection of the economies in which according to (Rahme, 2007) trade barriers are imposed for the goods, services and capital markets to increase the prices of foreign commercial competitions and this way protect the local market. The U.S is in a process of neo-protectionism to prevent the drop of its economy and be intrigued in the declining trend of NATO, which was before called G7 and the emergence of the BRICS. At the same time, all the dependent economies on the two economic giants (U.S.A and China) are in recession due to the decisions that have been made in the tariff war, so the process of globalization serves as a protection measure to recover economies and reorganize international trade structures.
- **Capitalism:** in an article published by (Sevilla, 2016) this theory shows that companies must be private and the state must behave as a regulatory entity, which encourages competition and avoids bad business practices between companies and sectors. The population of these types of economies must perform different

functions that allow them generate a reward in exchange of goods or services offered and in this way manage to produce wealth to meet day-to-day needs.

- Protectionism: according to (Bonilla & Cueva, 2014) its principal characteristic is the protection of national production and local companies, to face the threat of the entry of goods and services from abroad
- Isolationism: according to (Borja, 2018) it is the internal management of the countries. This management occurs in the political trend that defends the isolation of a country and its non-intervention in problems of an international matter.
- Autarchy: according to (Galan, 2017) it refers to a closed economy, when a country or region doesn't export goods and services they have to self-supply with the production that is done locally saving themselves from foreign competition, generating an independence in terms of political and socioeconomic issues, being the central government responsible for regulating all the natural resources that are in the country.
- Free market: the free market is, according to (Roldan, 2017) that the markets are not regulated by any entity, that the bidder is the one who decides what price, how much and to whom it will sell, what produces, as consumers are who decide who to buy and how to buy them so that there is no price limit and thus reduce corruption in governments.
- Socialism: socialism according to (Galan, 2017) this model is based on the means of production and distribution being collective, this seeks a social good for the environment, and at the same time planning that the only manager is the state to eliminate all kinds of inequality between people, creating with this, a fair and supportive society.

1.5.2. Conceptual Framework

- Economic giants: This concept extracted from (Ampudia, 2015) refers to the two strongest economic powers currently being the United States and China
- National market: It refers, by (Economia48.com), to the goods, services and capital produced in the national territory, that is: the land, sea and air surface over which a country exercises its hegemony.
- International market: As indicated by (Economiaes.com), it refers to the commercial activities of goods, services and capital carried out between public or private companies that are located each in different countries.
- Company: Basically, a company according to (Galan, 2015)) is the structuring of resources and people looking for an economic benefit, thus achieving the objectives proposed by each entrepreneur, differentiating itself by its variety of sectors. In the socialist field the company is a public property and in the capitalist field it is private property.
- State: Explained by (Roldan P. N., 2017), it is when a certain geographical area has an administrative and sovereign power, the state is responsible for managing all public matters, counting on a differentiation of powers such as the legislative one, the executive and the commercial.
- Tariff barriers: According to (Sevilla, 2016) these barriers were created to avoid that local markets of each country were not strongly affected by the foreign market, imposing tariffs on goods for both importation and exportation.
- Para-tariff measures: As indicated at (Aduanas.gub.uy), these seeks to limit the entry of certain foreign goods and services that integrate strongly with national production, forming a protection without the need to impose tariffs. As are the customs surcharges, additional levies, internal levies and customs capacity in administrative prices.

1.6. Methodologic Framework

1.6.1. Research method

This research project is done under a qualitative approach in which information is collected from magazines, newspapers, interviews, and books that explain how the tariff war between the US and China arose, what has been its historical transcend, who, and how they are being affected and the different proposals of economy experts located around the world.

At the same time, the type of research study is applied because we take the theories that support the reasons that motivate the importance of this tariff war; As is the globalization that is based on an economic model of free trade, in which the economies cooperate with each other to generate a reduction of barriers that allow agility and aim to an evolution in the way in which the different countries negotiate. On the other hand, the deglobalization theory that proposes the implementation of tariff barriers that help economies protect their internal market, by imposing a tax burden on goods, services and assets that enter the country, making it more expensive in the local market.

Because the level of depth of this research is descriptive since it is intended to detail how Colombia can overcome the side effects that come from the tariff and para-tariff measures taken by the two economic giants; that directly affect underdeveloped countries and that do not have solid basis to stand up to crises.

1.6.2. Research Methodology

The recollection of information for this research is based on qualitative techniques, which describe the how, when and why of the tariff war between U.S.A China, and at the same time the repercussions it will have on Colombia; It is based on secondary research sources because all the information is collected from theories, books, research journals and the press in order to provide a critical and purposeful opinion to this research topic that is an international interest.

- Bias control

This research project is based on reliable information, since all the information was collected in verifiable research sources such as economic zone, economipedia, encyclopedia of politics, among many other sources since they were really focused on explaining what are the reasons of the tariff trade war that began between the two great powers, which has been affecting a minority of countries; since the economies that depended strictly on these two countries are affected by the barriers that have been implemented and that have caused the markets to get in crisis by raising the tariffs 15% more considering that it was preciously on 10%, getting then a 25% tariff, so they are strongly affected in all areas and sectors, both for imports and exports.

Making sure that what is written in this document is true avoiding unreliable sources of information such as BBC, where it is said that one of the main countries benefited from this war was supposedly Vietnam since these two great powers directly benefited from cheap labor in this country, allowing then, the increase of direct foreign investment from China in Vietnam, causing the US to strongly sanction this country as the Chinese resident businessmen are taking their products to this place to market them from there and so that there won't be strong barriers in their exported products.

Knowing that the commercial war that was generated between U.S and China was mainly caused for the commercialization of certain products without certain barriers, which made Trump take drastic measures and put tariffs on most imported merchandise, to protecting U.S economy from a commercial downturn against his rival China.

1.7.Scope

This research is done between March 22, 2018, date on which President Trump imposed tariff measures on products worth US \$ 34 million, to November, stipulated date for the completion of this research project. This research is aimed to answer what are the causes of physical, social and political events and phenomena caused by the commercial war between China and the US for being the main world powers that are in tariff disagreements.

In addition, 3 demographic spaces will be analyzed: United States of America, the People's Republic of China and the Republic of Colombia, in order to identify the level of impact

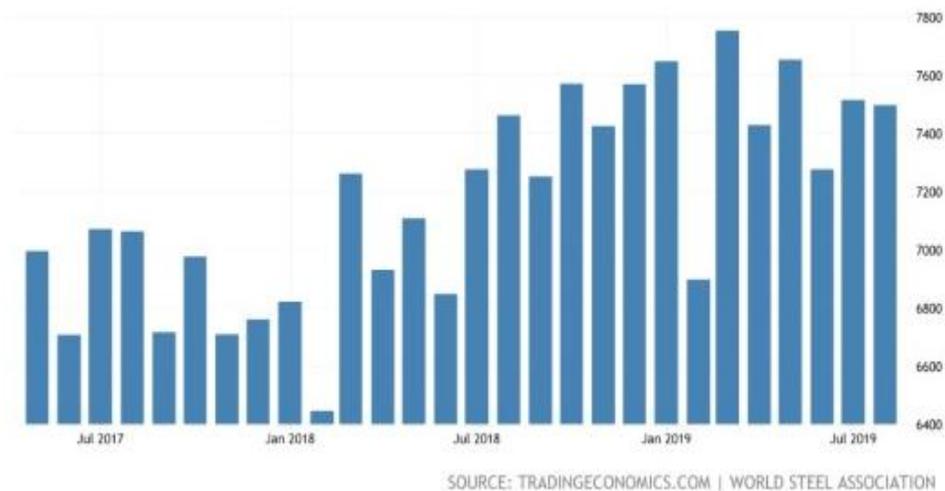
generated by an ongoing commercial war between the two economic giants in the Colombian economy.

2. Research Development

2.1. Tariff War Characteristic: reasons, causes and evolution

The commercial war between the United States (USA) and the People's Republic of China (PRC) according to an article by (Baker, 2017), begins on January 23th, 2017, when President Donald Trump signs the withdrawal of his country from the Commercial Treaty of Pacific arguing that he wants to protect the employment of the national worker, since there are many foreign companies manufacturing their products in their local market and also manufacture products of American companies, products that are then exported to the US, which affects the employment of North Americans. Due to alleged unfair commercial practices by R.P.C, on March 8th, 2018, The US announces the increase in import tariffs on March 23th, imposing a 10% tariff on aluminum and 25% additional on steel, and on March 22nd, U.S announces the imposition of levies for 60,000 million dollars to RPC with the objective of reducing on 25% the trade deficit with Beijing.

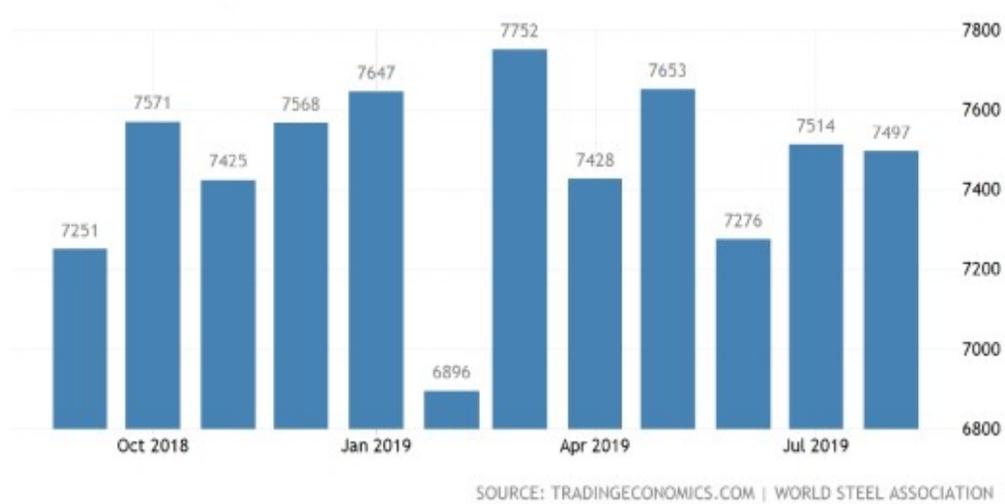
Based on the foregoing, in graph number 1, we can identify the variation in steel production in the United States in the course of the commercial war.



Graph 1 Steel production in U.S.A. 2017-2019

Source: (Es.tradingeconomics.com, 2019)

However, thanks to the actions taken by President Donald Trump, in Figure 2, there is a considerable increase in the production of steel in his country, reviving this industry.



Graph1 U.S.A steel production increase 2018-2019

Source: (Es.tradingeconomics.com, 2019)

On April 4th, 2018 according to (Fontdegloria, 2019) R.P.C counterattacks, announcing tariff sanctions of 25% to a total of 106 products imported from the U.S.A, including soybeans, cars and airplanes, worth 50,000 million dollars increasing this tariff war more and more. On June 2nd of the same year R.P.C and U.S.A begin a round to try to curb and appease the damage they were causing, but with little success in the negotiations, on June 15th, Donald Trump gives his approval to impose new tariffs worth 50,000 million dollars to Chinese products as evidenced in Illustration 1.

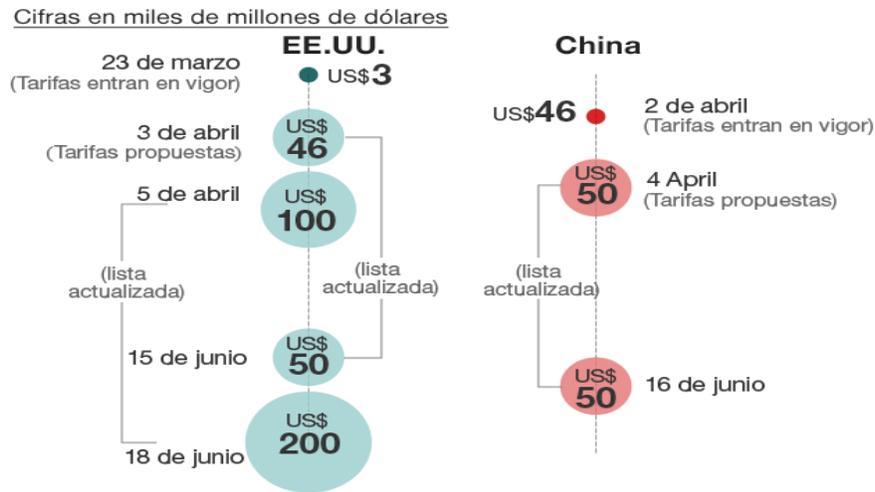


Illustration 1 Historical increase in tariffs between the US UU and R.P.C

Source: Peterson institute for international economics BBC

According to an article published by (EFEPEkin, 2018) on July 6th, 2018, the US imposed an increase in levies on imports of P.R.C products such as automobiles, hard drives, and aircraft components worth \$34 billion, to which RPC responded in the same way with an increase in tariffs on agricultural products, vehicles, and sea products, trying to overturn the North American government and leading it to quick negotiations. On the contrary, on July 11th of that same year President Donald Trump imposed new 10% levies on products imported from the PRC worth \$200,000 million, as can be seen in the Illustration 2.

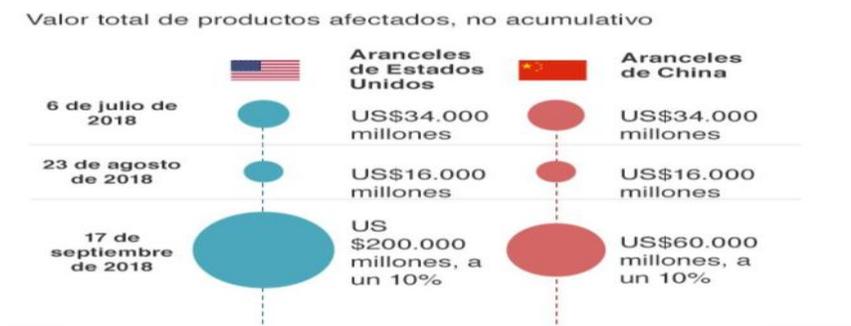
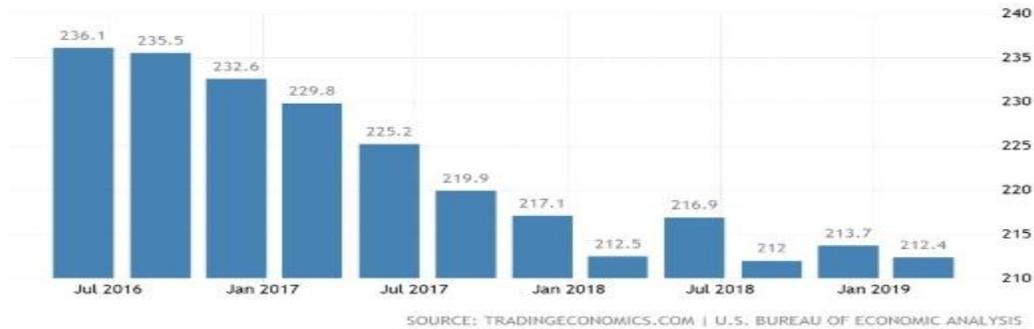


Illustration 2 Tariff War Intensity

Source: Peterson institute for international economics BBC

On July 25th according to (Barria, 2019) U.S.A approves a package of aid for its farmers worth 16,000 million dollars since they were very affected with the tariffs that RPC imposed on agricultural products; this aid was a transfer of money charged to the people and companies that mattered Chinese goods, also U.S GDP has not been pushed by the contributions of the agricultural sector as seen in Graph 3, because since 2017 the GDP decreased for that item with an even larger decrease in 2018 and 2019 in the middle of the commercial war between these countries .

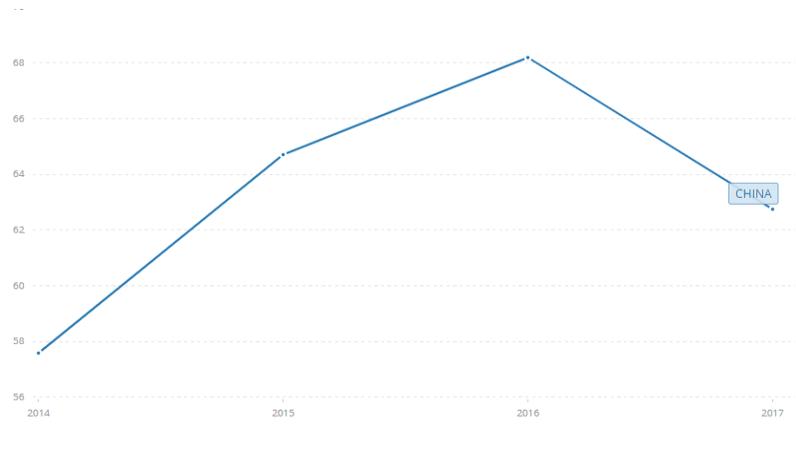


Graph 2 U.S.A agricultural production 2016-2019.

Source: (Tradingeconomics.com/EE.UU, 2019)

According to a newspaper report from (Eldinero.com, 2018) , on August 8th, 2018 R.P.C imposes 25% tariffs on a new selection of US products, valued in US \$ 16,000 million, proposed by the RPC customs commission and endorsed by companies, government agencies and industrial associations in order to protect the interests of local companies and consumers, including energy businesses , manufacturers of plastic and metal and agriculture or textiles; in order to discourage the entry of such products into the country so that competition decreases and local producers have options in the local market.

The graph 4 shows that imports of products manufactured in R.P.C were growing by approximately 4 percentage points annually, however, during the course of the commercial war, imports of this type of products have decreased by approximately 6%.

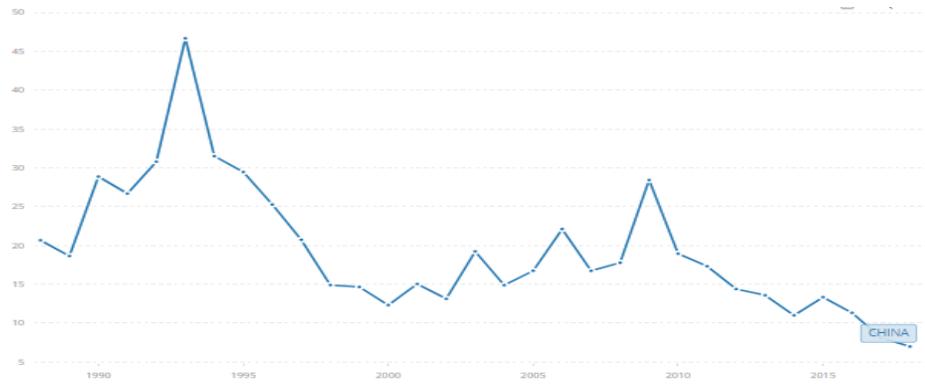


Graph 3 Import history of products manufactured in P.R.C

Source: (Datosbancomundial.org, 2017)

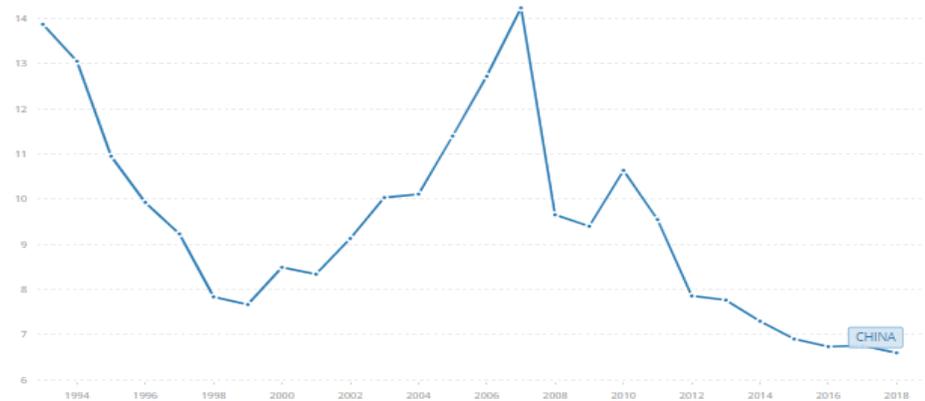
On August 27th as indicated by (AFP, 2018) P.R.C reports the U.S to the WTO because of the tariffs imposed on its products in order to defend their legitimate rights and interests, considering that before the G20 summit in June 2018, the leaders of both countries had reached an agreement to reactivate the negotiations as a truce and that only two months later the US leader would be reversing it by imposing again 10% tariffs on goods that represent 300,000 million dollars in imports from the P.R.C

On September 24th according to (Sputnik, 2018) U.S.A imposes again 10% taxes on more than 5500 products of R.P.C worth 200,000 million dollars including bags, clothes and rice. All this has had direct effects on the CPR economy that in the last period of 2018 and at the beginning of 2019 as shown in Graphs 5 and 6 has slowed down, even in more than (20 years) it showed the lowest growth of the history.



Graph 4 China's monetary mass growth in the last 30 years

Source: (Datosbancomundial.org, 2019)

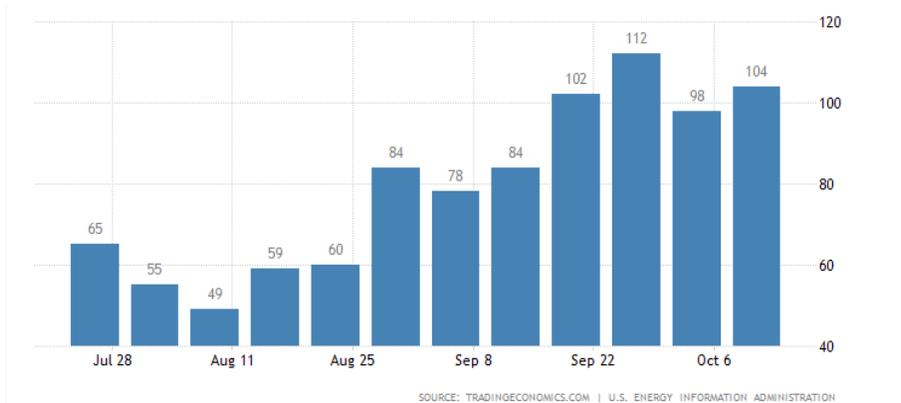


Graph 5 China's GDP evolution in the last 25 years

Source: (Datosbancomundial.org, 2017)

Reason why according to an article by (Roca, 19), P.R.C responds with tariffs worth 60,000 million dollars on liquefied natural gas in the U.S.A. In addition to taxing a total of 5.140 US products with a tax of 15.20% and up to 25% as a countermeasure to the protectionist measures imposed by President Donald Trump. This caused the supply of liquefied gas from the USA to increase towards other markets and prices will fall, considering that the production capacity of this country is more accelerated than the consumption capacity of LNG receiving countries.

Graph 7 shows the increase in LNG production in the U.S and in Graph 8 the historical price of it.



Graph 6 Increase of LNG production in U.S.A

Source: (Tradingeconomics.com, 2018)



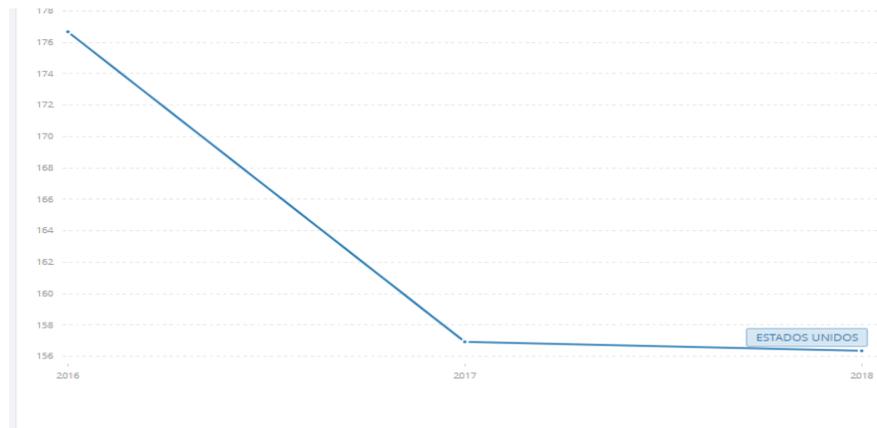
Graph 7 LNG price history.

Source: (Tradingeconomics.com, tradingeconomics.com, 2019)

Seeking to protect the U.S technological leadership, on November 19th, 2018, the commerce department and the national government of this country published the exports

control list, exports proposed for sensitive technologies also known as dual-use technologies that are defined as those products, technologies and services that can address and serve the needs of the civil and military fields; among them, those necessary for the development of artificial intelligence and computer security, in order to prevent the theft of intellectual property by China and also to prevent them from having a negative impact on the US leadership in science, technological, industrial and engineering fields, as indicated in an article, (Eltiempo.com, 2018) according to the official White House statement.

Graph 9 shows how exports of technologies in the US fell drastically in the meanwhile of the commercial war.



Graph 8 U.S.A Technological Exports 2016-2018

Source: (Datos.bancomundial.org, 2018)

As described by (Herman, 2018), on December 2nd, 2018 after the G20 summit where presidents, Donald Trump and Xi Jinping, met. U.S.A and R.P.C agree a temporary truce for 90 days (until March 1st) in which the U.S is committed to keep tariffs on Chinese products worth 200,000 million dollars at a rate of 10% and not 25%, and P.R.C will agree to buy a significant amount of agricultural, energy, industrial products in addition to other US products that help reduce the impact and trade imbalance that has been generated in the course of this war, while working to reach a trade agreement. So on February 25th, 2019 before the progress in the trade negotiations, Donald Trump decides to postpone the imposition of the levies against Chinese products worth 200,000 million dollars that were

to enter into force on March 2nd, announcing on his Twitter account (Illustration3) that conversations with the P.R.C government had advanced in technology, agriculture, services, among others. What caused that the industrial and technological actions in Wall Street showed an important increase in those days, since, according to preliminary closing figures, the Dow Jones Industrial Average gained 175.82 points, or 0.7%, to 25,239.71 units, while the S&P 500 advanced 18.33 points, or 0.68%, to 2,724.86 units and the Nasdaq Composite rose 83.67 points, or 1.15%, to 7,347.54 units.

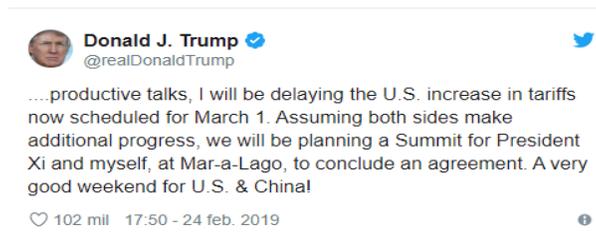


Illustration3 3 Postponement announce of the imposition of tariffs on China from Donald Trump's official Twitter account

Source: (El.pais.com, 2019)

On March 2018, according to an article published by (Briceño, 2019)) the truce between China and the U.S ended. The US imposes tariffs on aluminum and steel, because according to Donald Trump it is a security measure for U.S economy since imports from P.R.C are 21% and those from U.S.A to China are only 8.45%, which doesn't strongly affect the Chinese economy for this increase. On May 10th, The US increases tariffs for Chinese imports on more than 5,000 products from 10% to 25%; on May 15th the US president, declares a national emergency to prohibit companies in the country from using telecommunications equipment manufactured by companies that allegedly try to spy on their nation, which affects the businesses of Chinese firms such as Huawei; on May 16th R.P.C requires the U.S to end its tactics against Huawei; on May 20th the United States imposes on the main technology companies in the U.S, including Google, to stop selling components and software to Huawei but on May 21st Huawei denies that this measure affects their 4G technology and will not affect their product; on May 30th the two economies through the G-20 meeting in Osaka, decide to pause their war without imposing

new tariffs, and on July 9th it was allowed to the P.R.C to sell its Huawei products in U.S.A country without any problem and retaking its commercial relations. A little later, on August 2nd U.S.A decides to impose new sanctions and end the truce by increasing 10% to imports that are valued at 300,000 million dollars; with this, on August 5th the P.R.C decides to lower the Yuan causing all stock exchanges in the world to fall.

On Table 1, can be identified the quantity of products affected by U.S.A and P.R.C for the imposition of new taxes and the tariff percentage that was determined for each nation, strongly affecting the common economies by making bad decisions and at the same time beating emerging and underdeveloped economies, imposing tariffs on agricultural products, food , oil, plastics, chemicals, soybeans, beef and pork, different types of fish, dozens of fruits, cars, hybrid electric vehicles and SUVs, as well as caviar, whiskey, Orange juice and Harley Davidson motorcycles, among others.

País	Entrada en vigor	Productos afectados	Arancel				Valor
EEUU	23 de marzo de 2018	2	25%				*
China	2 de abril de 2018	128	25%				\$3 mil millones
EEUU	6 de julio de 2018	818	25%				\$34 mil millones
China	6 de julio de 2018	545	25%				\$34 mil millones
EEUU	23 de agosto de 2018	279	25%				\$16 mil millones
China	23 de agosto de 2018	333	25%				\$16 mil millones
EEUU	24 de septiembre de 2018	5745	10% **				\$200 mil millones
China	24 de septiembre de 2018	5207	25%	20%	10%	5%	\$60 mil millones

Table1 Tariff Rate history to U.S.A and China

Source: (Oscar Urgateche, 2018)

In summary, a war is launched by U.S president’s ego, to persevere the power of his country blaming other countries on the US economic crisis and its biggest commercial rival P.R.C, pointing them as unfair, invaders and spies to justify the unusual breakdown of some commercial treaties and the indiscriminate increase in 50% of products provided by P.R.C, causing not only a slowdown the US economy but also in P.R.C economy, where the most affected are the producers, sellers and consumers of steel, soy, cars, airplanes, hard drives, agricultural products, sea products, energy businesses, plastic and metal manufacturers, textiles, LNG, technologies and services that can address and please the

needs of civil and military ties, telecommunications equipment, oil, plastics, chemicals, beef and pork, various types of fish, dozens of fruits, cars, hybrid electric vehicles, SUVs, some liquors and some motorcycles.

It is evident how prices have been increasing for products that month by month are strongly affected by the increase in tariffs implemented by U.S and P.R.C that have led to a commercial war that begins with two products on March 23rd and by September 24th a total of 5,207 taxed.

Therefore, it was possible to identify how in the last two years the increase in tariffs between these two countries, starting with the USA with its protectionist model trying to protect the economy against the threat of the entry of goods, goods and/or services from foreign countries that have unfair competition practices as indicated (Bonilla, 2014) with national companies that would be strongly affected; imposing barriers to trade as indicated in the deglobalization theory presented by (Jalife–Rahme, 2008) and also identify that the prices of products that come from countries with which U.S currently have treaties have increased and P.R.C has been the main affected by the increase by approximately 75% for 2017 and 135% for 2018 compared to the tariffs that were handled before starting this trade war

On the other hand, P.R.C says that all that has done is defend his economy with measures that have increased tariffs on products that come from the United States to approximately 55% for 2017 and 100% for 2018, which has allowed it to protect itself from the entry of goods from the U.S, however, continues to refer to a globalization model as explained by (Reyes, 2013) that points to the ease of exchange with the other countries with which it has treaties reducing tariff barriers and promoting the free trade. This allows a free market in which foreign and local companies decide who to do business with, who to sell to, and at what price, and counteract the effects of the decline in exports that were previously made from the United States

Figure 10 shows the increase in rates in 2017 and 2018 between these two commercial giants as indicated above.



Graph 9 Tariff Increase to U.S.A and P.R.C 2017-2018

Source: (Oscar Urgateche, 2018)

2.2.Sensitive points of the aspects in Colombian commercial matter versus the tariff war between U.S.A and P.R.C.

The tariff war between the two economic giants has brought indirect repercussions for the emerging economies with which they currently have trade agreements, including Colombia, which has also been affected in good terms by having an opportunity to export the goods to sectors that are being left short of by the increase of tariffs between EE. UU and P.R.C and in bad terms to see increased foreign competition that bring their products to Colombia at prices much lower than the local market.

To the Colombia's Minister of Commerce, Industry and Tourism, the benefits that the trade war has brought to merchants are already showing, since the prices of raw materials have dropped, the total tariffs that the US has imposed on P.R.C, Colombia produces and can export to this country approximately 740 items and that some could increase its sales.

One of the sectors that has been most affected is the pig farmers' guild, which, as indicated on (Contextoganadero.com, 2019) although there have been benefits due to the increase in the consumption of pork in the Colombian territory, it has also had to compete with pork from the USA that stopped being exported to P.R.C because of the 10% tariff increase, so that in 2017 Colombia received approximately 70,000 tons of pork from the USA. and 2018 increased to 98,000 tons which, although is less than expected, meant an increase of 30% in a single year (Graph 11); However, pig farmers in Colombia do not see this as a threat, but as a challenge to bring their products to equal conditions to the ones from the U.S, that allows them to become more competitive both in the local and international market, supported by Agriculture and Commerce Ministry, and Industry and Tourism Ministry, with the goal of bringing Colombian products to China, taking advantage of the shortage of this product in that country.



Graph 10 Pork Meat imports to Colombia 2017-2018

Source: (Miporkcolombia.co, 2019)

On the other hand, the Colombian fishing sector has had a different fate, since it has benefited from this commercial war as it can be seen in (Portafolio.co, 2019) that the products to which China has applied tariffs to the U.S, Colombian exporters have increased their exports, a clear sample is that the tilapia export increased by almost 34% in 2018, positioning this sector as the first exporter to the US. In addition, according to (Rcnradio.com, 2019) there was also a 114% increase in trout fillet exports compared to the sales on 2017, as shown in Table 2.

Código del producto	Descripción del producto	Colombia exporta hacia Estados Unidos de América		
		Valor en 2016	Valor en 2017	Valor en 2018
0304	Filetes y demás carne de pescado, incl. picada, frescos, refrigerados o congelados	41.585	40.987	52.853
0302	Pescado comestible, fresco o refrigerado (exc. filetes y demás carne de pescado de la partida 0304)	3.555	7.902	12.030

Table 1 Fishery Exports from Colombia to U.S.A 2018

Source: (Trademap.org, 2018)

The agricultural sector, which is as important for the Colombian economy as for the international economy, has had a considerable increase in exports since this war began as can be seen in (Tradingeconomics.com, 2019) reaching a historical maximum of production National never seen before of 13.901.76 COP Billion in the first quarter of 2019.

On agricultural sector, according to an article published by (Dinero.com, 2019) interesting opportunities are opening up, as it is in the case of chemically pure sucrose (sugar), in which imports to the US on 2018 reached US \$ 470.4 million; Colombia participated with 11.5% and has a chance of earning the 0.5% that China represented. Also, there's the yam, of which 12.9% of the market belongs to Colombia and 3.1% to China. Roasted coffee that is a different line of coffee has gone from selling in 2018 US\$4.7 million between January and May to US \$ 16.9 million in the same period of 2019 with an increase of 261%, the same scenario is seen for the avocado hash, a fruit desired by the main countries of the world especially US, with an increase of 1.42% at the beginning of the year, called to be in a few years the main Colombian export product with sales of US \$ 452,880.

Because Colombia is the third largest fruit provider for the USA, in more than 30 products as it is possible to check at (Procolombia.co, 2017) , it is noted that the sector is strong in the businesses of banana and Tahiti lemon, considering that the exports of these fruits according to the USITC, were US \$ 36.9 million and US \$ 3.6 million respectively, since the Tahiti lemon is produced and marketed perfectly on the east coast of Colombia and has taken care of low that is seen in the harvest of Mexico, with which has been possible to supply the US market by increasing fruit exports as shown in Table 3, generating better revenues and making the national market known by taking advantage of large exports to make its market increase and have better recognition, as has also been achieved the positioning of the banana since they are not affected by the seasons and can be supplied between January and September without any problem, generating greater confidence with the products when delivering at good quality and just in time.

Año	Descripción	Fob dólares	Fob Pesos	Peso Neto Kilos
2015	Producción especializada de frutas, nueces, plantas bebestibles y especias	127,387,534	351,903,835,430	57,485,086
2016	Producción especializada de frutas, nueces, plantas bebestibles y especias	152,096,073	465,735,553,031	78,152,154
2017	Producción especializada de frutas, nueces, plantas bebestibles y especias	184,785,962	545,806,401,477	110,660,329
2018	Producción especializada de frutas, nueces, plantas bebestibles y especias	208,573,879	610,662,625,541	106,408,426

Table 2 Fruit Exports from Colombia 2015-2018

Source: (Dnp.gov.co, 2018)

However, the soy market around the world has been in crisis after the commercial vacuum that has left the imposition of tariffs by China to the US, as a protectionist measure in the middle of the commercial war that these two economic giants have been having among themselves and that according to an article by (Rodriguez, 2019) the stagnant inventory in the US has increased, because this market lost the main customer of this cereal (China), who used to buy around 30 million tons per year; Also, the prices have decreased worldwide due to the increase in supply.

In this scenario, the Colombian market has gotten again the increases on imports by 21% of soybeans from the U.S.A in a single year; but according to Jorge Alberto Quintero Serrano, President National Federation of Poultry Farmers’ board of directors (FENAVI), they have been benefited with the price of this product since it is a raw material of vital importance for the poultry market. Table 4 shows the increase in imports of the cereal production industry.

Año	Descripción CIU Rev. 3	CIF dólares	CIF pesos	FOB dólares	Peso Neto Kilos
2015	Producción especializada de cereales y oleaginosas	1,767,450,986	4,742,846,204,650	1,613,566,037	7,379,420,005
2016	Producción especializada de cereales y oleaginosas	1,678,464,690	5,103,381,972,564	1,549,873,376	7,628,223,550
2017	Producción especializada de cereales y oleaginosas	1,704,374,203	5,018,497,402,708	1,557,949,065	7,742,674,711
2018	Producción especializada de cereales y oleaginosas	1,909,123,678	5,597,353,116,034	1,719,193,218	8,297,163,952

Table 3 Cereal Industry Imports

Source: (Dnp.gov.co, 2018)

However, as can be noticed in an article from (EFE, 2019) on September 17th, 2019, the Chinese government has decided to eliminate tariffs on 16 products, including soybeans in an attempt to reduce trade tensions between the two powers, as truce dated September 2020 with the interest of favoring the national companies that previously bought the raw material in the USA. This measure is intended to reactivate the previously existing negotiations and gradually leave behind the tariff impositions that occurred over time between the two nations.

The steel and aluminum sector are also one of the markets that have been affected in the course of this tariff war as indicated (Analdex.org, 2018) since the main Colombia's trading partner (USA) decided to go up tariffs on steel in 28 countries when charging rates of 25% for supplies imports, and 10% for aluminum, affecting the Colombian market that has had to compete with the steel and aluminum that enters from China at very low costs, considering that according to (Dinero.com, 2019)) this market is subsidized by the government allowing them to lead a competition qualified as unfair in emerging markets with which it currently has and negotiates free trade agreements

The president of the Latin American Steel Association (ALACERO) has said that tariff and para-tariff reforms are needed as anti-dumping measures to stop the invasion of the market by this Chinese product, since China's steel exports to Latin America reached US \$ 47,468 million only in 2018 after the imposition of the US tax, which means an increase of 17% in a single year represented in 6.8 MT of steel imports between cars and commercial vehicles that contributed 1.2MT, which in terms of dollars are US \$ 9,098 million, the machines with 42,000 tons per trade worth US \$ 6564 million and machines and equipment with 532,000 tons worth US \$ 5,763 million.

Due this, as indicated at (Portafolio.co, 2018) the Colombia's Commerce, Industry and Tourism Ministry , through Resolution 211 of 2018 of August 24th, decided to increase the tariff on steel and alloyed or unalloyed iron that come from China, considering that the price of the imported product that had a 34.9% growth was reaching a value of US \$ 430

per ton, while the value of the local one is US \$ 541 per ton, which generates a significant decrease of national product sales for these unfair practices.

Table 5 shows the increase in imports of the basic iron and steel industry in Colombia.

Año	Descripción CIU Rev. 3	CIF dólares	CIF pesos	FOB dólares	Peso Neto Kilos
2015	Industrias básicas de hierro y de acero	1,975,075,645	5,308,105,634,874	1,834,826,920	3,158,243,177
2016	Industrias básicas de hierro y de acero	1,464,998,971	4,467,504,193,300	1,361,880,802	2,891,780,036
2017	Industrias básicas de hierro y de acero	1,656,433,254	4,889,019,225,672	1,555,844,223	3,265,354,414
2018	Industrias básicas de hierro y de acero	2,273,760,376	6,680,371,115,361	2,142,813,828	3,041,732,749

Table 4 Iron and Steel imports in Colombia 2015-2018

Source. (Dnp.gov.co, 2018)

However, not all steel products have been affected, a clear example of this are the pipe fittings (elbows, bends, sleeves, threaded) of foundry metals such as iron and steel that had an increase in sales going on In 2017, exporting US \$ 17.3 million to US \$ 39.1 million in 2018, generating an increase of 126% in just 1 year.

Due to the pressure that was generated through the tariff war, the WTO predict a global slowdown for this third quarter of the year but benefiting Colombia's local market of as indicated on an article by (Larepublica.co, 2019), which highlights exports to the US, have been increasing in terms of plastic based product, such as capsules and caps by approximately US \$ 9.6 million between January and June 2018 to US \$ 10.8 million in the same period of 2019 , that means an increase of 12.1%. In addition, Colombia participates in the sale of polypropylene, a plastic that is used for the manufacture of construction pieces or other products, making it go from exporting in US \$ 12.7 million on 2018 to US \$ 36.1 million in 2019, which represents an increase of 126% demonstrating that unlike what it could be, this war has not affected the plastics sector and actually has benefited this sector, generating a greater income for the country in the course of the commercial war as shown in Table 6.

Año	Descripción	Fob dólares	Fob Pesos	Peso Neto Kilos
2015	Fabricación de formas básicas de plástico	323,526,345	890,051,278,568	85,564,528
2016	Fabricación de formas básicas de plástico	287,823,908	876,288,010,113	77,501,991
2017	Fabricación de formas básicas de plástico	275,967,017	814,540,553,761	74,580,599
2018	Fabricación de formas básicas de plástico	319,812,809	945,928,986,888	84,938,481

Table 5 Plastic Exports in Colombia 2015-2018

Source: (Dnp.gov.co, 2018)

Besides aforementioned sectors that have been affected or benefited, there are also sectors with opportunities that Colombia could take advantage of, as stated by ANALDEX President, Javier Díaz, according to an article by (Perez, 2019), as the floricultural sector that got to increase exports by 8% compared to 2018, tempered safety glass that is now taxed with U.S. tariffs to China and that represented 75.3% of the income of this product to the USA, the sector of chemical products and motor vehicles with a prediction of sales close to US \$ 200,000, machinery close to US \$ 360,000, office products, furniture and furniture, electrical machinery or computer equipment, although in a smaller amount.

Based on this, can be concluded that although Colombia has been strongly affected by the wave of products coming from the U.S.A and China, can still take advantage of the list of 740 tariff items that enter the levy imposed by the United States on China and that could benefit Colombia's external sales, as long as the state, companies and the labor force join forces to produce what is demanded by the foreign market, generating a plus to the free market and returning to Colombia a country that competes to the extent of developed economies.

2.3 Tariff war effects on Colombian Economy

The main problem that this trade war has brought for Colombia is the variation in exchange rates, as indicated at (Misfinanzasparainvertir.com, 2019), that fear of risk and negative impact on emerging markets, generates risk assets such as the currency fluctuating, discouraging foreign investment, generating foreign companies to leave the country and the most affected are the local companies in which they have shares or contribute capital, since the foreign companies will look for companies in countries where they can invest in safe assets and with a more stable and less devalued currency than the Colombian ; In other words, the peso moves today more at the pace of the international situation than of the local events as it happened in the first days of August of 2019, that according to an article published by (Semana.com, 2019), the decision made by the president of China, to devalue its currency (yuan), immediately devalued the Colombian currency as never before, reaching a historical price of COP 3,500.

Another reason according to (Semana.com, 2019) is because the price of oil, which previously gave a kind of armor, has also weakened because of lower global demand, for that reason, the depreciation of the peso will continue to the way that the global economy moves and that makes investors seek shelter in the dollar.

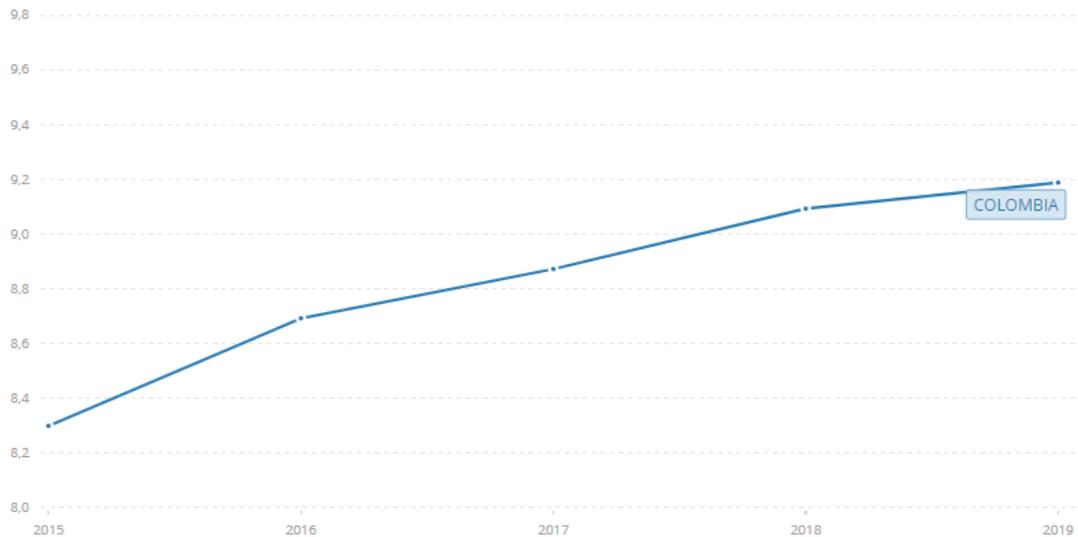
Therefore, in Graph 12 is possible to appreciate how during the commercial war the Colombian peso has been devalued.



Graph 11 COP vs USD behavior 2008-2019

Source: (Tradingeconomics.com, es.tradingeconomics.com, 2019)

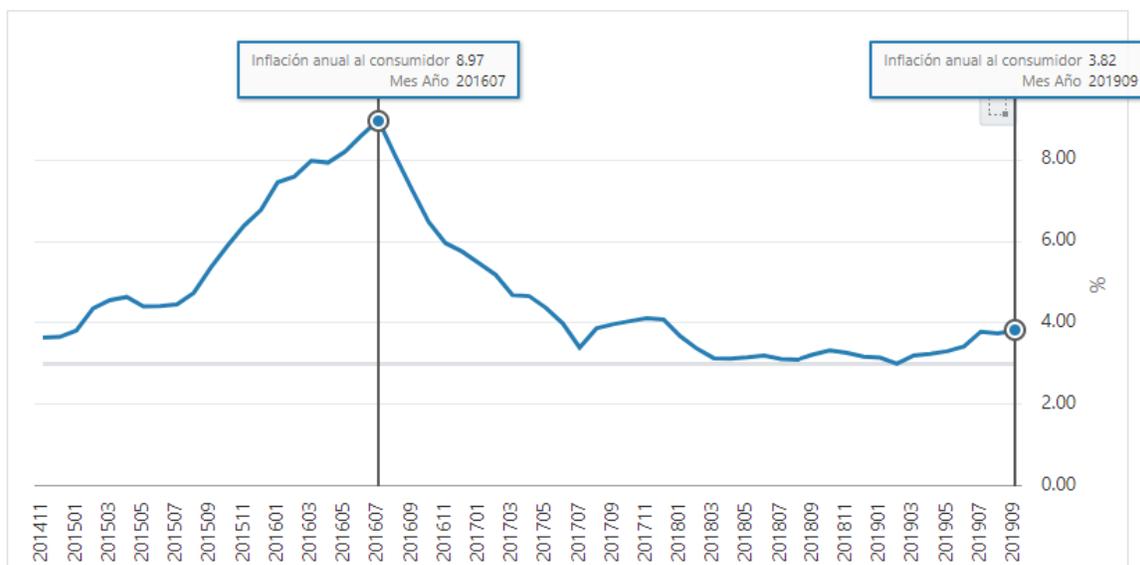
Unemployment in Colombia has been increasing from 8.29% in 2015 to 9.18% as it can be seen in Graph 13, considering that the country's economy has not grown enough in proportion to the growth of the population, which has led to more people looking for work and no job offers for everyone; also as indicated by (Barbosa, 2019), the war between the US and China, have made that the products that were marketed in these countries to which a tariff increase was applied, come to Colombia at very low costs, harming the merchants and national companies that fail to compete with the foreign goods that move in the local market and therefore have to reduce the number of workers to reduce the price to the final consumer thus generating greater unemployment



Graph 12 Unemployment rate in Colombia 2015-2019

Source: (Datos.bancomundial.org, 2019)

Inflation, according to (Banrep.gov.co, 2019) refers to the rise in consumer prices at the end of each year, which is measured as the twelve month variation of the Consumer Price Index (CPI), calculated by the National Administrative Department of Statistics - DANE, has decreased over the course of the commercial war considering that in July 2016 it was 8.97% and by 2019 it only reaches 3.82% as it is possible to identify in Graph 14, which would mean that it favors Colombian consumers because the income received is enough to acquire a greater quantity of goods and services.

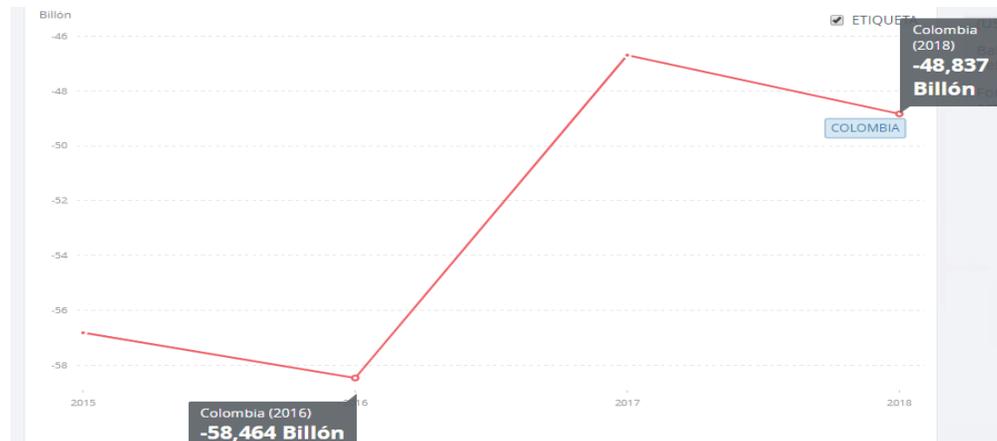


Graph 13 Inflation in Colombia 2015-2019

Source: (Banrep.gov.co, 2019)

Besides, the deficit in the Colombian trade balance has decreased in the course of the commercial war, from US \$ 58'464 billion in 2016, to US \$ 48'837 billion in 2018 as can be seen in Graph 15, however this still indicates a high entry of foreign products to the market and, as already mentioned several times before, those are the products that compete at a much lower cost than the local products so, although the consumer price index has decreased those that perceive how much is spent by consumers in Colombia is clearly foreign companies, and although exports grew in comparison to 2017 as it is possible to identify in an article posted by (Dinero.com, 2019) this is not enough to balance what is bought abroad, reversing the trend of the previous years in which the missing one had diminished in great strides, in the middle of the shock that the country was experiencing due to the fall in oil prices and the El Niño phenomenon.

During the second half of 2018, the economy took an unexpected turn, making imports grow much faster than exports, which led to an increase in the trade balance deficit for the country, as this increase was promoted due to higher internal demand, in both investment and consumption.

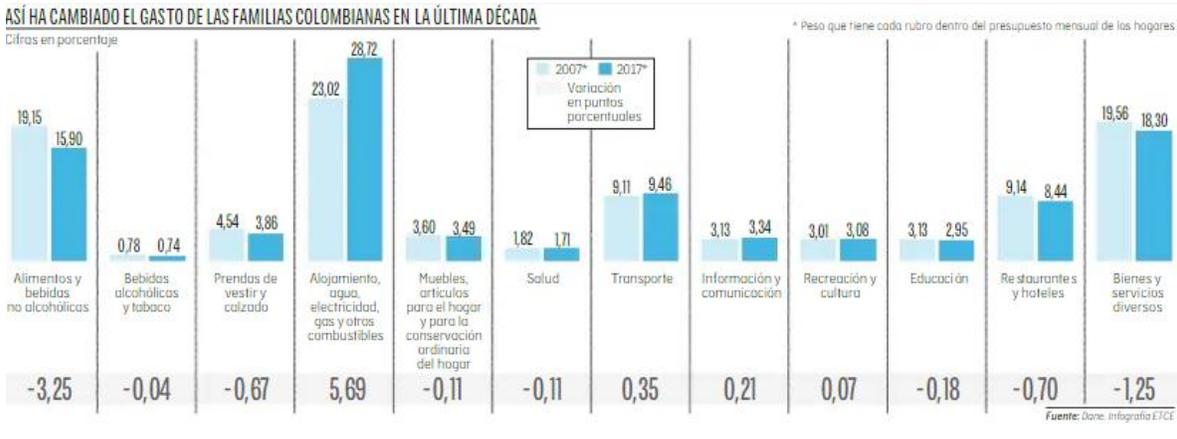


Graph 14 Colombia trade balance 2015-2018

Source: (Datos.bancomundial.org, 2018)

As indicated by (Patron, 2018), USA leads the sales of brands marketed in Colombia, with 40%, managing to penetrate most sectors, however, the rise in the price of the dollar has worked as protection to the local market since it has managed to make foreign goods more expensive and has made that local consumers prefer to buy national merchandise that get to satisfy their desires and needs, but which at the same are within reach of their pockets. “The Propia’s report, found that approximately 40% of the brands of products sold in the country are Colombian, and the remaining 60% corresponds to foreign brands. Despite being less, nationals capture 60% of total trade sales (Patron, 2018)”. On the other hand, that 40% of sales in the local market are from foreign products, causes the local economy not to advance at the pace of developed economies.

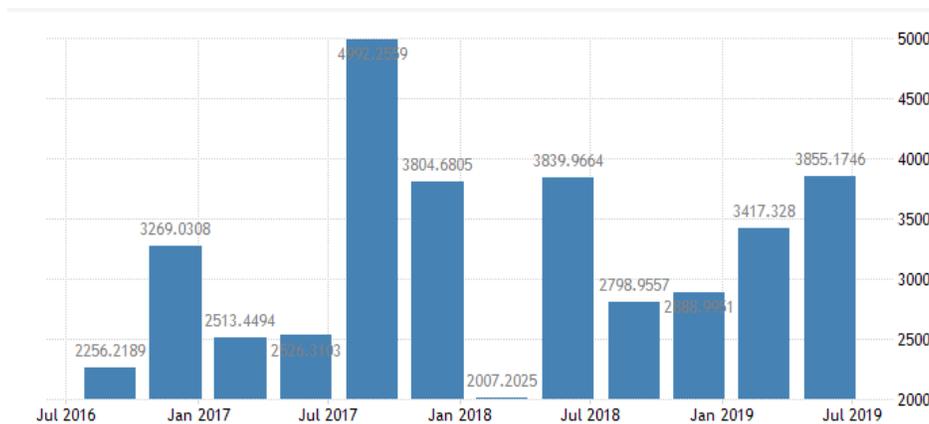
On the other hand, it is possible to demonstrate in an article by (Eltiempo.com, 2018) how the spending of the family basket has changed over the years due to the advances in technology, the economy and the commerce dynamics, causing that people spend less money on food and increase in housing such as water, gas, electricity, etc. affecting the local consumer that apart from having to lead to the rise in the unemployment rate has to stop meeting the needs basic survival such as food to meet the needs of roof and public services as evidenced in graph 16.



Graph 15 Colombia cost of living 2018

Source: (El tiempo.com, 2018)

Foreign direct investment in Colombia has dropped during the commercial war, from US \$ 4,992.25 million in July 2017 to US \$ 3,855.17 million in the same period of 2019 as can be identified in Graph 17, along with international investments worldwide that fell 20% in 2018 as indicated at an article by (Portafolio.co, 2019) particularly related to the economic uncertainty and commercial tensions that have been generated around this war in which the US has stopped receiving US \$ 16,000 million, from China, like it did in the second half of 2018, to only US \$ 1,200 million in the first half of 2019 from China.



Graph 16 F.D.I in Colombia 2016-2019

Source: (Tradingeconomics.com, 2019)

Concluding, the fear of risk and negative impact on emerging markets caused by the tension generated by the commercial war between the United States and China, has slowed down the Colombian economy, lowering exchange rates, devaluing the Colombian peso, decreasing foreign investment and keeping the trade balance deficit at high levels which has led to national companies look for desperate measures such as increasing unemployment rates to lower the price to the final consumer and thus be able to compete with foreign companies. However, it is also possible to identify that the rise in the dollar has discouraged the consumption of foreign goods that have become more expensive and have allowed the national producer to survive in the Colombian market.

3. Conclusions

3.1. Conclusions

In this research Project, it was possible to determine that the effects of the tariff trade war between the USA and China in the Colombian economy, arise by protectionist measures that have taken these two great powers, which although they are not in the interest of affecting the economy of Colombia, have happened affect it directly, not only the country but companies and consumers to see increased not only foreign competition but also the price of many products and services offered in Colombia. Therefore it was concluded:

- U.S.A that is the first world power, does not want to lose its position as the main economy and raises tariffs to approximately 50% for Chinese imports, with the excuse that this country performs unfair practices and accusing them of stealing intellectual property from several American products, forcing US companies to reduce imports and buy more products, thus reducing the country's internal trade deficit a bit, seeing a high variety of affected products such as fish, clothing, footwear, bags, machinery and even the motorcycles, which has made this war grow more and more, leaving the future of the economies in the hands of agreement between U.S.A and China.
- Colombia has been strongly affected by the wave of products from the USA and China, which are looking for emerging markets to move inventory that cannot be delivered due to tariff measures, such as pork, which increased imports in Colombia by 30% since the beginning of the commercial war, as was the Soya imports increased by 21%, another sector affected are steel and aluminum traders, since due to tariff measures, exports to the US fell significantly. On the other hand, Colombia could benefit and have better economic results in this trade war, since from the list of tariffs on products that these countries have set, Colombia can export 740 tariff items which have benefited some external sales from Colombia, such as they are the case of the fishing sector which increased exports by 34% in tilapia and 114% in trout fillets additional to the agricultural sector with an increase of 13901.76 COP Billion in the first quarter of 2019 a figure never seen before in Colombia thanks to

the exports of flowers, avocado, sugar, banana, Tahiti lemon and other products such as polypropylene and tempered glass; the increase will continue as long as the state, companies and the workforce join forces to produce what is demanded by the foreign market, generating a plus to the free market and returning to Colombia a country that competes to the extent of developed economies.

- Colombia has been affected by the tension caused by the commercial war between the U.S and China, causing the economy to slow down, lowering the exchange rates reaching a historical price of COP 3,500, showing the devaluation of the Colombian peso versus the dollar, decreasing foreign investment by approximately 18% and keeping high levels deficit in the trade balance which has led national companies to look for desperate measures such as increasing unemployment rates from 8.29% in 2015 to 9.18% in 2019 to reduce the price to the final consumer and thus be able to compete with foreign companies. However, it is also possible to identify that the rise in the dollar has discouraged the consumption of foreign merchandise since a consumption of national merchandise of 60% and 40% of foreign merchandise is obtained, considering that they have become more expensive and have allowed the National producer survives and competes in the Colombian market.

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