US-CHINA TRADE WAR

TWO ECONOMIC GIANTS SQUARE OFF

GDP - Nominal value

$18.6 trillion

$11.2 trillion
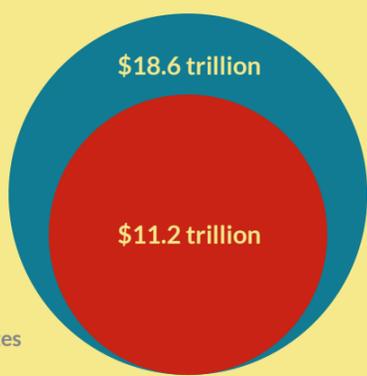
United States
China

GDP - Purchasing Power Parity

$ trillion
25
20
15
10
5
0

2016

China United States India Japan Germany
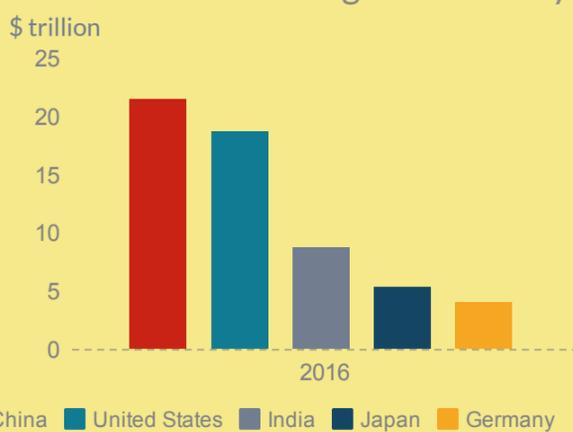
The US has had the world's biggest economy for more than **140 years** = **22.44%** of world's GDP

40 years ago China's economy was about **6%** the size of America's but in just **20 years** China lifted more than **600 million** of their population out of poverty

WHAT IS A TRADE WAR?

Attempts by countries try to damage each other's trade, typically by imposing tariffs (tax/duty) or quota restrictions

EFFECTS OF TARIFFS

Taxing items coming into a country makes them more expensive, so people buy cheaper local products instead which boosts the country's economy

HOW DID WE GET HERE?

Aug '17 - Trump launches probe into China's "unfair trade practices"

Jan '18 - US imposes 30% tariff on solar panels and washing machines

Mar '18 - US imposes tariff on steel & aluminium imports

Apr '18 - China declares tariffs on US imports

Jul '18 - Tariffs on $34 billion worth of goods comes into affect from US and China

Aug '18 - Tariffs on a further $16 billion come into affect from both nations

This 'trade war' comes at a time when the US economy is considered robust and unemployment is at almost record low of 4% (lowest since April 2000)

STATED OBJECTIVES VS PERCEIVED OBJECTIVES

REDUCE THE 'TRADE DEFICIT'

= the difference between how much a country buys from another country vs how much they sell to that country

$130 bn

$506 bn

US-CHINA TRADE (goods) 2017 = deficit of $375 bn

CONFRONT CHINA

on "state-led, market-distorting policies and practices"

ADDRESS ISSUES

of forced technology transfers & intellectual property practices

RESPOND TO

cyber intrusions of US commercial networks

TARGET CHINA'S ECONOMIC PROGRESS

by stifling China's ambitions and maintaining US technological leadership/dominance

MADE IN CHINA 中国制造 2025

Initiative to upgrade Chinese industry, inspired by Germany's Industry 4.0 - seen as threat to US technological leadership

BELT AND ROAD 一带一路

Ambitious development strategy focused on connectivity & cooperation between China & Eurasian countries via land & sea
- seen as push by China to take larger role in global affairs

WIN THE 'TECH RACE'

Next generation 5G technology with an estimated value of **$12 trillion**
- seen as a backbone for everything from driverless cars to future cities

ALTERNATIVE TO 'WAR' - THE WORLD TRADE ORGANISATION (WTO)?

WORLD TRADE ORGANIZATION

= arrangement between 164 countries that serves as forum for negotiations on trading rules and as a mechanism for dispute settlements in trade issues

2/3 of disputes filed with the WTO are settled between countries before they get to litigation by a WTO panel

During the Obama administration the US brought **26 cases** to the WTO (including 16 against China) and won every one

28 WTO disputes in 2018
57% against the US
10% against China

The IMF has warned Donald Trump that a trade war could cost the global economy $430 billion in lost GDP

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