

Q

What is trade war between China and the US? Describe its implications.

Answer

Introduction

"The West must end its peace holidays."

(-The US Secretary)

US-Sino rivalry is also

in the view of trade war.

In fact, trade war between

two economic powers is

ongoing. Resultantly, both

have negative implications

on their economy. Moreover,

geo-political economies are

also in danger. Therefore,

the trade war between the

US and China is become

a silent war of today's

world.

2-

US-Sino trade war - an overview

"China is the second

largest economy of

the world (and will

Soon be the first
largest economy
by 2030."

(- Fitch, F.S, Moody's)

Chinas grow influenced
the West and the US
markets. Resultantly, the
US imposed heavier taxes
on Chinese product.

In retaliation, China also
did the same. Thus, the
trade war between China
and the US resulted.

3- Why US did it?

Following are
reasons of it:

a) US imposed tariffs to revive
local industries

US imposed the heavier
taxes on Chinese products to
revive the local industry. Due
to cheaper cost of Chinese
products, people preferred
the Chinese products.

Resultantly, the US local local industries started decline.

Thus, to revive local industries, the US imposed taxes on Chinese products.

b) To reduce trade deficit
Further, the US imposed taxes on China products to reduce trade deficit. The trade between US and China was favourable to China. According to Fiscal Year 2017-18

"the US trade export was only \$200 billion, while import from China was of \$500 billion."

(CNN - the US trade, 2018)

Thus, to reduce trade deficit the US imposed heavier taxes on Chinese products.

c) The US 'nationalism' policy of Trump

"The US first, the
US's people first,
and
the US products
first."

(Donald Trump, 2020)

Trump administration strongly
focus on nationalism. As
Donald Trump as said:

"The free, but
fair trade."

Hence, to promote nationalism,
the US imposed taxes on
Chinese products.

Reasons behind imposing
taxes on Chinese products

↳ Revival of local industry

↳ Reduction of trade deficit

↳ "Nationalism" policy

4- Why China did it?

Following are reasons
to impose taxes on the

US products.

a) China did all in retaliation
China did in retaliation,
China imposed heavily tariffs on
the US products because
Chinese export was declined.
According to economic survey
of China,

"China's export was
declined of \$ 200 billion
due to the US tariffs."

(- Economic survey of China)

Thus, China in retaliation imposed
the taxes on the US products.

b) Chinese foreign reserves declined
Further, Chinese foreign
reserves declined due to the
US tariffs. China imposed
taxes on the US products
because of decline in
Chinese foreign reserves were
due to the US tariffs.
According to Chinese Bureau
of Statistic,

"China's foreign reserves

were declined at \$46 billion
just in a single
year."

(- Chinese Bureau of Statistics)

Therefore, China imposed taxes
on the US products.

Reasons behind imposing taxes
on the US products

↳ Retaliation

↳ Decline in export

↳ Decline in foreign reserves

5- Implications of US-Sino trade war
Following are implications
of US-Sino trade war:

a) Implications on the US

Implications on the US are
as below:

↳ Revival of local Industry

↳ Reduction in deficit

↳ Agriculture export decline

- i) Revival of the US local industry
 Revival of local industry of the US started. Due to imposing heavier tax on Chinese products, became expensive. Thus, the US industry revived.
 "The US industrial surplus reached at \$4.5 billion."

(- Forbes, 2022)

Therefore, the US local industry revived.

- ii) Reduction in trade deficit.
 Moreover, reduction in trade deficit became possible. Due to revival of local industry, import declined.
 "The US import of China decreased by \$200 billion."
 (- Forbes, 2019)

Therefore, trade deficit reduced.

- iii) Decline in agriculture export
 But, agriculture export

to China declined. Due to China's tax on the US products and crops, the US export to China became a major deficit.

"The US agriculture deficit increased by 30pc."

(CNN-2019)

Thus, agriculture export of the US declined.

b) Implications on China
Following are implications on China:

Industrial decline
Export decline

i) Industrial decline of China
China's industries started decline due to the US taxes on Chinese products. Resultantly, Chinese products were less exported to the

US: Hence, Chinese industries started decline.

ii) Export decline to the US

Further, the US is the first largest importer of Chinese products. But, due to the US tariffs on Chinese products, the Chinese export to the US decreased.

"Chinese export to the US was severely hit by the US (tariffs)"

(think trends analysis on US-Sino trade war, 2021)

Therefore, Chinese export declined.

6- Conclusion

"US-Sino trade war is heavily favourable to China and it will be further by 2050."

(- Chernsky, 2023)

US - Sino trade war
is heavily become a tariff
based struggle to each other.
Due to growth of China's
economy, the US imposed
tariffs on China's products.
Resultantly, China repeated
the same. Hence, both
countries' economy suffered.

