Mock-1 Current Affairs
Part - II
Q No 5

Trump has launched the largest and most dangerous trade war of the century. Critically evaluate its possible implications on US, China and global political Economy.

Answer.

Introduction:

Trump has launched the largest and dangerous ever trade war of century in 2018 that marked a significant shift in global trade dynamics. Trump imposed tarrifs on Chinese goods and China retaliated then and this resulted in far-reaching implications on US and China economy and influencing the global political economy. This trade war was driven by Trump's insecurity from China's growing economic influence and trade deficit. Since the Trump came back in power her further escalated the tarrifs so it resulted in increased costs for consumers, disrupted supply chains and slowdown of not only China's economy but also the global economic growth can be slowed down.

Trade war launched by US:

US initiated the largerst ever trade war after WWII in 2018 when Trump came in power, and was retaliated by China under Xi Jin Ping. US imposed higher tarrifs on more than 8 thousands Chinese goods for example, electrical equipments like microwave ovens, washing machines and refrigerators etc. He imposed tarrifs on electronic equipm-ents including mobile, laptops, Chips and Semiconductors. Textile products, Steel and aluminium goods, consumer goods of China are also heavily taxed by US. Biden admi-nistration further esclated the tarrifs on Chinese goods. He imposed new and more taxes above 20 billion dollars on Chinese goods. Now trump is back into power and he announced more taxes on already heavily taxed Chinese imported products. In response China retaliated by imposing taxes on US agricultural goods like Soya beans and grains. China Taxed Electronic and luxury goods of US also.

Reasons behind US-China Trade war:

Both countries have their respective reasons for entering in this dangerous trade-war.

Why US initiated Trade War:

US products were unable to compete with Chines imported goods in US market both in quality and price. The Chinese products were Cheaper in price and good in quality as compared to the US local products. Trump wanted to protect the US local industry and products under the Slogan of American nationalism which is: "America First, American first and

American Products first." Biden also continued these protectionist measures and now Trump is doing the same again. To reduce the trade deficit of America US imposed higher tariffs on Chinese goods. In year 2017-18 US trade deficit was $635 billion out of which $300 billion alone with China. So Resultantly US took the initiative of entering this dangerous trade war.

Why China did it?

China did it all in retaliation. Currently free trade suits only China all over in the world because Chinese products can compete both in price and quality in global market. so China would never initiate the protectionist measures. when US initiated the trade war and it resulted in

200 billion $ cut in Chinese exports China was left with no option but to impose tariffs on imports of American products.

Critical Analysis of implication of trade war on US, China and global political Economy:

This US-China trade war has far-reaching implications on not only the economies of US and and China but also on the global economy and global market. China and US are the world's largest economies in global market. So their trade relations also affect the whole world. It will also influence the international relation so it will have great role in global power dynamics.

Implications on US:

1. The Revival of US local Industry:

By high taxes on Chinese goods US discouraged the Chinese imported products in US market and encouraged US local products because the US local product comparatively became cheaper.

2. Reduction in US Trade deficit:

US imposed high duties on almost more than $400 billion on Chinese goods that resulted in import cut more than $200 billion and US trade deficit reduced from $600 billion to $400 billion dollar.

3. Inflation in US: This trade war also created inflation in US ~~ame~~ as all the

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Chinese imported products get very expensive in US market.

Implications on China's Economy:

US has been the one of the largest exporting market for China. By these imposed duties the Chinese export cut became more than 200 billion $ so it was a huge loss for China.

Secondly, it was a major setback for China's industry, and it caused unemployment in China as industry was the major hit.

Implications of US-China Trade war on Global Political Economy:

The US-China trade war affected the global political economy in certain ways explained below.

1. The Revival of Protectionism:

The two largest global trade partners imposed higher duties on products of of each other. Trump also imposed higher duties on imports of products from Europe, Japan, Canada, Mexico, India, Pakistan and other allies. In return to these taxes, some countries retaliated. Resultantly there is a revival of protectionism in this liberal world.

2. The Diversification of China's Exporting markets in the world:

US pulled out of Trans Pacific Partnership (TPP) which provided China a golden opportunity to sign a deal with these countries named as

RCEP (Regional Comprehensi
Economic Partnership). China
also increased its trade
with EU. China diversified
its exports in eastern
which are not part
of EU. It increased its
trade relations with Caspian
regions and furthur pentrate
c... into Africa and South
America.
China and US Trade war
now entered into a new
phase that is mostly
focused on IT technology.
It is known as US-China
Tech war which is based
on Chips, Apple IT products
Huawaei and electric
car company of China
etc.

Conclusion:-

US after coming
into know that China
is about to become

the world's largest economy as it already contribute to 30% of world's economy and US own trade deficit high with China also esclated its tension and insecurity. In the given Scenario Trump Came into power in 2018 and initiated the world's largest trade war with China. China was left with no option except to retaliate back as it costed China a huge export cut. This resulted in revival of US local industry, its trade deficit also reduced to a certain extent. But in China its industry was major hit and its export cut increased to $200 billion. That is why China further pentrated in world market and increased its trade relations with EU, Russia, caspean regions, Africa and South America. Secondly it resulted in revival of protectionism in the world and world is left with influ[illegible] and changing global power dynamics.