

Looming U.S.-China trade war?

Trade war: Senior administration officials said the measures were in line with the National Security Strategy announced last year that identified China as a “strategic competitor.” | Photo Credit: [AFP](#)

In the latest round of tit-for-tat, China, on Wednesday, announced plans to hike tariffs by 25% on 106 imports from the U.S. The Chinese move was in response to a U.S. announcement on Tuesday, of a 25% tariff on 1,333 Chinese imports. The proposed U.S. tariffs are the result of the administration’s investigation into whether China has been indulging in unfair intellectual property and technology transfer practices under a “Made in China 2025” industrial promotion policy. If implemented, China’s retaliatory tariffs, on products such as soybean, whisky, orange juice and cars, would hit the U.S. where it hurts; 60% of U.S. soybean exports go to China.

The tariffs imposed by China are expected to hit \$50 billion of trade — similar in value to the Chinese goods targeted by the U.S. tariffs proposed on Tuesday in high technology sectors including aerospace, robotics and communications.

The proximate cause for this tit-for-tat goes back to early March when U.S. President Donald Trump announced tariffs of 25% and 10% on imports of steel and aluminium, respectively, using “national security” provisions of U.S. trade law. However, even during his presidential campaign, Mr. Trump had alleged unfair practices by the U.S.’s trade partners, singling out China in this context and the trade imbalance between the two countries.

It is likely that the steel tariff announcement was strategically timed for a few days before a special election for a Pennsylvania Congressional district (eventually won by the Democratic candidate), home to steelworkers, and who form a significant part of Mr. Trump’s support base. As the producer of half the world’s steel, China has in the past been accused of dumping cheap steel on international markets by others, including India and the European Union. Most of China’s steel is sent to Asian markets, not to the U.S. China responded on Monday by imposing tariffs on 128 goods, worth \$3 billion (19,500 crore) in trade value, a milder response compared to the second round of tariffs announced on Wednesday.

As this went to press, neither the U.S. nor China had announced kick-off dates for the harsher round of tariffs. Hitting Chinese manufactures in high-technology sectors could hurt U.S. businesses that have plants in China, where labour and manufacturing costs are lower. Several of these have lodged objections with the White House and the U.S. is expected to hold consultations before confirming these tariffs. China’s tariffs have also targeted products that are sourced from states that supported Mr. Trump or where Republican lawmakers will soon face elections. There appears to be room for negotiation and discussion before a trade war erupts.

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