

TARIFF TRUCE: ON U.S.-CHINA TRADE WAR

Relevant for: International Relations | Topic: World Trade Organisation (WTO)

The global trade war has come to a welcome pause. On the sidelines of the G20 meeting in Buenos Aires over the weekend, the U.S. and Chinese Presidents, Donald Trump and Xi Jinping, agreed to a 90-day truce. The two countries will try to find an amicable solution to the various problems plaguing bilateral trade relations, such as disputes over intellectual property rights and Chinese state support for domestic industries, through talks over the next three months. Meanwhile, the U.S. will refrain from raising the tariff on Chinese goods worth \$200 billion from the current rate of 10% to 25% on January 1, 2019, as planned. In return, according to the White House, China will purchase agricultural and other goods from the U.S. in order to reduce the trade imbalance between the two countries. If talks fail, however, increased tariff rates are scheduled to come into force immediately. It is worth noting that Canada and Mexico arrived at a compromise trade agreement with the U.S. in October, replacing the decades-old North-American Free Trade Agreement (NAFTA). So these are signs that the global trade war that began earlier this year may be cooling down a little as 2018 draws to an end.

What prompted the U.S. and China to arrive at an unexpected, albeit temporary, compromise is unclear. It will be important to see if any compromise between the two trade giants will include a complete rollback of the tariffs imposed on each other over the year. But the temporary trade truce should still offer some relief, as there have been apprehensions about the U.S.-China trade battle bringing global economic growth to a grinding halt. Signs of a significant slowdown in the Chinese economy and concerns over the negative impact of the trade war on American financial markets may have played a part in Mr. Trump and Mr. Xi agreeing to the truce — probably a sober recognition of the fact that there are no economic winners in any trade war. During the upcoming negotiations, the U.S. is likely to press hard on China's protectionist policies aimed at favouring its domestic industries. But it is unlikely that China will yield to such pressure as that would require a seismic shift in the country's growth policy, which till now has emphasised the state's role in the economy. In fact, the Chinese government's promise to increase imports from the U.S. is a clear giveaway of the fact that it still dominates the economy. Further, China itself is bound to draw attention to the U.S.'s own protectionist policies. A compromise that will allow both sides to claim final victory in the battle would be the best outcome.

Maharashtra's proposal on reservation for Marathas is bound to invite judicial scrutiny

Our existing notification subscribers need to choose this option to keep getting the alerts.

END

Downloaded from **crackIAS.com**

© Zuccess App by crackIAS.com