

# UPPING THE ANTE: ON THE U.S.-CHINA TRADE WAR

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

The rules-based world order for international trade appears to be in for a rougher ride yet after the administration of U.S. President Donald Trump announced this week that it would be slapping \$200-billion worth of Chinese exports with 10% tariff, ratcheting it up to 25% by the year-end. In the latest round of the [ongoing trade skirmishes between the world's two largest economies](#), almost 6,000 items will be hit by the new U.S. tariffs, from September 24 onward. Typical of Mr. Trump's aggressive approach on "unfair" trade policies, the tariff announcement came with the warning, "If China takes retaliatory action against our farmers or other industries, we will immediately pursue phase three, which is tariffs on approximately \$267 billion of additional imports." Less than 24 hours after the U.S. announcement, China said it would apply retaliatory taxes to the tune of \$60 billion. Given that over the summer both countries started taxing \$50-billion worth of the other's imports, if Mr. Trump makes good on his threat of additional tariffs, all Chinese imports to the U.S., nearly 4% of world trade, will come under the tax net. On both sides of the tariff war, economic pain is likely to be widely distributed.

## Asian nations slam U.S.-China trade war

There are two questions that this escalation raises. First, what is the likely trajectory of this conflict? Economists concur that in the near term the trade war will cause a shrinkage in bilateral trade volumes. Businesses in the U.S., China and nations with close trade and investment links to the two countries, such as those in Europe, will find themselves in considerable economic trouble. Over the longer term, a reversal of the globalisation of supply chains may take place — perhaps that is the very aim of the Trump administration. However, the U.S. could have gone about this by applying its resources through bodies such as the World Trade Organisation to penalise China for overproduction, dumping overseas and excessive restrictions on market access. Second, what impact will this trade war have on the future of the hyper-connected world that we live in today? China, and indeed any other nation that trades with the U.S., may seek alternative markets and trading partners if the American government persists with its retreat into economic isolationism. Yet, even if countries can avoid some of the punitive costs of this battle, global institutions such as the WTO and a myriad other multilateral rule-making bodies will wither away, losing their authority. Philosophically, this would fly in the face of the foundational economic principles regarding division of labour and comparative advantage. This would, in the much-longer term, be a loss for the world community of nations, many of whom have worked hard to establish and credentialise the post-World War order precisely in order to stave off the dark forces of parochialism that engendered the horrors of that period.

Sign up to receive our newsletter in your inbox every day!

Please enter a valid email address.

As a regional party, the TRS sees the benefit in uncoupling Assembly and Lok Sabha elections

**END**