

US - CHINA TRADE WAR: Taming the Dragon

The war of words going on between the USA and China on the trade front, ever since Trump's election as President in the US, is quite likely to escalate into a full-blown trade war, as the US President Donald Trump has already slapped tariffs on \$50 billion (Rs 3 lakh crore) worth of its imports from China on 22nd March, 2018. But, scared of losing the lucrative American Market, China has retaliated quite meekly, by slapping trade restrictions over American goods worth mere \$3 billion. China is shy of facing a full blown trade war with the US, with which it has a trade surplus of \$375 billion. So, China has the most to lose in a fierce trade war between the two. Though the Sino-US trade and investments are so intertwined that both sides are likely to suffer. But the fast burgeoning trade deficit of the US which has grown from \$100 billion in 2001 to \$375 billion in 2017, is more unsustainable for the US, compared to the losses from a trade war.

China's Defensive and Compromising Posture

Apprehending heavier damage from further escalation of the trade war, China wants to avert it. The Chinese Premier Li Keqiang has already offered, before the representatives of "Fortune 500 companies" on March 26, that he would further expand imports from the US and also assured to pragmatically tackle friction and differences with the US on the trade-front through dialogue and negotiations. The Chinese Premier has also gently agreed that China will further open its markets to foreign investors, including the US. Indirectly conceding the accusations of the Trump government of "unfair trade practices", China has agreed to be more flexible. According to the Forbes magazine, Chinese officials have conceded that China will now import more semiconductors and other intermediates from American sources to balance the trade. Li had also offered on March 20, phasing out tariffs on drug imports from the US. China's official Xinhua News Agency has also taken cognizance of Washington's demand to reduce its trade surplus by at least \$100 billion. The U.S. officials allege, China has also acted unfairly on technology transfers and intellectual property rights.

Trade war is Perilous for Both sides

The US is also bound to suffer severely if the trade war escalates. A trade war would cramp most top-selling China-bound American exports, including automobiles, civilian aircrafts and numerous other products. American consumers too might suffer and face a dearth of Chinese exports that they like and buy heavily today. There is a major risk for several hundreds of US companies, if China would hit back. Though, China runs a far more economic risk than the United States. Hence, so far, China's response to U.S. tariffs has been a mixture of indignation and bluster, and the actions taken have been fairly restrained. China, has more to lose from a sharp escalation in tariffs.

Deglobalisation is Imminent

This incidence of slapping tariffs by the US and China on each other's exports is not an isolated, sudden and sporadic incidence. It is a natural fallout of the grave inequalities that have perpetuated in trade, investment and job-creations across the globe, out of deep globalization forced by rich countries since the early 90s, aimed at elimination of geo-political barriers in the way of their trade and investments. Consequently, today more than 85 percent of the world manufacturing has got concentrated with China, US, EU, Japan, Korea and Taiwan (i.e. among these 33 out of 230 countries of the World, as per UNCTAD). China alone has captured 22.5% share in world manufacturing followed by the US - 17.5%, Japan 10%, Germany 7%, and so on. The industrialized nations have pursued deep globalization to capture the markets, manufacturing and investment opportunities in around 200 developing and other countries. Bharat too has badly suffered, which now has a mere 2.1% share in world manufacturing. The MNCs, after taking over the manufacturing sector in India have shifted technology intensive activities out of the country and have been running only their assembly lines here. But, now, China has turned the tables against the industrialized countries and has begun to flood the markets of all the industrialized countries

with Chinese goods. So, the rich nations ranging from Singapore, Britain, EU and US are poised for de-globalization by raising barriers in free movement of people as well as goods.

Our Gain from the Trade War

Bharat has greater 'real' trade deficit with China, than the US. The US deficit at \$375 billion is only 1.87% of the American G.D.P. But, our trade deficit with China is 2.25% of our GDP for 2016-17, and is slated to grow in 2017-18, which has exceeded over \$30 billion in the first six months of 2017-18, against a twelve months' deficit of \$51 billion in 2016-17. In the aftermath of the Sino-US trade war, the Chinese appear to have learnt a lesson and have turned more agreeable for our demand for redressing the trade deficit of Bharat as well. So, in spite of the anti-dumping duties slapped by Bharat, mostly by the NDA Government on as many as 98 products, China is readily agreeing to further curb its trade surplus with Bharat. So, now when China is facing a tariff war with the US, it has turned softer with Bharat and has also openly conceded of having unjust trade surplus with Bharat, and has also very gently agreed to curb this vast Sino-Indian trade deficit only recently on this March 26. The Chinese government, under pressure of a looming trade war with the US is now more readily agreeing that the massive imbalance in its trade with India is "unsustainable" for long-term trade growth, and is also agreeing that it needs to be addressed. It was a major trade victory for Bharat, when on March 26, visiting Chinese Commerce Minister Zhong Shan shared this sentiment. He has clearly stated this, after his meeting in the commerce and industry ministry, and even welcomed Indian investments in China. It has promised to fully address the trade deficit of India. So, it is the time, when Bharat can secure a more balanced and accommodative Chinese response, in the aftermath of the escalating Sino-US trade war.

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