



中国社会科学院 世界经济与政治研究所
Institute of World Economics and Politics(IWEP)
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Global Trade War and Its Implications on Global Economy

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Outline

1. Global Trade War: Fact and Impact
2. China-US Trade War: Development, Impact and Prospect
3. China's Position, Response and Economic Outlook



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BATTLE #1: Solar Panel and Washing Machine Imports Injure US Industries: from January 22, 2018

- President Trump approves global safeguard tariffs on \$8.5 billion in imports of solar panels and \$1.8 billion of washing machines. China and South Korea challenge the solar panel and washing machine tariffs through the WTO.

BATTLE #2: Steel and Aluminum as National Security Threats: from March 1, 2018

- Trump announces forthcoming tariffs on all trading partners of 25 percent on steel and 10 percent on aluminum under national security grounds.

BATTLE #3: Unfair Trade Practices for Technology, Intellectual Property (IP): from July 6, 2018

- US tariffs on \$34 billion of Chinese imports go into effect, the first phase of its June 15 \$50 billion list. In parallel with President Trump's tariffs, China's tariffs on the first \$34 billion of its \$50 billion list of US imports also go into effect.

BATTLE #4: Autos as National Security Threat

- President Trump delays a decision on whether to impose auto tariffs after the US Department of Commerce report recommended "actions to adjust automotive imports" to protect national security.

BATTLE #5: Illegal Immigration from Mexico

- Trump says he is suspending the scheduled tariffs against Mexico after reaching a signed agreement with the country to reduce or eliminate illegal immigration.

Statistics on global trade war (almost \$8, 000 billion)



	Economies involved	Industries involved	Level of tariff imposed	Volume of trade involved
BATTLE #1	all US trading partner, no country retaliate	solar panels and washing machines	30% 50%	10.3 billion
BATTLE #2	EU, China, Canada, Turkey, India retaliate	steel and aluminum products	25% 10%	69.8 billion
BATTLE #3	China & US	all products	5%-30%	7, 350 billion
BATTLE #4	nearly all from key US allies	autos and parts	25%	208 billion
BATTLE #5	Mexico	all US imports from Mexico	5%	346 billion

Global trade war has negative impact on trade



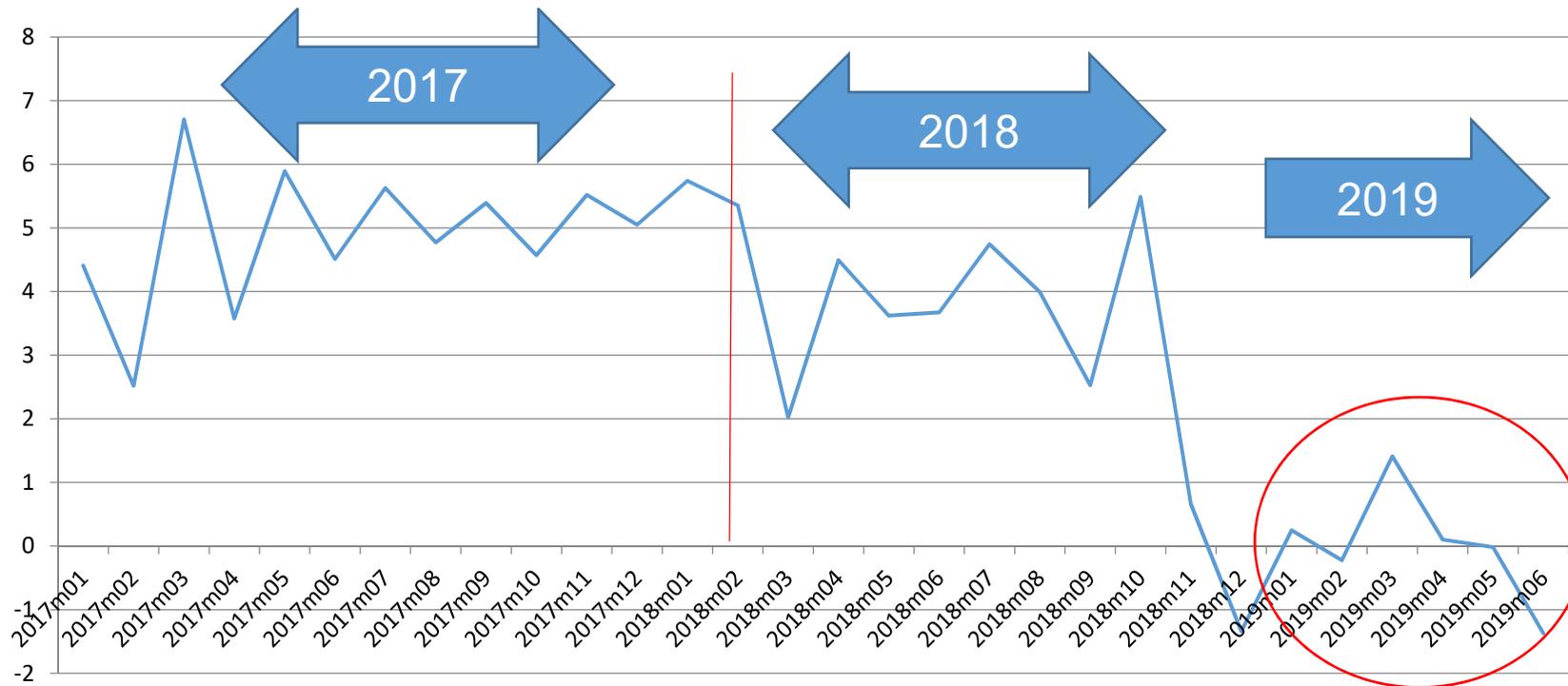
World merchandise trade volume and real GDP growth, 2011-2018
(Annual percentage change)

3.0%
World merchandise trade volume grew by 3.0 per cent in 2018, at roughly the same rate as GDP (2.9 per cent).



Note: GDP growth is calculated with market exchange rate weights.
Source: WTO Secretariat for trade, consensus estimates for GDP.

Impact continues into the first half of 2019



Source: CPB Netherlands Bureau for Economic Policy Analysis.

Global trade war will affect global growth through two channels



→ Trade channel:

- Direct impact
- Indirect impact: diffusion effect through global value chains

→ Investment channel: global trade war causes a rapid deterioration in global risk appetite.

Exhibit 2: Share of Firms Reassessing Capital Expenditure Plans Because of Tariff Worries

Survey of Business Uncertainty (July 9 – 20)

Have the recently announced tariff hikes or concerns about retaliation caused your firm to re-assess its capital expenditure plans?

Firm Type	Number of Responses	Percent Responding	
		Yes	No
All	330	19	81
Goods Producers	129	25	75
Service Providers	201	14	86
Manufacturers	89	30	70
Retail & Wholesale Trade, Transportation, Warehousing	53	28	72

Source: Survey of Business Uncertainty conducted by the Federal Reserve Bank of Atlanta, Stanford University, and University of Chicago Booth School of Business. Reproduced from "Are Tariff Worries Cutting into Business Investment," *Macroblog*, 7 August 2018.

Exhibit 3: How Firms are Reassessing their Capital Expenditure Plans

Survey of Business Uncertainty (July 9 – 20)

How have recent tariff hikes or concerns about retaliation caused your firm to re-assess its capital expenditure plans?

	Under review	Postponed	Dropped	Accelerated	Newly Added
Share of firms (n=58)	67%	22%	9%	14%	2%

Note: 61 respondents said they are re-assessing their capital expenditure plans, and 58 of those answered the question shown in this exhibit. Respondents were allowed to check more than one option, but in practice only 6 respondents did.

Source: Survey of Business Uncertainty conducted by the Federal Reserve Bank of Atlanta, Stanford University, and University of Chicago Booth School of Business. Reproduced from "Are Tariff Worries Cutting into Business Investment," *Macroblog*, 7 August 2018.

IMF July WEO: Global growth is forecast at 3.2 percent in 2019, picking up to 3.5 percent in 2020 (0.1 percentage point lower than in the April WEO projections for both years).

IMF: the impact was now being felt



Tariffs that have been imposed or threatened by the U.S. and China could shave 0.8% off global economic output in 2020 and trigger additional losses in future years, IMF spokesman Gerry Rice said.

The IMF had previously forecast that the U.S.-China trade war and other trade disputes threatened global growth in the future, but Rice said the impact was now being felt.



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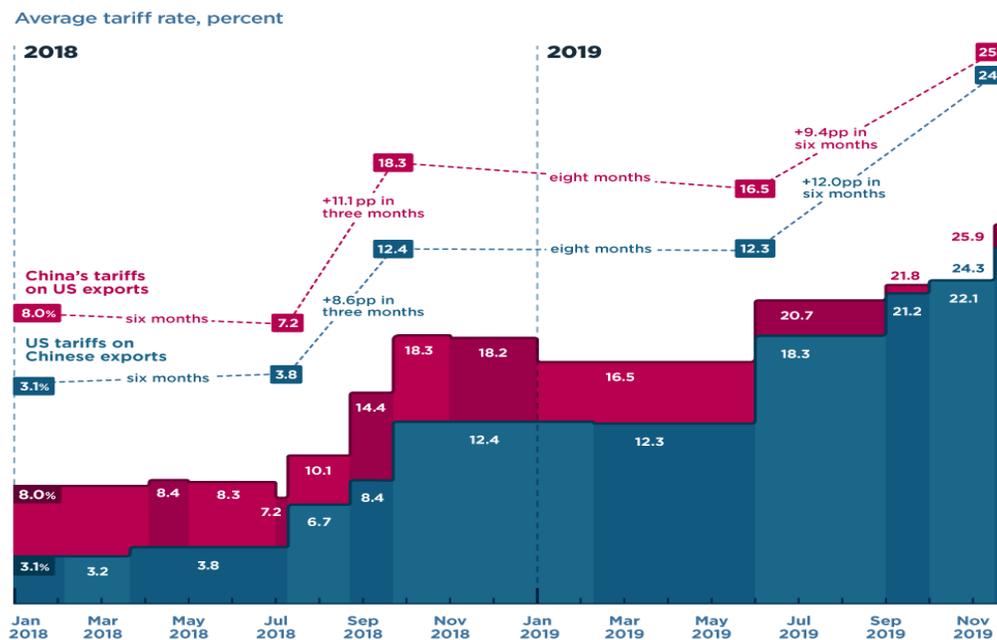
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Tariff war between China and US



The Trade War Is Suddenly Getting Worse



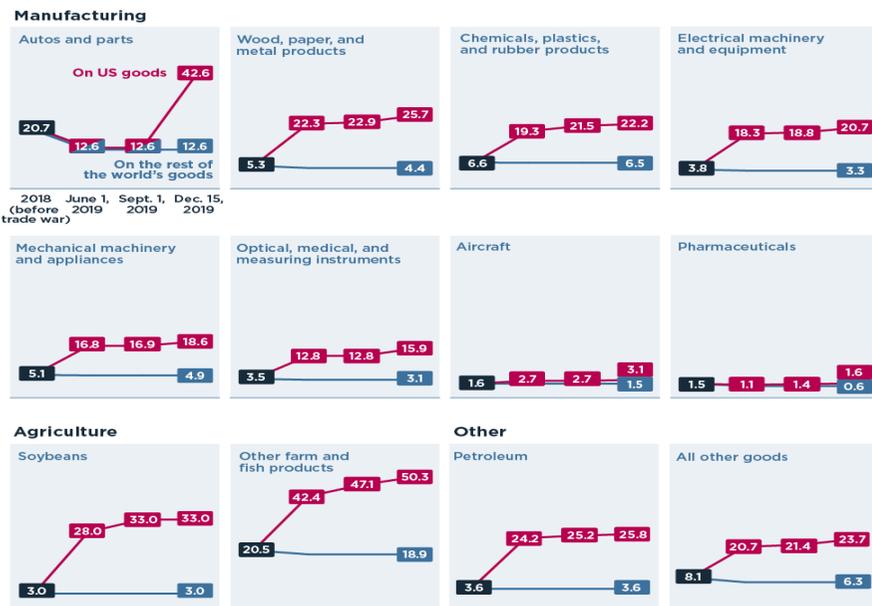
pp = percentage point; MFN = most favored nation

Source: Chad P. Bown's blog post, "US-China Trade War: The Guns of August."

Tariff war by sector



Figure 3
China's average tariff rates on US goods vs. the rest of the world's goods by sector as of December 15, 2019

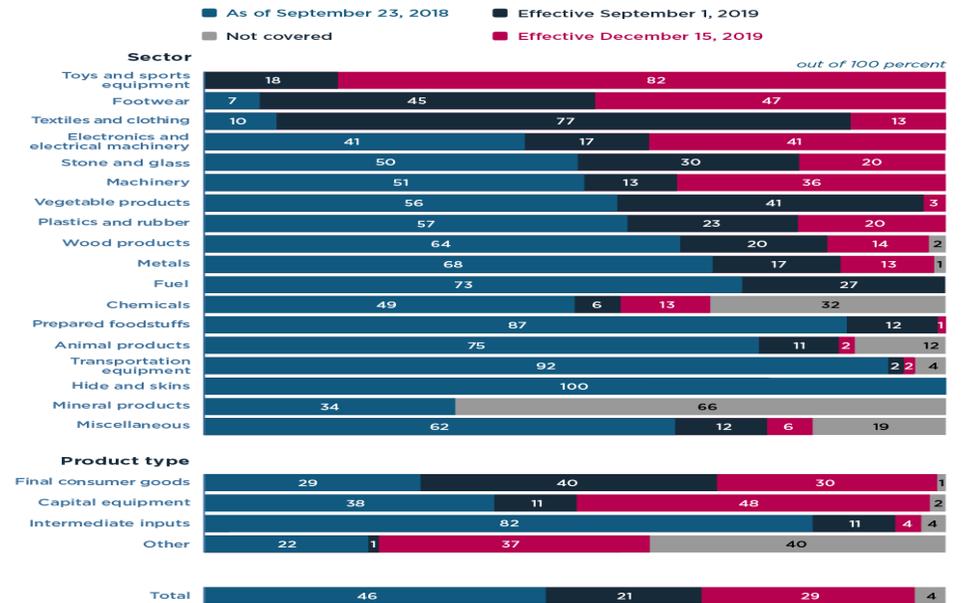


Note: Trade-weighted average tariffs computed from product-level tariff and trade data, weighted by US exports to the world in 2017. Tariffs in 2018 were China's most favored nation (MFN) rates.

Sources: Updated on August 23, 2019, from Bown, Jung, and Zhang (2019). Constructed by the author with data from Market Access Map (International Trade Centre, marketanalysis.intracem.org) and China's Ministry of Finance's announcements.

Figure 5
Consumer goods, especially toys, footwear, and clothing, will see biggest increases in tariff coverage by December 15

Percent of US imports from China subject to Section 301 tariffs



Note: Numbers may not sum to 100 due to rounding.
Source: Updated on August 23, 2019, from Bown (2019).

Impact on China-US trade and US economy



EX: China's export to US
 IM: China's import from US
 GEX: Growth rate of EX
 GIM: Growth rate of IM

Source: General Administration of Customs of China

	Fajgelbaum et al. (NBER)	Amiti et al. (CEPR)	European Central Bank	U.S. Chamber of Commerce and Rhodium Group	The Trade Partnership
Impact	Consumers and producers lose 0.37% of GDP	\$1.4 billion lost per month	GDP decreases by 2%	U.S. GDP to fall by \$1 trillion over the next decade	GDP decreases by 1%

Prospect of China-US trade war



China and the U.S. have agreed to hold the 13th round of negotiation in Washington in early October.

U.S. President Donald Trump tweeted that he would postpone the tariff on China, which was scheduled for October 1, until October 15.

Chinese companies start buying U.S. agricultural products.

But the China-U.S. trade war won't stop until Trump gets a satisfactory deal.



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China's position



If the U.S. wants to talk, our door is open. If the U.S. wants to fight, we'll be with them till the end.

China's three core concerns: First, once China and the United States reach a deal, the United States should eliminate all tariffs; Second, the purchase amount from the United States should be feasible; and third, the balance of the text.

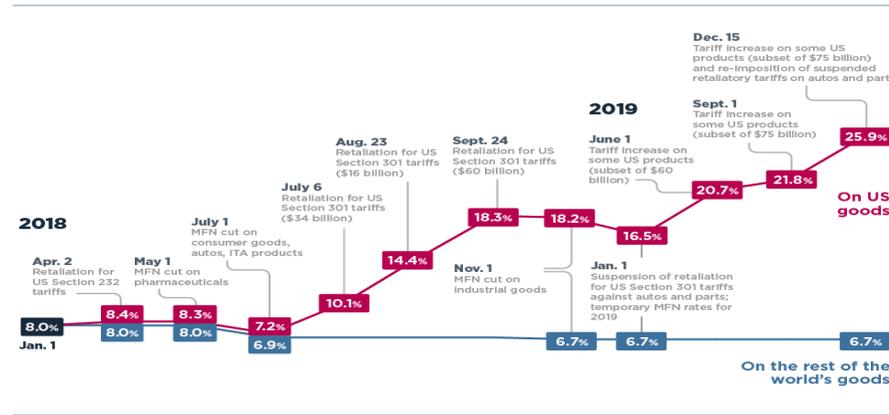
China-U.S. trade deal shouldn't harm China's development interests.

China's response



Deepen reform and expand opening-up and actively promote economic globalization.

Figure 1
China's average tariff rate is climbing on US goods and falling for the rest of the world



ITA = Information Technology Agreement; MFN = most favored nation

Note: Trade-weighted average tariffs computed from product-level tariff and trade data, weighted by US exports to the world in 2017.

Sources: Updated on August 23, 2019, from Bown, Jung, and Zhang (2019). Constructed by the author with data from Trade Map and Market Access Map (International Trade Centre, marketanalysis.intracen.org) and China's Ministry of Finance's announcements.

Some progress in the field of China's reform and opening since 2018



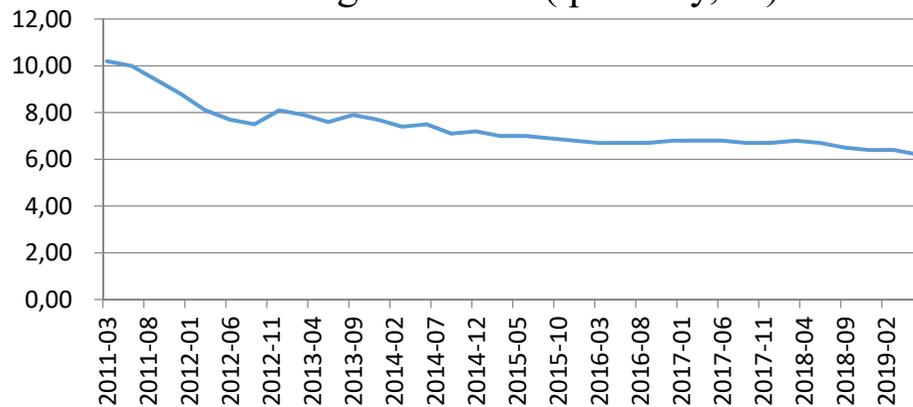
Field	Progress
Market access	(1) In the last two years, the pre-establishment national treatment & negative list management system has been fully implemented. (2) China shorten negative list in 2018 and 2019, expands foreign access. (3) The Foreign Investment Law was passed in March 2019.
SOE and Competitive Neutrality	In March 2019, Premier Li pointed out in his government work report that all types of ownership are treated equally in terms of factor acquisition, access permits, operation, government procurement and bidding, in accordance with the principle of competitiveness neutrality.
Intellectual Property	In 2018, China re-establish the State Intellectual Property Office, improve law enforcement, and significantly increase the cost of illegal activities.
Free Trade Zone	In August 2019, China added 6 Free Trade Pilot Zones.

China's Economic Outlook



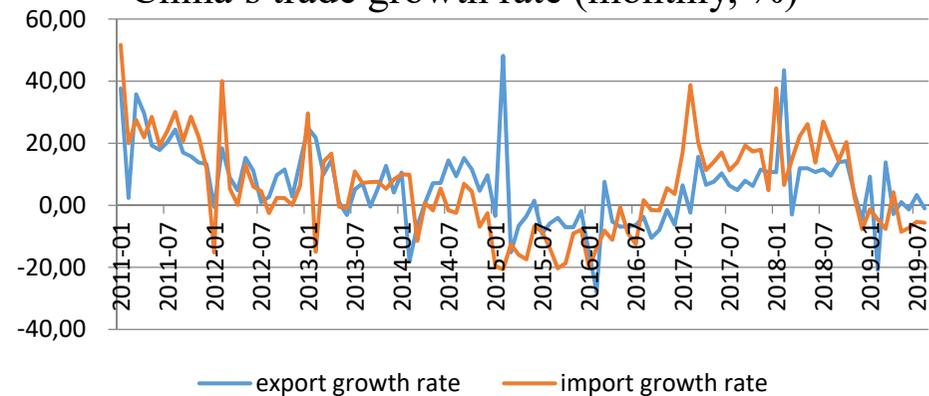
IMF July WEO: In China, the negative effects of escalating tariffs and weakening external demand have added pressure to an economy already in the midst of a structural slowdown and needed regulatory strengthening to rein in high dependence on debt. With policy stimulus expected to support activity in the face of the adverse external shock, growth is forecast at 6.2 percent in 2019 and 6.0 percent in 2020—0.1 percentage point lower each year relative to the April WEO projection.

China's GDP growth rate (quarterly, %)



Source: China National Bureau of Statistics

China's trade growth rate (monthly, %)



Source: General Administration of Customs of China

Thanks for your attention!



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