# Concerns with US-China Trade Wars

## Why in news?

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Recently U.S. and China imposed new tariffs on $16 billion imports from each other.

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## What is the tariffs wars about?

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- China and the U.S. have tariffs on imports of $50 billion from each other.
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- In July U.S. announced plans to have tariffs on $200 billion of Chinese imports, and US was ready to impose tariffs on all imports from China.
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- The U.S. imports from China totalled $504 billion in 2017.
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- US administration believes that since the U.S. imports from China are more than its exports to China, it would win any tariff war. That is an untested claim.
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## What is the reason behind USA’s action?

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- US administration’s main target is China, which is accused for “economic aggression,” but the war is total.
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- Key military allies of the U.S., Canada, Germany, South Korea, Japan, and Turkey are today locked in multiple trade disputes with it, being fought at multiple forums.
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- So are countries such as Mexico and India, close partners of America, though not military allies.

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- For USA’s administration, free trade means trade that is free, fair, and reciprocal and balanced, which means Zero tariffs.
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- But China, Japan, Germany and South Korea, among others, of being in violation of the above principles.
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## What are the concerns with USA’s tariffs?

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- In January, the administration imposed tariffs on import of washing machines and solar panels to America.
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- China and South Korea took the issue to the World Trade Organisation (WTO).
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- The U.S. would respect decisions by the WTO when they are in its favour and reject the rest.
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- Tariffs of 25% on steel and 10% on aluminium on all trading partners, announced in March citing national security grounds, in an unprecedented move, have also kicked in.
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- The EU, Canada and Mexico, which supply around half of all steel and aluminium imports to the U.S., retaliated with their own tariffs.
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- The U.S. has filed WTO complaints against several countries that imposed retaliatory tariffs.
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## What is the way forward?

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- The U.S.’s annual trade deficit is around half a trillion dollars. China accounts for 50%, the EU accounts for 20% and Japan and Mexico combined make 18%.
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- US administration believes that this nothing to do with competitive advantage of others but happens only because of the unfair practices of

America’s trading partners.
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- The surplus earned by China comes back to the U.S. economy as investments and US administration is also cracking down on Chinese investments in U.S. companies.
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- Bringing traditional manufacturing back to America is a difficult task, and American policy makers are conscious of that fact.
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- Thus the trade war appears more focussed on stopping China from commanding the lead in technologies of the future.
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**Source: The Hindu**

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