Implications of Trade War between US and China

What is the issue?

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Global trade war is brewing between the US and China, which will have huge implications world-wide.

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What is the bold strategy of China to reign over the trade war?

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- China has created an ambitious Made in China 2025 plan to make the country self-sufficient in 10 key fields including artificial intelligence, robotics, biotechnology and aviation.
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- It has planned to domestically produce 40% of the equipments and machinery in these sectors.
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- This will help the country to transition from a manufacturing chain to high value crucial technology producer.
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- For which Chinese government offers a cheap land and tax breaks as incentives to bring more thrust into its grand vision.
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- The Chinese are also offering some smaller concessions to the global traders such as allowing foreign companies to invest solo in its rapidly growing electric vehicles sector.
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- In addition, the government is allowing foreign automakers to manufacture in China, without a Chinese partner in around five years.
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- For the Chinese, these relatively minor give-aways will smoothen its journey to global hold in other crucial sectors.
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What are the tactics adopted by the US to regulate China?

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- The US has begun this trade war by slapping a huge fine and 7 year ban on a Chinese smartphone maker for breaking the Iran sanctions.
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- American government also landed another huge blow by halting the merger comprising chipmakers of both the countries.
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- The US government has demanded China to reduce a part of its huge trade deficit with the US.
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- It is also pressurising China to halt the government assistance plan to calibrate their hi-tech industries as those are dominated by US tech firms.
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- US will utilise the WTO regulations to ensure China is not out-growing its peers, atleast in the near future.
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What are the global implications due to this trade war?

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- The China is annoyed with the activities of the US and is planning for a retaliation.
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- The conflict between these 2 major economies to establish their dominance in the world market will have repercussions all over the world.
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- Major trading companies and developing nations' dependant on either US or China will be hugely affected.
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- China's buying spree of all major investments in all developing countries is colossal to be regulated individually by the developing nation.
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- Also, Industries specifically related to these crucial hi-tech sectors, as China's mass entry will disrupt the existing market.
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Source: Business Line

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