Implications of US-China Trade War

What is the issue?

The trade-and-technology war between the US and China that began in 2018 has hardly made a reduction in US trade deficit.

How the trade war started?

- In 2018, US President Donald Trump unilaterally imposed a 25 per cent tariff on Chinese imports of around $34 billion and further tariffs in 2018 and 2019.
- He accused China for "**unfair trade practices**" and "**technology theft**".
- The trade war was continued by the administration of President Joe Biden and was morphed into a technology war.
- The US has denied China both the knowledge and inputs for producing frontier goods and services as well as access to markets, affecting semiconductor production and 5G technology.

What are the concerns of U.S.?

- **Trade deficit** - The broader context of the trade war was the growing merchandise trade deficit of the US which was $735 billion in 2016.
- **Pandemic reliance** - Imports into the US from China in the first half of 2021 were on average 46% higher than in the first half of 2020.

- **Hi-Tech imports** - One of the more obvious concerns of US trade policy with regard to China is the growing significance of high-technology imports.
- **Security fears** – U.S has recently restricted China's access to semiconductor chips that are essential for new 5G-enabled smartphones.
- Sanctions have been imposed on Chinese telecom giants ZTE and Huawei for alleged espionage and ties to the "techno-authoritarianism" of the Chinese state.

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What will be the implications of the U.S. policy towards China?

- The aggressive strategy by the US is putting the economic territory of the future (whether in the form of communication technologies like 5G or renewable energy solutions) at risk.
- The trade war has hardly made any reduction on US trade deficit.
- The macroeconomic processes within the US that were likely to generate trade deficits have to be looked upon rather putting the blame on China.

Source: Business Line

