U.S. and China - Retaliatory Tariffs

Why in news?

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Both the U.S. and China announced new tariffs on imports from each other, worsening the trade war scenario.

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What are the tariff decisions?

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- U.S. President recently announced that US would be slapping $200-billion worth of Chinese exports with 10% tariff.
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- The U.S. administration further said that it would raise the rate of the new tariffs to 25% by the end of 2018.
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- Soon, in retaliation, China imposed tariffs between 5% and 10% on $60 billion worth of imports from the U.S.
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- With these new announcements, the U.S. tariffs will apply to $250 billion of Chinese goods.
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- On the other hand, Chinese tariffs will apply to $110 billion of U.S. goods.
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What are the recent developments?

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- In the recent period, China and the US have imposed various rounds of tariffs on each other.
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- It all began when US unveiled tariffs to discourage the import of steel and aluminium into the country.
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- The European Union also joined the trade war recently, imposing tariffs on $3.3 billion of American goods.
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What are the implications?

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- In the latest round of retaliatory tariffs, almost 6,000 items will be hit by the new U.S. tariffs.
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- The U.S. announcement came with a warning of pursuing phase three of tariff imposition if China took retaliatory action.
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- The phase three refers to tariffs on approximately $267 billion of additional imports.
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- Now, with China's retaliation, the U.S. may proceed with additional tariffs.
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- In that case, all Chinese imports to the U.S., nearly 4% of world trade, will come under the tax net.
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- On both sides of the tariff war, economic pain is likely to be widely distributed.
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How does the future look?

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- In the near term, the trade war will cause a shrinkage in bilateral trade volumes.
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- Businesses in the U.S., China and nations with close trade links to them are likely to be in economic trouble.
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- Over the longer term, a reversal of the globalisation of supply chains may take place.
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- It could also make a significant impact on the future of the hyper-connected world of today.
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- China, and other nations trading with the U.S., may seek alternative markets and trading partners.
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- On the other hand, global institutions such as the WTO would start loosing their authority.
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- This would, in the much-longer term, be a loss for the world community of nations.
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- The rules-based world order for international trade appears to be undergoing a tough phase.
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Source: The Hindu

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