

US-China - Truce in Trade Dispute

Why in news?

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The U.S. and Chinese Presidents, Donald Trump and Xi Jinping, agreed to a 90-day truce in a trade dispute, at the G20 summit in Buenos Aires.

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What was the dispute?

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- The U.S. and China are locked in a dispute over their trade imbalance and China's tech policies.

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- U.S. accused China of deploying predatory tactics in its tech drive.

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- These include stealing trade secrets and forcing American firms to hand over technology in exchange for access to the Chinese market.

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- Trump has imposed import taxes on \$250 billion in Chinese products - 25% on \$50 billion worth and 10% on the other \$200 billion.

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- Trump had planned to raise the tariffs on the \$200 billion to 25% if he could not get a deal with Xi Jinping.

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- China has already slapped tariffs on \$110 billion in U.S. goods.

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- But there were signs of a significant slowdown in the Chinese economy.

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- Also, there were concerns in the U.S. over the negative impact of the trade war on American financial markets.

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- So the countries have moved forward to come to an agreement.

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penalty under the law.

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How does the future look?

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- The trade war had notably disturbed the financial markets and threatened world economic growth.

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- It is to be seen if any compromise will include a complete rollback of the tariffs imposed on each other over the year.

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- During the upcoming negotiations, the U.S. is likely to press hard on China's protectionist policies.

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- But it is unlikely that China will yield to such pressure as that would require a seismic shift in the country's growth policy.

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- This is because till now, China has emphasised the state's role in the economy.

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- Further, China itself is bound to draw attention to the U.S.'s own protectionist policies.

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- But the truce signifies a major change of heart to move away from confrontation toward engagement.

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- This would change the tone and direction of the upcoming bilateral conversation.

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- In all, the global trade war that began earlier this year is likely cooling down.

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Source: Economic Times, The Hindu

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