



US-China Trade war – Impact on USA, China & other countries

Description

How US-China Trade War has started :-

- United States has increased tariffs on its Chinese imports – steel and aluminium. It is one of the Donald Trump’s presidential election promises. Trump explained that country’s military should not be dependent on imports of the metals. He also announced that US will restrict China’s investments in American companies. Trump blamed China for unemployment and Trade deficit in US.
- As a consequence of this, China too increased tariffs on its imports from US including pork, wine, fruit and nuts.
- If this trade war continues between the world’s two biggest economies, there will be a huge impact on both countries and also on other countries.

Impact on USA :-

- Majority of US bonds are in the hands of China. If China start selling these bonds, there will be a huge negative impact on US economy, and dollar value may fall.
- Increase of taxes on China goods means people in USA have to pay higher prices for the goods that were hitherto available for cheaper prices. Middle classes are at loss here.
- American farmers are the beneficiaries in Soya exports to China. As China is also toughening its rules against US, Soya farmers of US will be at loss.
- Some US industries depend on Chinese imports as their input materials.
- If China devalues its currency, Chinese goods will become much cheaper and thereby give a tougher competition to US goods.
- When trump announced extra tariffs on Chinese goods, US stocks suffered worst fall.
- Some other nations that have trade relations with US are losing trust on United States due to its safeguard policies.
- China buys Boeing commercial Airplanes from US. If it starts buying them from Europe instead of US, it will be huge loss to Aircraft manufacturers of the United States.
- China may impose more restrictions on US companies that are in China.

- If China increases restrictions on American goods, there will be more job losses in US.

Impact on China :-

- US is one of the biggest importers of Chinese goods.
- Several countries including Japan, South Korea suffered patent and trademark violations by China. China has a rule that foreign companies that operates in China must share their technology with Chinese companies. And then Chinese companies are violating patents and manufacturing the similar products for cheaper prices. US is highlighting this issue these days. Many more countries may join this fight and thereby China may face pressure from WTO.

Impact on India :-

- If inflation and interest rates rise in US because of trade war, investors may invest in US instead of developing countries like India.
- Stock market volatility and fluctuations may cause increase of gold rate. As Indians are obsessed with gold, it will impact our economy significantly.

Impact on other countries :-

- Not all imports from China are Chinese goods. Several countries assemble their products in China because China offers several incentives and also it has cheap labour. So, the restrictions on Chinese imports will impact economies of these countries.
- Asian stock markets faced many fluctuations due to this trade war. In many Asian countries stock markets fell.
- Trade war between two biggest economies of the world is not at all good for International economy.

Conclusion :-

Instead of increasing tariffs on Chinese goods, US would have gone for bilateral meetings with China to address its issues or it would have asked for the intervention of World Trade Organization (WTO). No one will be the winner in this trade war. As US may lose more, it needs to do something to settle this issue here. Trade war has just begun. Let's hope it may not intensify.

Afterwords :- What are your thoughts on this topic? Express your opinion in the comment section below.

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