

China–US Trade War^{*}

The China–US trade war has emerged as one of the topical issues having far reaching implications, consequences and impact on global trade in particular and world economy in general. Chinese Government has been opposing the ongoing abuse of national security clause which is going to seriously damage the existing multi-lateral trading system in particular and the WTO in general. This may increasingly affect and disturb the existing International Trade Order (ITO). Trade analysts have observed that there is an immediate need for focussing whether the Beijing and Washington are making any progress in their respective trade frictions which have put ITO under heavy odds. Hence, it is a timely special issue and may serve a better cause for creating a better understanding and insight into the issue. However, US–China trade war has its own bearing effect on both the economies.

In the year 2018, China was biggest trading country of the United States of America (USA) and total bilateral trade between the two largest economies amounted to USD 659.8 billion. Chinese imports from the USA were stood at USD 120.3 billion and the exports from the two USA stood at alarmingly high figure of USD 539.5 billion, resulting into huge trade deficit of USD 419.2 billion. The same trend is witnessed in regard to China–US trade in services which stood at USD 77.3 billion. China has the largest forex reserve in the world amounting USD 3.1 trillion. The most noticing trend is that these reserves are on the rise for the last five months indicating an edge of China over US. Hence there is an optimism in regard to the potential and prospects for China–US trade deal and offsetting persisting concerns for slowing down of the economic growth of the world.

Keeping in mind the above-mentioned trends in trade in goods and services, the President of US has so far imposed tariffs amounting to USD 360 billion. On the other the hand in retaliation, Chinese trade authorities

have imposed total tariffs worth USD 110 billion on US goods. It is rightly observed by the trade and business analysts across the globe that Chinese trade relations have completed the full circle. Instead of trying to accommodate the rise of the Chinese economy (China's economy may outclass the US economy 2035), the President of the USA has a sense of fear and therefore, trying hard to cut Chinese economy to size so that there could be rewriting or redraw trade relations with China. The analysts also believe that it is hard to conceive that the President of the US may be successful in his attempt keeping in mind the size and influence of China across the globe. Chinese Government has clearly told that there is no possibility of compromise with any trade deal and it may go for long campaign to win the trade war. The globe is watching carefully and minutely how these two economic giants will deal the trade issues and further how these two largest economies will determine the future trends and prospects of the world trade.

I WHY THIS SPECIAL ISSUE?

As there are far-reaching implications, consequences and impact of China–US Trade War on the global economy in general and developing countries in particular, there is a strong need to bring out a special issue on this topical strategic issue. The US is of the view that during the last several decades, imports from China have done a lot of damage to its industry and economy. Hence, the President of the US has imposed heavy tariffs resulting into trade war. With this backdrop, there was an urgent need to look into this controversy. Hence, a call for articles for academicians and policy makers was issued to have articles on the different facets of the persisting trade war. Therefore, in this special issue, ten articles have been included which were contributed by the academicians across the globe.

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2 SYNOPSIS VIEW ON THE ARTICLES

Roseline and Ronney in their article have evaluated the impact of USA – China trade war on market capitalization of emerging economies. A major determinant of growth in emerging economies is market capitalization, which is the share price times the number of shares outstanding for listed domestic companies. The article proved that USA–China trade war has a negative impact on market capitalization of the emerging markets. Interest rates, exchange rates and trade balance have a positive impact on market capitalization of emerging markets.

Thobeka in her article examined the spill over effects of the US–China trade war on some leading Sub-Saharan African countries namely Nigeria and South Africa. The study used four trade models for current account balance, trade balance, tariff rates and foreign direct investment (FDI) in the US–China–Africa saga. The Author observed strong spill over effects on the current account balance model, tariff rates and FDI relationships.

Kalu *et al* have investigated the transmission effects of the trade spat between the US and China on the relative trade openness of the West African sub-region. They are of the view that Economic Policy Uncertainty in China positively and significantly influence relative openness and the trade war is a positively significant driver of relative openness of the West African economy to China unlike the US, with no significant influence in the short run but a relative elasticity of 32% in the long run of openness to the trade war.

Collins and Sebola have examined the economic ripple of U.S-China trade war on South Africa. They are of the view that the U.S suffered a significant increase in trade deficit during the first year of the U.S-China trade war in 2018 compared to the pre-trade war period in 2017. South Africa witnessed a significant increase in balance of trade deficit in 2018 during the first year of trade war.

In addition, the South African currency has suffered increased volatility during this period of U.S-China trade war.

Katti and Kashika are of the view that with the launch of trade war against China, US government that had pressured many a country to liberalize trade and globalize seems to have turned against its own agenda. US, one time being a staunch supporter of free trade has put in place and widened the coverage of a protectionist shield aimed at stimulating domestic production and reducing the country's trade deficit.

Mishra and Karthik focused on the causes and the consequences of the trade war between the two countries. Both

China and the US have had a long history of trade with each other. Both the countries face several political, economic and social challenges. 'There are daunting economic, political, and social challenges that China has to meet now and in the near future'. (Zhiqun Zhu, 2005)¹

Adriana in her article gives a brief overview of the current trade war between China and the US, pointing out its main but multiple causes that lead to the current trade war. She also analyses briefly the probable effects not only on the China and the US, but as well as on the world as a whole, and for Latin American countries in particular.

Maria & *et al* have discussed the global trade policy between US–China and the main activities of Chinese companies in US markets. The article further explores the principles of the internal and external environment of the countries. It also addresses the strategic tools of companies and their application in a global and very competitive market, framed by public policies and governments strategies.

Article contributed by **Felix and Wumi**; analysed the implications of trade dispute on the Economic Community of West African States (ECOWAS) bilateral trade with the two countries with emphasis on trade in agricultural raw materials, mineral products and consumer goods. The authors are of the view that the region's economic diplomacy should promote the interests of its Member States.

Tajul in his article opined that with the ongoing US–China trade war, several countries could gain the most from the tension. The article explored how the US–China trade war affects the exports of major trading partners of the US and China, which are also competing with China and the US for the same markets of the US and China, respectively.

3 EFFECT OF COVID-19

It is an undisputed fact, that the COVID-19 may have far reaching impact; consequences and implications to the global trade. There is a possibility that new economic order may come up for the world economy.

In the present pandemic situation, the trade war has led to shortages of medical supplies for US to fight COVID-19 as US import for medical products with tariffs of 25% from China has declined by 16% during 2017–2019 and it didn't equally offset by the supplies from other economies. Looking at the effect of pandemic when US is the worst affected economy with highest number of casualties, the existing tariffs has put it in a critical situation when there is supply shortages globally

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¹ Zhiqun Ahu, *Power Transition and US-China Relations: Is War Inevitable?*, Journal of International and Area Studies, 12 (1), 1-24. URL: <https://www.jstor.org/stable/43107108> accessed on September 10, 2020

(Bown, 2020).² However, the pace of trade war is worsening from the US side as the administration has decided to ban use of hardware and software in strategic semiconductor processes by the Chinese company Huawei followed by export ban on Zhongxing Telecommunications Equipment Corporation (ZTE) and Huawei for one year. Also, it is building pressure on the governments of Europe to have commitments with Huawei and other Chinese companies in order to curb the technological capabilities of the Chinese companies (Chandrasekhar et.al., 2020)³.

Meanwhile for China, imports from US have fallen especially related with services and energy. China has expected annual agricultural import from US of around 20 billion USD, however it will still be less than what it has targeted (36.5 billion USD). Over the long run, there is no surety from the Chinese domestic markets that it will be able to compensate its international variable access. A bill was introduced in the House of Representatives in order to persuade American organizations to shift their manufacturing base from China on 13 April, 2020, if passed it is going to affect both the economies (Dutta, 2020)⁴. The situation of pandemic

has left a very little hope for any type of economic revival for the economies due to plunged oil prices, no tourism and economic lockdown.

As a whole the special issue provides in-depth knowledge as well as an interesting reading on the diversified issues that are bone of contention in the ongoing trade war between the China and the USA. I am optimistic that the contents of this special issue will provide high level insights to academics, researchers, students and practitioners whose interest is within the domain of the research focus of this special issue. The volume will prove to be an asset for those who are interested in the issue and want to develop an understanding on ongoing subject.

I am grateful to the contributors; reviewers and especially the editor of the journal for bringing out the special issue on time.

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² C. P. Bown, *Tariffs Disrupted Medical Supplies Critical to US Coronavirus Fight*, Peterson Institute for International Economics (2020), <https://www.piie.com/research/piie-charts/tariffs-disrupted-medical-supplies-critical-us-coronavirus-fight>. (accessed 1 Sep. 2020).

³ C. P. Chandrasekhar et al., *New Fronts in the US-China Trade War*, International Development Economics Associates (2020), <https://www.networkideas.org/featured-articles/2020/05/new-fronts-in-the-us-china-trade-war/>.

⁴ P. K. Dutta, *Covid-19: Firms Explore a Non-China Address. Can India Give Them a Pin Code?*, India Today (2020), <https://www.indiatoday.in/news-analysis/story/covid-19-global-firms-china-india-manufacturing-hub-1679705-2020-05-19>.