Implications of Trade War between US and China

What is the issue?

Global trade war is brewing between the US and China, which will have huge implications world-wide.

What is the bold strategy of China to reign over the trade war?

- China has created an ambitious Made in China 2025 plan to make the country self-sufficient in 10 key fields including artificial intelligence, robotics, biotechnology and aviation.
- It has planned to domestically produce 40% of the equipments and machinery in these sectors.
- This will help the country to transition from a manufacturing chain to high value crucial technology producer.
- For which Chinese government offers a cheap land and tax breaks as incentives to bring more thrust into its grand vision.
- The Chinese are also offering some smaller concessions to the global traders such as allowing foreign companies to invest solo in its rapidly growing electric vehicles sector.
- In addition, the government is allowing foreign automakers to manufacture in China, without a Chinese partner in around five years.
- For the Chinese, these relatively minor give-aways will smoothen its journey to global hold in other crucial sectors.

What are the tactics adopted by the US to regulate China?
The US has begun this trade war by slapping a huge fine and 7 year ban on a Chinese smartphone maker for breaking the Iran sanctions.

American government also landed another huge blow by halting the merger comprising chipmakers of both the countries.

The US government has demanded China to reduce a part of its huge trade deficit with the US.

It is also pressurising China to halt the government assistance plan to calibrate their hi-tech industries as those are dominated by US tech firms.

US will utilise the WTO regulations to ensure China is not out-growing its peers, atleast in the near future.

What are the global implications due to this trade war?

The China is annoyed with the activities of the US and is planning for a retaliation.

The conflict between these 2 major economies to establish their dominance in the world market will have repercussions all over the world.

Major trading companies and developing nations’ dependant on either US or China will be hugely affected.

China’s buying spree of all major investments in all developing countries is colossal to be regulated individually by the developing nation.

Also, Industries specifically related to these crucial hi-tech sectors, as China’s mass entry will disrupt the existing market.