



## Implications of US-China Trade War

### What is the issue?

The trade-and-technology war between the US and China that began in 2018 has hardly made a reduction in US trade deficit.

### How the trade war started?

- In 2018, US President Donald Trump unilaterally imposed a 25 per cent tariff on Chinese imports of around \$34 billion and further tariffs in 2018 and 2019.
- He accused China for “**unfair trade practices**” and “**technology theft**”.
- The trade war was continued by the administration of President Joe Biden and was morphed into a technology war.
- The US has denied China both the knowledge and inputs for producing frontier goods and services as well as access to markets, affecting semiconductor production and 5G technology.

### What are the concerns of U.S.?

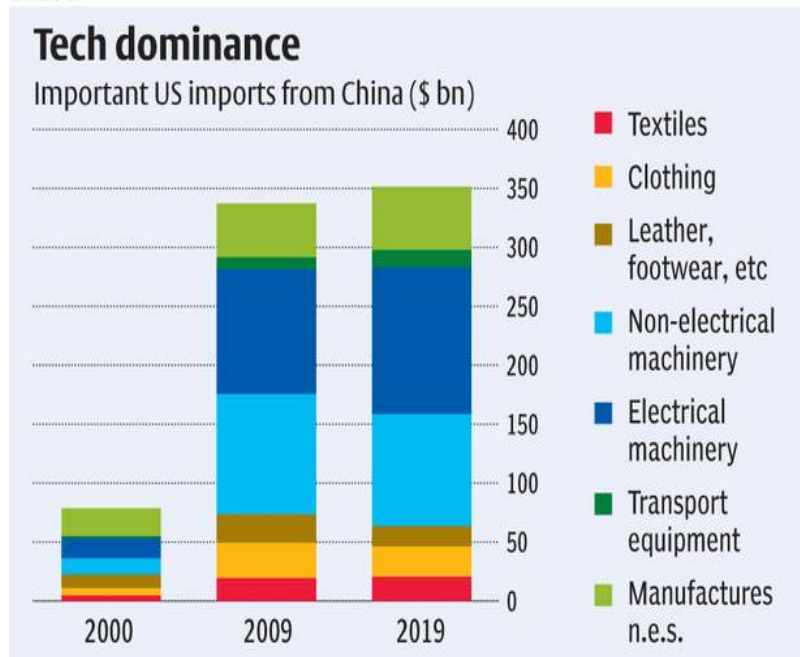
Chart 1



- **Trade deficit** - The broader context of the trade war was the growing merchandise trade deficit of the US which was \$735 billion in 2016.

- **Pandemic reliance** - Imports into the US from China in the first half of 2021 were on average 46% higher than in the first half of 2020.

Chart 4



- **Hi-Tech imports** - One of the more obvious concerns of US trade policy with regard to China is the growing significance of high-technology imports.
- **Security fears** - U.S has recently restricted China's access to semiconductor chips that are essential for new 5G-enabled smartphones.
- Sanctions have been imposed on Chinese telecom giants ZTE and Huawei for alleged espionage and ties to the "techno-authoritarianism" of the Chinese state.

To know more about US - China relations, click [here](#)

### What will be the implications of the U.S. policy towards China?

- The aggressive strategy by the US is putting the economic territory of the future (whether in the form of communication technologies like 5G or renewable energy solutions) at risk.
- The trade war has hardly made any reduction on US trade deficit.
- The macroeconomic processes within the US that were likely to generate trade deficits have to be looked upon rather putting the blame on China.

**Source: Business Line**



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