CHINA-US TRADE WAR INTENSIFIES

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Executive Summary

1. China-US tensions have intensified significantly since early 2018 when the United States launched a series of trade measures against Chinese products. Global economic stability is now at risk if the conflict intensifies.

2. The United States has expressed its growing dissatisfaction with its economic relations with China, in particular, the Chinese government's policies and practices. These include rising bilateral trade imbalance, China's poor intellectual property rights protection and heavy-handedness in economic affairs.

3. The Trump administration has taken a tougher stand in addressing these concerns and demonstrated its inclination to adopt unilateral and confrontational approach to dealing with trade matters.

4. In April 2017, it initiated a Section 232 investigation on global imports of steel and aluminium imports based on national security consideration, with China as the major target. In August 2017, it initiated a Section 301 case on China's trade practices with respect to technology and intellectual property.

5. Following positive findings of these investigations, steep tariffs are imposed on Chinese products. After China has announced its retaliatory measures, the Trump administration has heightened its threat and vowed to significantly expand the list of Chinese products for further import levies.

6. Meanwhile, the Trump administration demands changes to the model of economic governance adopted by the Chinese government, such as state-guided industrial development and technological advancement.

7. China's response seems more conciliatory and measured. In addition to taking steps to enhance imports and improve market access to foreign businesses, China reiterated its support for the WTO and other multilateral institutions.

8. While the two sides have brought their respective grievances to the WTO and not closed the door to resolving differences through bilateral negotiation, the United States seems determined to hit hard at the Chinese economy in order to force China to back down. The world awaits.