Talking Point

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Escalation of the US-China trade war

What are the reasons behind the US-China trade war? Is it even about trade, and is it even a war? Which country is ‘winning’ and does the United States really have an ‘upper hand’ as Trump claims?

Scholars have debated on the reasons behind the United States’ decision to start the trade war and the motivations behind US President Donald Trump’s persistence. Some possible explanations were raised, from political and economic perspectives. Is the United States trying to contain China’s rise? Or just concerned about reducing the trade deficit? Or are the Americans trying to protect their global technological leadership? Or are the Americans trying to pressure China to become more like them (a liberal democracy that protects human rights)?

Questions were also asked about the motivations behind Chinese responses. Tariffs are not new and the United States has implemented them before. However, the Chinese response was much stronger this time, given the retaliatory tariffs. Are these retaliations something to do with Chinese national pride, making any compromise with the United States more difficult than before?

In trade, the United States is one of the most open countries in the world and runs a trade deficit with many countries worldwide in order to support global economic growth. However, such a deficit is not sustainable. Although the World Trade Organisation (WTO) exists to resolve trade disputes, the United States has the same number of votes (one) as any other country in the world, regardless of its level of development. There is also no fixed WTO definition of what constitutes a ‘developing country’. All definitions are self-defined. The United States is believed to be doing what the US government did under US President Richard Nixon, quitting the Bretton Woods system when the system is no longer fair to the United States.

There is also some consistency between Trump’s actions and statements, even though the US president has faced withering criticism for his inconsistency. For example, his views on the US trade deficit dates back three decades and finally, as president, Trump has the chance to put his views into action. Although the United States has provided many public goods and free transfer of technology to countries in the post-World War II era, the United States can no longer shoulder such responsibilities, given that its position as the world leader in technology is under threat.

The whole trade war may have nothing to do with Trump but is related to the long history of American efforts against any regime that is a threat to them, or ideologically different from them. It was not too long ago that the United States overthrew the Saddam Hussein’s regime in Iraq and instituted a democracy in his place. Perhaps China is not changing in the manner that the United States, or the West in general, has hoped for decades. After decades of reform and opening up, China’s political system has not changed to the liberal democracy that the West has hoped it to be.