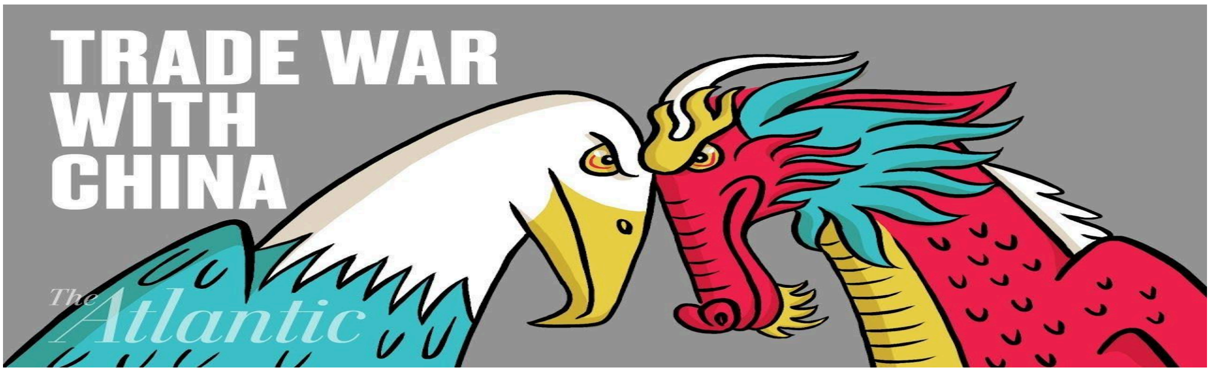
IMPACT OF US-CHINA TRADE WAR ON GLOBAL ECONOMY

INTRODUCTION ON "TRADE WAR" What is a "Trade War", it is not a war between nations with powerful weapons which happened during "COLD WAR" to show their powers, But a "trade war is an economic conflict resulting from extreme protectionism in which states raise or create tariffs or other trade barriers against each other in response to trade barriers created by the other party increased protection causes both nations' output compositions to move towards their autarky position.

FIGHT BETWEEN RED DRAGON AND BALD EAGLE



What's that fight between **"RED DRAGON AND BALD EAGLE** ", and what is this red dragon and bald eagle all about, who it represents of Guess. YES, it is Trade War that occurring between TWO great SUPERPOWERS " Uncle Sam and Mao Zedong " which started to occur followed by the message delivered on early July, by US President Donald Trump followed through on months of threats to impose sweeping tariffs on China for its alleged unfair trade practices. and which this trade war and tariffs impacted the global economy on a large scale where it would take a long time to get back to those economic achievements achieved by most emerging markets in their past.

OBJECTIVES OF TRADE WAR

The main objectives of researching about the trade war are to find the impact which it would cost to the global economy in both small and large scale

Few research objectives regarding TRADE WAR are as follow

1. History of Trade War
2. First, to find the reasons behind the Trade War, where it all began.
3. And the impact which it would cause to the global economy
4. Tariffs and percent’s which placed on both the economies between themselves
5. Achievers due to the trade war
6. Losers regarding the trade war
7. Effects on farmers of both the US and China
8. Overview of MNC’S growth during Trade War
9. What are the goals of TRUMP regarding Trade disputes between both Economies
10. Whether Commodities are affected during these disputes
11. Market trends during the Trade War
12. Overview of economies Before and After Trade War
13. Thoughts about the Trade War by leading Economists and Banking Sectors
14. Whether there would be a Recession during or after Trade War
15. A closer look at INDIAN ECONOMY during Trade War
16. Whether Europeans and Asians care about Trade War

LITERATURE REVIEW

Here are some former researches are done on “TRADE WAR” that occurring between CHINA and the UNITED STATES. Were few pieces of evidence speak about the spending that occurred during the Trade War between the consumers of both nations, where the Chinese consumers pay a lot than average American consumer?

SUMMARY

China Is Paying for Most of Trump's Trade War, Research Says

President Donald Trump is succeeding in making China pay most of the cost of his trade war. A network of researchers in the European Union. U.S. companies and consumers will only pay 4.5 percent more after the nation imposed 25 percent tariffs on $250 billion of Chinese goods, and the other 20.5 percent toll will fall on Chinese producers, according to authors Benedict Zoller-Rydzek and Gabriel Felbermayr. The U.S. is due to raise duties on the largest $200 billion tranche of goods to 25 percent from 10 percent on Jan. 1. In retaliation, China has slapped tariffs on $110 billion in imports from the U.S. and effectively shut off its purchase of key American agricultural exports including soybeans. With the economic costs shifted to China, the U.S. levies will lead to an $18.4 billion net gain for the American government, the researchers wrote.

Keynote: information clearly speaks that Chinese customers pay higher the price for products than average American consumers.

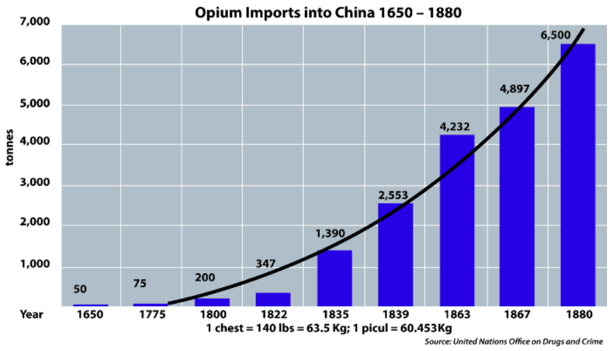
Further Link:
https://www.bloomberg.com/news/articles/2018-11-19/china-is-paying-for--most-of-trump-s-trade-war-research-

HISTORY OF TRADE WAR

Trade War between China and the United States, we must identify where it all begins. Through history, many Trade War was fought between nations. The First Trade War (Opium War) was fought between the Qing dynasty and the British Empire between 1839 and 1842 over ban on trafficking of the substance by the British East India Company to China. This led to China losing Hong Kong to Britain during the second Opium war between 1856-1860, Britain along with France forced China to open all of China to foreign merchants and exempt foreign import duties. Both the wars weakened the Qing dynasty and led to the modernization of China and few other trade war as follow

- Smoot-Hawley Tariff Act, 1930
- Chicken War

- Pasta War


Opium Imports into China 1650 – 1880
tonnes
7,000
6,000
5,000
4,000
3,000
2,000
1,000
Year
50
75
200
347
1,390
2,553
4,232
4,897
6,500
1650
1775
1800
1822
1835
1839
1863
1867
1880
1 chest = 140 lbs = 63.5 Kg; 1 picul = 60.453Kg
Source: United Nations Office on Drugs and Crime


US-CHINA TRADE WAR
TARIFF
TAX
01
APRIL 2017
Trump launches investigations into steel imports
02
AUGUST 2017
Trump launches probe to investigate China's "unfair trade practices"
03
JANUARY 2018
U.S. imposes 30% tariff on imported solar panels and washing machines
04
MARCH 2018
U.S imposes tariffs on steel imports. China calls the action as a "serious attack"
05
2 APRIL 2018
China declares tariffs on US imports
06
5 APRIL 2018
Trump says he is considering US$100 billion worth of additional tariffs
07
6 APRIL 2018
China's commerce ministry says the nation "...will follow suit to the end and at any cost"
US$100 BILLION

REASONS BEHIND THE TRADE WAR

The most important reason is the large trade deficit the US has with China and the fact that China has been accused of unfair trade practices so to compete with China. The United States used the weapon of tariffs to tackle with its counterpart in the Trade deficit.

IMPACT ON GLOBAL ECONOMY

Trump's trade war is hurting the global economy

- The IMF projects a downturn in global economic growth. It's partially Trump's fault.
- The International Monetary Fund (IMF) released a major report on Tuesday that projected the world's economy will grow by 3.7 percent, which is 0.2 points lower than they had estimated in April. That's the same rate of growth as 2017, signalling a slight slowdown — and Trump's trade policies are a major reason why.
- "[T]he forecast for 2019 has been revised down due to recently announced trade measures, including the tariffs imposed on $200 billion of US imports from China," reads the IMF's "World Economic Outlook" report.
- The IMF noted that China's economy will drop to 6.2 percent growth as opposed to the once-expected 6.6 percent. But China has responded with tariffs on its own on American products, making it even harder for US companies to sell in the Chinese market.

TARIFFS AND PERCENT DURING TRADE WAR

During the trade war session between this superpowers. They placed enormous tariffs and percent on each other bilaterally.

- U.S. businesses shelled out $4.4 billion in tariffs in September, a surge of more than 50 percent from the same month a year ago, according to an industry coalition called Tariffs Hurt the Heartland.
- Duties on steel and aluminium imports cost U.S. companies about $545 million in September, the data show.
- So far, the US has already slapped tariffs on US$250 billion worth of Chinese products, and has threatened tariffs on US$267 billion more.
- China, for its part, has set tariffs on US$110 billion worth of US goods, and is threatening qualitative measures that would affect US businesses operating in China.
- Total US tariffs applied exclusively to China: US$250 billion.
- Total Chinese tariffs applied exclusively to US: US$110 billion.

ACHIEVERS DUE TO TRADE WAR

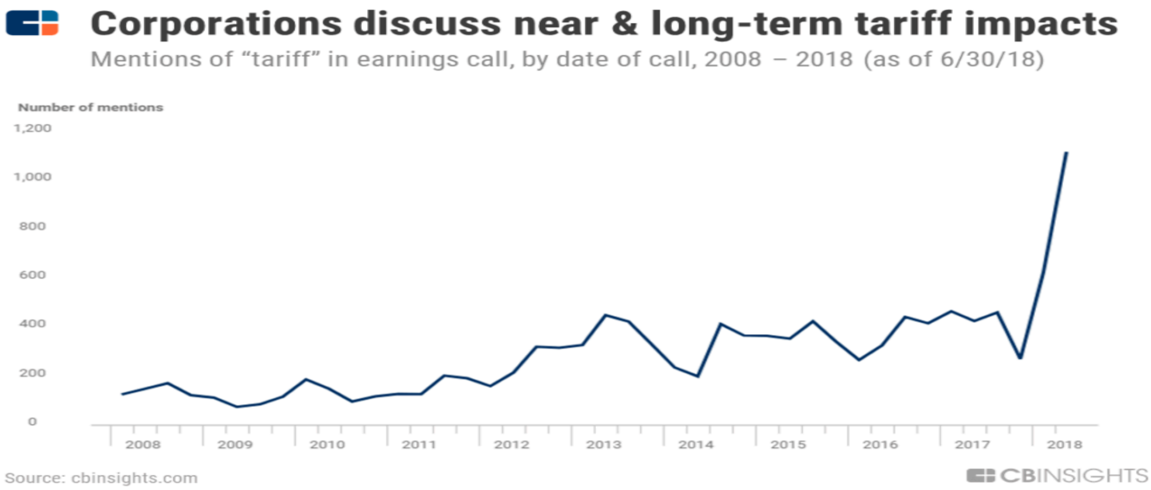
China is “losing” and the U.S. is “winning”

- The China is losing to the U.S., because China exports goods worth US$530 billion a year to the U.S. On the other hand, it imports just US$187 billion of U.S. goods annually. So China’s scope to retaliate is limited.
- India boost its exports, but that may begin to hurt smaller economies and others if China’s growth slows down due to the conflict, Beth Ann Bovino, US chief economist for rating company Standard & Poor’s said.

LOSERS REGARDING TRADE WAR

Who Are the Trade War Losers? Just look at the Earnings Rolling In “Increasing the size of the tariffs is merely increasing the harm that will be done,” Matthew Shay, president and CEO of the National Retail Foundation, said in a statement in August.

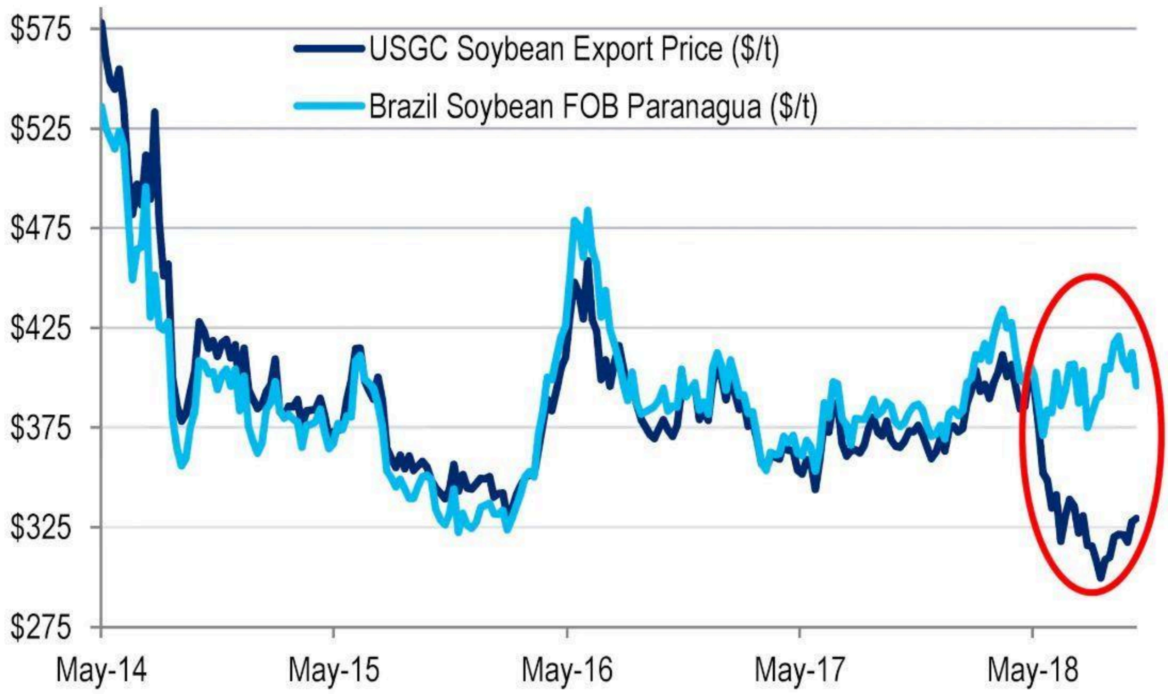
- The growing number of tariffs that the Trump administration has announced are expected to affect companies across multiple industries — from construction to food production to motor vehicles, and more
- CEOs, CFOs, and others at many of the world’s largest companies have been sounding off for weeks on earnings calls, in interviews, and elsewhere on how they plan to navigate tariffs and how they expect their industries to be affected.
- Companies in the auto industry will feel the impact of Trump’s announced 25% tariff on steel and a 10% tariff on aluminium targeting Canada, Mexico, and the European Union. The industry will feel the pinch in rising costs of steel and aluminium, and in higher prices of cars and motorcycles sold outside of the U.S.
- The tariffs have led to a slow second quarter in 2018 and uncertainty going forward, according to industry insiders.
- Ford Motor Company saw a downtick in Q2. Here’s EVP & CFO Bob Shanks during the company’s earnings call.



EFFECTS ON FARMERS

The Effects U.S. Soybean Farmers Have Felt From Trade Negotiations with China

- As Washington and Beijing try to keep trade talks on track, American soybean farmers remain in limbo. China has typically been the biggest overseas market for American soybean growers. That market has shrunk dramatically since China imposed tariffs on imports this summer in retaliation for U.S. tariffs.
- Sales of soybeans to China are down 94% in the last year, according to the New York Times. And the US Department of Agriculture (USDA) reports that corn will overtake soybeans as the "No. 1 planted crop" in 2019.
- "Soybean is the thing that we need to focus on, because we know how to produce commodities," said Loos, who focuses on livestock rather than soybeans or other crops. "I don't think that the prices we're talking about and the news that we continue to get is relative from China, as it is, to what the price the farmer is receiving.
- The USDA forecasted that soybean production for 2018 will be an increase of 7% from 2017.



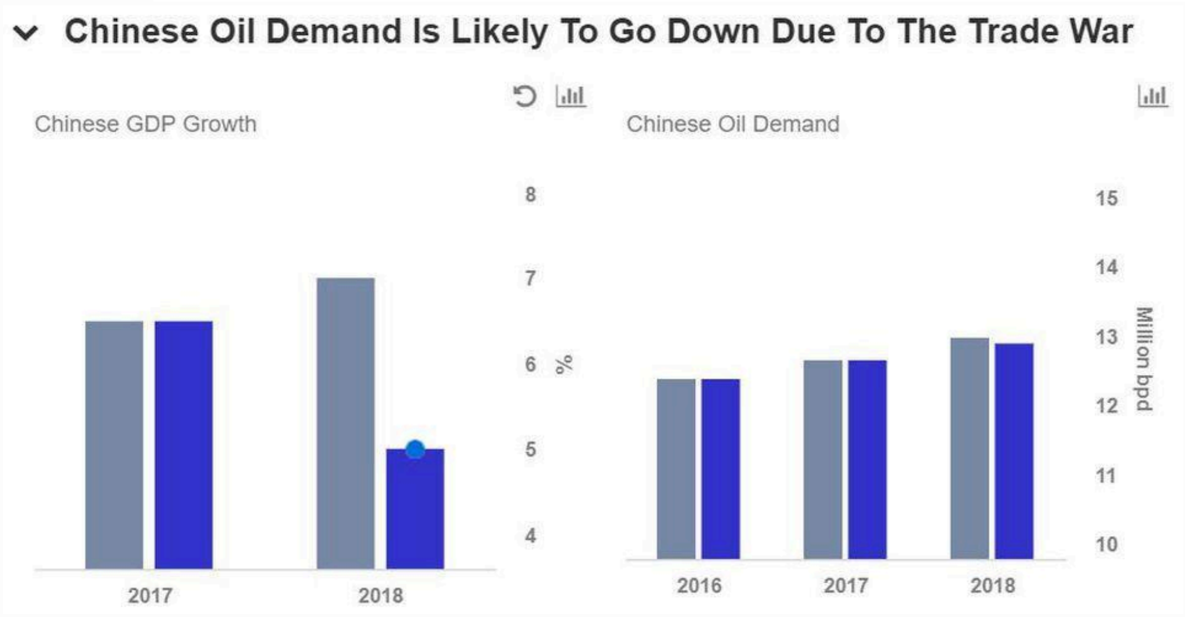
COMMODITY MARKETS DURING TRADE WAR

Commodities may be first to show real impact of trade war

- Launceston, Australia: The phoney war stage of US President Donald Trump’s trade dispute with China may be ending, with economic indicators and commodity flows and prices starting to show real world effects.
- London Metal Exchange copper futures have been trending lower since reaching their peak for this year so far in early June, closing at $6,172 a tonne on Wednesday.
- This is down almost 16 per cent from the June peak, a period that coincides with the ramping up of tariffs by the United States, coupled with increasingly bellicose rhetoric.
- China’s appetite for imported copper has yet to falter, however, with first-half imports of unwrought copper up 16.3 percent from a year ago, according to Chinese customs data.

IMPACT ON CRUDE OIL, DURING TRADE WAR

Crude oil had a great start to the year 2018. The commodity touched $80 per barrel for the first time in almost four years on the back of Organization of Petroleum Exporting Countries' decision to extend the oil production quotas until end of 2018. Oil companies, such as Chevron (NYSE: CVX), benefited as prices rose. However, as the trade war between the U.S. and China gets fierce, crude oil seems to be experiencing the pinch. Brent oil prices have been declining since the beginning of July, thanks to the implementation of the U.S. tariffs on several billions of dollars' worth of Chinese goods.
Currently, we forecast Brent oil prices to average at around $67 per barrel by the end of 2018. We have created an alternative scenario, wherein the Chinese demand for oil drops, causing the oil prices to fall. View this interactive dashboard between US- AND CHINA have create your own forecast to suit your assumptions.



MARKET TRENDS DURING TRADE WAR

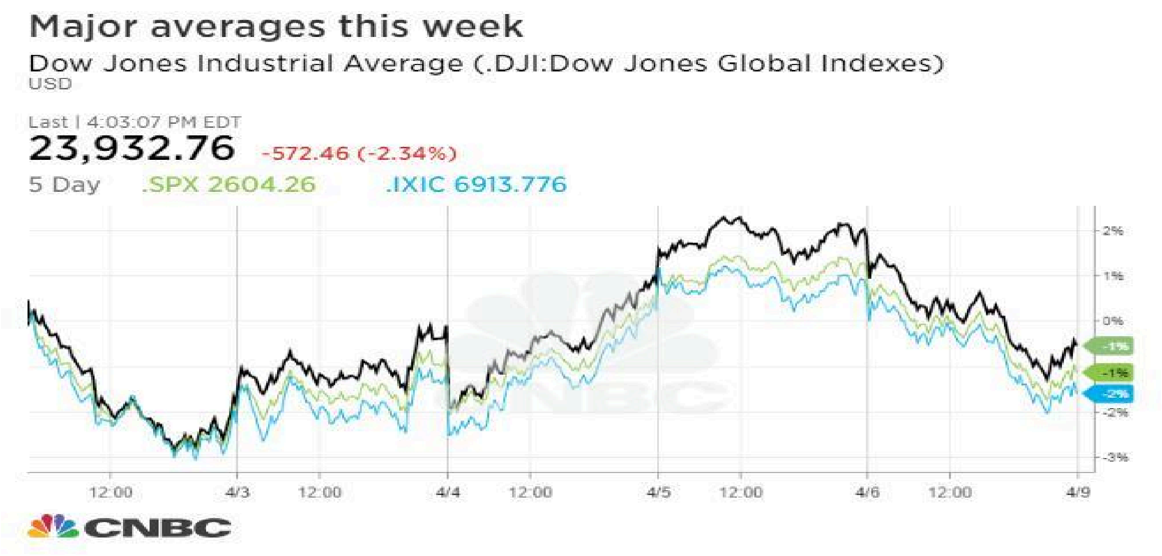
Since the market lows of 2009 through January's all-time high, the Dow Jones Industrial Average soared more than 300 percent.[i] Many stocks' gains have dwarfed even those impressive returns, including the $850 billion technology giant Apple, which has seen its stock price grow tenfold since early 2009.

- In February, the Dow Jones plunged 1,175 points in a single day to mark its worst numerical decline in history.

- Then in March, the stock market slumped even lower on fears of a global trade war after President Donald Trump announced tariffs on imported steel and aluminum. And in April, the administration announced $100 billion in new tariffs on Chinese goods.
- Identifying the top of the stock market is incredibly difficult, and there have been countless premature warnings over the past several years that insisted this record-breaking run was over. But when you look at the big picture—particularly the realities of a possible global trade war—it seems prudent to at least entertain the notion that the end of this 9-year-old bull market and economic recovery may be very near.
- I believe the biggest risk of downturn for the stock market and the U.S. economy is a trade war, sparked by March actions in the White House to limit imports and reduce trade deficits.
- To begin with, most economists agree that trade deficits and a reliance on imports.

Grant Baughman, senior equity specialist at UBS Asset Management, said that "You look at 2019, obviously the growth rate is going to come down as the year over year,".

Hi



OVERWATCH ON ECONOMIES DURING TRADE WAR

Europe will be the big loser in US trade war with China, economist warn**s**

- Speaking at the MEDEF Summer University in Paris on Tuesday, Mathilde Lemoine told CNBC's Joumanna Bercetche that she thought the euro zone would be "the big loser" in the trade war between the U.S. and China.
- The economist added that a lack of structural reform for countries such as Italy and France was continuing to fuel weakness across the eurozone.

The chief economist for the Edmond de Rothschild asset management firm claimed that Europe is set to be a big loser in the trade war between the United States and China." The euro zone, and France especially, are not organized to export their service sector and especially finance, because there is no single market for services in Europe and therefore it is difficult for Europeans to define a single policy for negotiating with China and the U.S.," said Lemoine.

THOUGHTS ABOUT TRADE WAR BY LEADING BANK SECTORS

It's not a trade war, it's a trade skirmish, JPMorgan's Jamie Dimon says

The dispute over trade and escalating tariffs between the U.S. and China are a "trade skirmish" rather than a trade war, Jamie Dimon, chairman and chief executive officer of JP.MORGAN CHASE, told CNBC-TV18 on Thursday.

"It's not a trade war, I call it a trade skirmish," he told CNBC-TV18's Shereen Bhan in New Delhi.

Dimon's comments came after U.S. President Donald Trump decided to implement further tariffs on Chinese goods. On Monday, he announced a 10 percent tariff on $200 billion worth of Chinese imports. Those duties will rise to 25 percent at the end of the year.

In response, China announced tariffs targeting more than 5,000 U.S. products — worth about $60 billion — that will go into effect on September 24. The country has also filed complaint against the U.S.

GOLDMAN SACHS OVER RAISING “TRADE CONCERNS”

- The U.S. has said it will impose 10 percent tariffs on $200 billion worth of Chinese exports.
- China has said it has no option but to respond with fresh measures of its own.
- Goldman Sachs has said Beijing may target the supply chain of U.S. based tech firms.

GOLDMAN SACHS: EXPECT LONG PERIOD OF FLAT RETURNS IN GLOBAL MARKET

Peter Oppenheimer told CNBC’s “Street Signs” on Tuesday that China may impose tariffs on industry components that could have an effect on supply chains.

U.S Technology firms could be first in the firing line, Goldman’s chief global equity strategist added.

“The target may be technology companies that have been the main driver of the equity bull market that we have seen in the U.S. and beyond,” Oppenheimer said.

GOLDMAN SACHS: Staying away from these 20 stocks could help you avoid the pain of Trump's trade war with China and interest-rate hike and may China have plans to hit heavy tariffs with US tech stocks.

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THOUGHTS ABOUT RECESSION DURING OR AFTER TRADE WAR

Global recession a real possibility if US-China trade war intensifies, says Janus Henderson Investors
Janus Henderson sees trade tensions rumbling on beyond G20 meeting

This is a potential for a "near-term, very painful escalation" of the trade tensions, which could weigh on the tech sector and slow global growth, said Richard Clode, a portfolio manager on the global technology team at Janus Henderson.

The world's two largest economies have been engaged in a tit-for-tat battle over trade, sparked by US concerns over China's industrial policies, including the forced sharing of technology.

The US has placed tariffs on US$250 billion of Chinese goods this year. On Monday, US President Donald Trump told *The Wall Street Journal* that it was "highly unlikely" that he would hold off on boosting tariffs to 25 per cent on US$200 billion of Chinese goods that are set to go into effect on January 1.

OVERVIEW ON INDIAN ECONOMY TRADE WAR

"Trade wars to have less direct impact on India"

Since the beginning of the year, the trajectory of the Indian economy seems to be going up. An impressive growth rate of 7.5 percent, which is the fastest among all the major economies in the world, points to the fact that issues like demonetization and the implementation of GST were only short-term blips which are being overcome swiftly. It is needless to say that there is a sense of optimism among the general public, which is reflected in the stock market trends. However, increasing tension between the US and China, and the implementation of tariffs indicate a strong possibility of a full-blown trade war between these two countries.

WHETHER EUROPEANS AND ASIAN CARE ABOUT TRADE WAR

The European Union is not yet ready to join forces with the United States against China despite the recent rapprochement between Washington and Brussels, analysts have said.

The assessment came after the EU and US reached a deal late last month to suspend new tariffs and expand European imports of US goods after high level talks and negotiations, an agreement that was seen as a worrying sign for China amid its trade war with Washington.

The agreement reaffirms the alliance between the two sides, even though Beijing has stepped up is lobbying of the bloc, according to diplomatic observers.

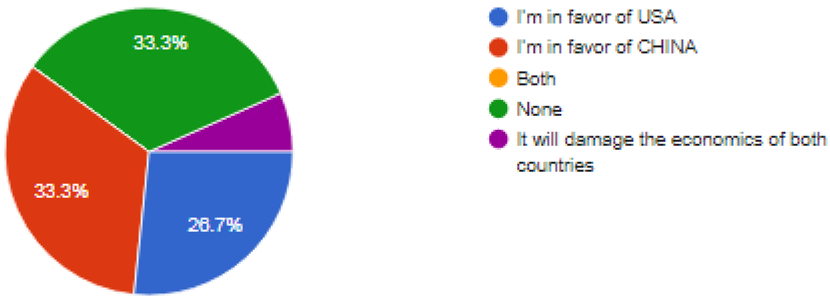
“This is exactly the sort of outcome you would expect with a sort of balancing act,” said Jan Weidenfeld, an analyst of Europe-China relations at the Mercator Institute for China Studies in Berlin.

Data Analysis and Collection

Here are some of the responses received from public regarding Trade War and its disputes.

What you feel about the "Trade War"?

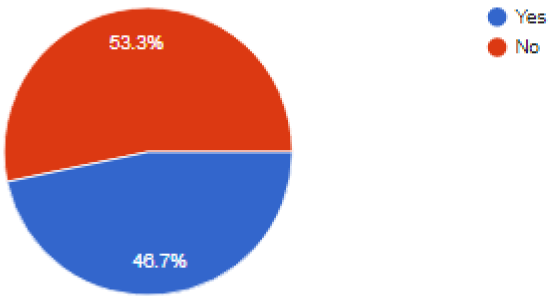
15 responses



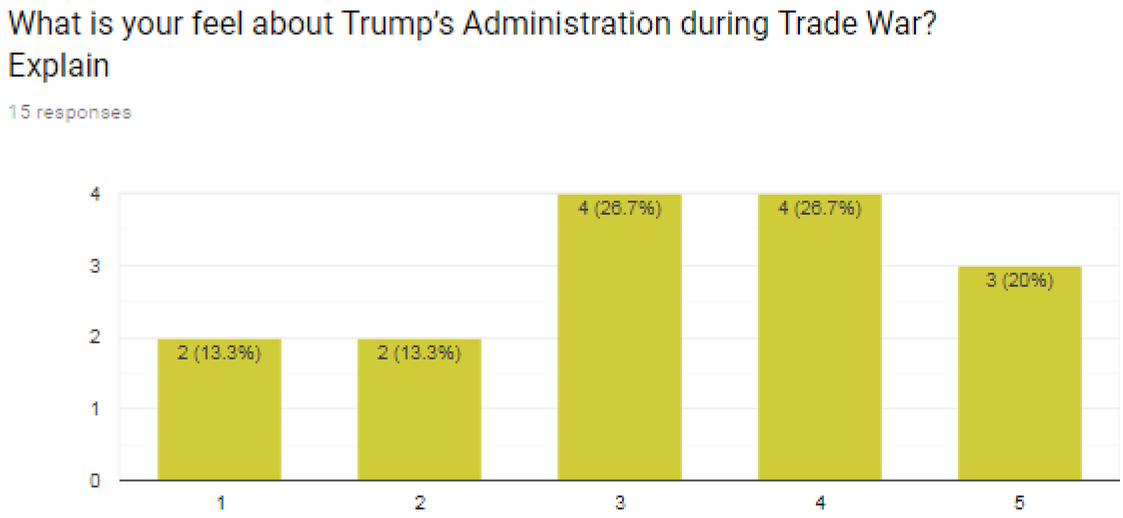
Interpretation: here we can finalize that, Trade War affected many and their opinion towards both nations, US and China are decreasing rapidly.

Do you feel the Trade War affected you personally?

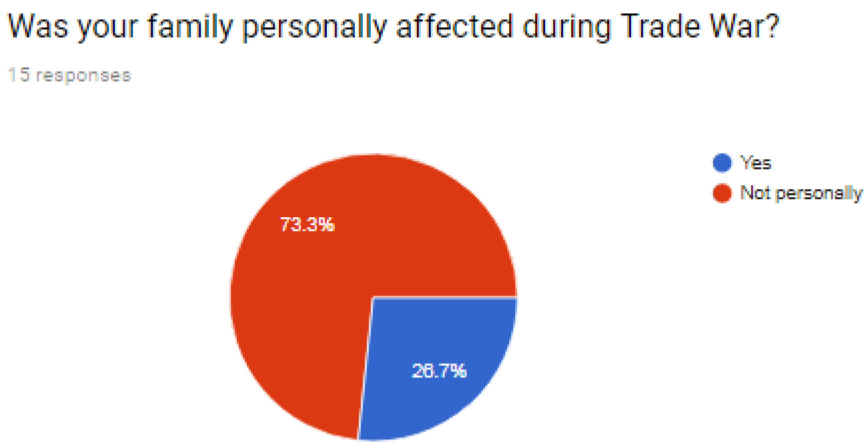
15 responses



Interpretation: Through the opinion of society, Higher percent of people feel that Trade War affected their life personally in many means.



Interpretation: President of The United States Donald Trump got moderate response for his action towards ongoing trade disputes with China



Interpretation: We can finalize that, most income earning classes affected terribly and personally due to trade war

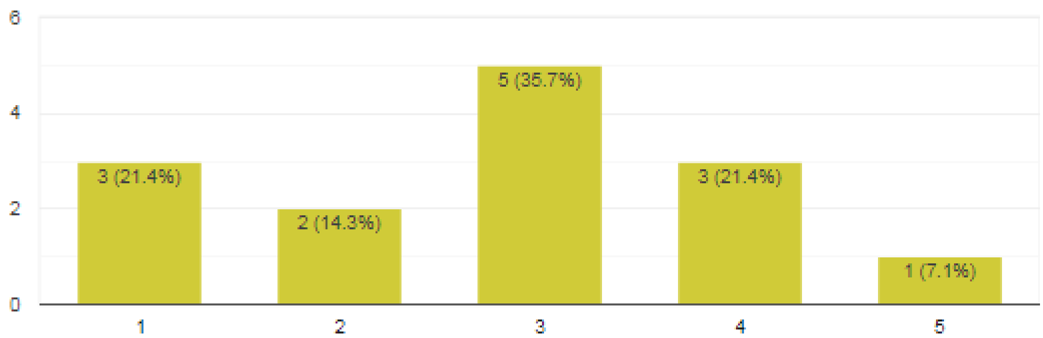
Whether you feel the price for products has increased during the Trade War?

15 responses

Interpretation: Moderate amount of people feel that price for products have increased rapidly and would increase in upcoming years.

What is your response to Trump and his administration regarding the Trade War?

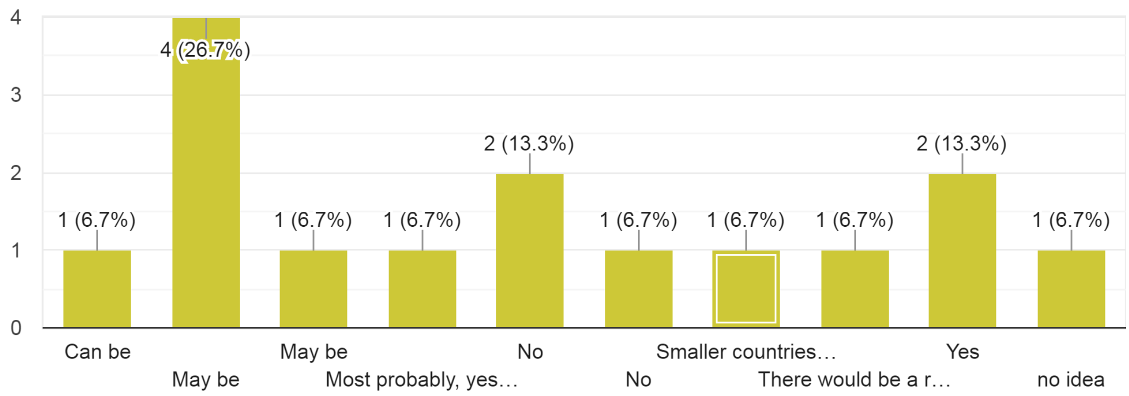
14 responses



Interpretation: Trump's administration got a moderate response towards their behaviour with China on Trade War, which mostly slowdown the global growth in all manners.

Whether there would be a Global recession due to Trade War, If Yes, share your thought regarding that?

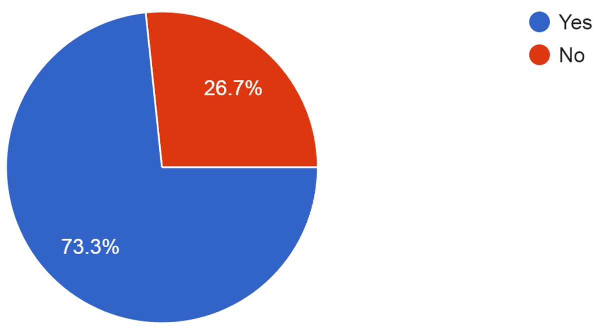
15 responses



Interpretation: the ongoing trade dispute between China and the United States would trigger the economic slowdown and next Global Recession within years.

Did China manipulate their currency to increase exports which would ultimately end up in the trade deficit with the United States?

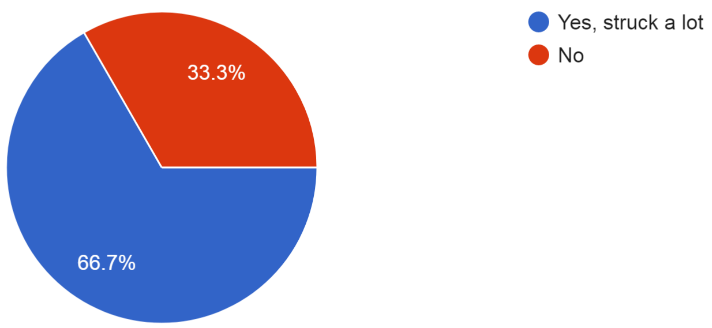
15 responses



Interpretation: Most economies believes that China manipulated and devalued their currency to increase exports, which are against World Bank law, and this increased trade tensions in all manners

Did your country experienced economic slow down due to the trade conflict that occurred between China and The United States?

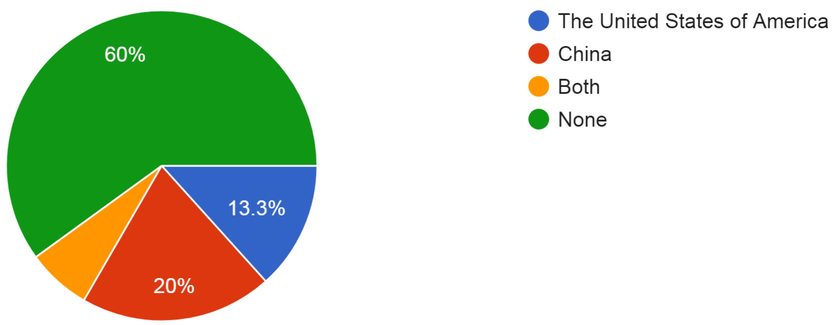
15 responses



Interpretation: Due to the trade concern between this superpowers. there were many economies suffered severely, but India had a massive growth regarding ongoing trade disputes

In your opinion who is going to achieve the title " WIN WIN GAMEPLAY".

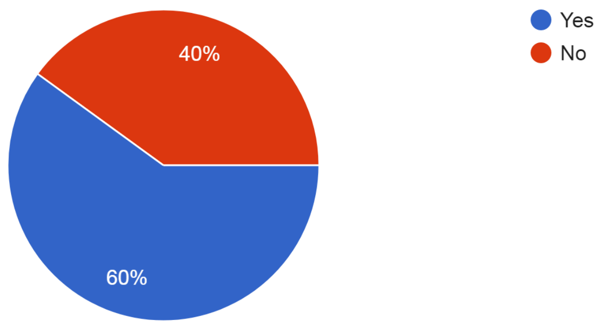
15 responses



Interpretation: Economies feels that both China and the USA, would face a massive slowdown in their economy, which would finally lead to Global Depression

In your opinion whether this trade war bring any change in the US or the Chinese economy on large scale?

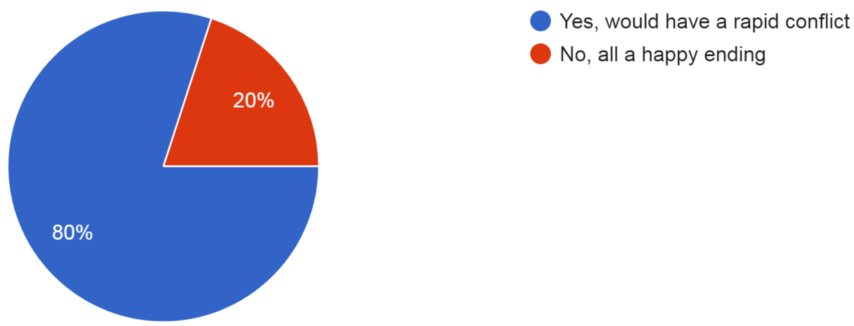
15 responses



Interpretation: Whether believe or not Trade war never makes any winner but Losers respectively

Will "HUAWEI DISPUTE" increase trade tension between China and the US in 2019?

15 responses



Interpretation: on december 6th 2018 Huawei CFO, MENG WANZHOU was arrested at Canada for breaking sanctions on Iran which was placed by the United states. the tension between this economies arise faster due to Huawei disputes

And this is a personal question to investors regarding trade war and overview on market during this session. Please Share your opinion responses

Saw a flat market trend

With a weakening dollar, other countries will also be impacted. If Euro strengthens, European exports will suffer. Besides, Brexit is also not good for the European economy. Overall, Global recession may start in 2019.

There was a market slowdown in major quarters of 2018 and in 2019 May be

Yes

Lost a lot

Recommendations

On going trade war, alarmed global concern about stock market and commodity markets in all manners, here are few thoughts and concerns from leading Investors and Bankers

I have already indicated the possibility of a global recession. I feel its already started....refer to Apple stocks (-7 to 8%).
With a more and more nationalistic Trump, Brexit, Extreme rights coming to power who do not care for environmental issues and who only concentrate on their countries, it is difficult to see the strengthening economy in the next few months. Investments are not good presently unless for long term benefits. Gold is also not shooting up as it is not an immediately convertible saving instrument.

- **Ravindirin Zearamane, Experienced Banker, Senior Business Analyst at HSBC, France**

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- **Neil Cohen, Investment Banking Analyst at Goldman Sachs, New York**

Conclusion

Through the ongoing Trade war between China and the United States, it rapidly affected global economy through stocks, commodities, MF, and many more. this war would ultimately affect both economies in large scale, proof is that Chinese economic slowdown alarmed stock loses in many indexes like FTSE, DAX, NIKKEI, NSE, DOW, and NASDAQ which affected farmers. so if the trade war set to go forward it will affected both developed and emerging markets in all manners.

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