

US China Trade War: Details and Spillovers

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What are the Drivers of the US China Trade War?

- Political: The Trump administration has made a distinct break with past US policy towards China
 - Trump has a long history of comments about China and the trade deficit
 - Key figures in the Trump administration bring a mix of isolationist and hawkish internationalism
 - Trump administration brought much more focus and willingness to act in tangible policy measures against China
- Policy: Significant amount of US government institutional and political policy is being remade during the trade war
 - What does “decoupling” even look like? How realistic is it?
 - The actual options to push policy change in Chinese economic policy are actually very limited
 - Lack of previously coordinated policy or internal framework for approaching China as a unified targeted policy objective

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Cont.

- Framework: United States has carried a misaligned policy view of China and the world for most of the century
 - Excessive focus on Europe and surplus deployment of assets and deployment to the Middle East
 - Reluctance to view China as a threat and belief and adoption of liberal ideals
 - Inability to refocus on building up allies in the Indo Pacific
- Institutions: Global Institutional landscape was created to manage a post World War II world and is not suited for the current threats
 - There is no institution for the Indo Pacific or South China Sea ensuring adherence to international law
 - United States needs to help build up allies to counter concerns about Chinese territorial and other security threats

What is the Path Forward?

- Remaking the global trade environment around a coalition of the willing
 - Through a combination of coercion and cheating, China has laid bare the contradictions and short comings of global trade policy as conceived in the WTO
 - The WTO is effectively an unreformable institution. What comes next?
 - Bilateral and regional FTA's have exploded in use because the WTO has become an unreformable institution.
 - This implies global trade will need to be repurposed around broad diverse assortment of trade agreements
- Move supply chains and help countries adapt to the needed shift
 - Business environment training including standards to infrastructure in countries receiving new growth
 - Help business move away from high risk states to better account for global supply chain management demands