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STRATEGY 613

战略六三三

Trade War: The Dragon vs. The Eagle Opportunities or Threats for Thailand

PRESENTATION FOR DEPARTMENT OF FOREIGN TRADE

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Root Causes of Trade War – the US

How We Got Here

1

"America First"



The America First Policy was proposed by President Trump to promote a fair, bilateral trade, and bring jobs and industry back to American shores

- Corporate tax cuts
- Travel ban
- "Better" deals with other nations

2

Foreign Imports = National Security Threat



Trump announced investigation into foreign imports as a threat to national security:

- Tariffs on steel and aluminium imports
- Tariffs on solar panels, most of which come from China, and... washing machines

3

China-US: The Widening Trade Gap



The US trade deficit with China became major concern for the US, reflecting the economy's weakness on its trade policy. In 2018, US trade deficit with China was USD 419 bln

- US exports to China USD 120 bln
- China exports to US USD 540 bln

The US aimed to reduce trade deficit with the implementation of tariffs on imported items, which result in an intensifying Trade War

Root Causes of Trade War – China

What is going on in China?

1 Restructuring of Domestic Economy



As the economy slows, **China is trying to reduce systemic risk** with a series of policy directives collectively known as 'supply-side structural reform'. Alongside technology upgrade and increased efficiency, the core of the plan are the so-called 4-De's

2 BRI



The BRI is both a **long-term dream** of achieving geopolitical clout and a **mid-term solution** to domestic overcapacity. After a positive reception of China's BRI, international opposition has been growing since mid-2017

3 China 2025



China's plans to become a tech power by 2025 is a direct threat to the US, which has concerns regarding the alleged theft of intellectual property and forced technology transfers

China, faced with a slowing economy, launched a number of high-profile initiatives that were perceived as encroaching on US hegemony

US Fears Over a Rising China

US Concerns Over China

1 Major Holder of US Treasuries



The huge imbalance of **trade** with China is tantamount to fueling US indebtedness to China, which they consider to be a huge vulnerability for the US

2 Perceived Aggression in South China Seas



China has become more **assertive** in protecting its claims on islands in the South China Seas

3 Strengthening of the RMB



Over the past year, China has launched initiatives both to **boost the RMB** and to **weaken the USD**. The US has increasingly "weaponised" the USD

Under Xi Jinping, China has become more assertive, just as Trump's US has become more protective

Trade War – First Battle in US-China Cold War



