China vs America: Duelling claims in the trade war

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1. China’s impact

2. China’s side of the story

3. America’s side of the story

4. What can be done?
A new global #1?

Share of global economy
(% at current $)

Source: IMF
Already a manufacturing superpower
More balanced...
... but the big get bigger

China's share of global exports

Sources: CPB, The Economist
2. China’s side of the story

• Abided by its WTO commitments

• Great strides in opening its markets

• Defender of the multilateral trading system

• Positive force for global development
China’s story, in greater detail

- Legal overhaul
- Reduced tariffs
- Lowered NTBs
- Opened services market
- IPR protection
- Upholding status quo in WTO & beyond
- Driver of global growth
More than promised...

Average tariff level
(simple mean)

China's WTO commitment

Source: World Bank
... less than expected

Average tariff level
(simple mean)

Source: World Bank
3. America’s side of the story

• China’s record of WTO compliance is poor

• China has a state-led, mercantilist approach to the economy

• China’s non-market approach imposes substantial costs on other countries
America’s story, in greater detail

• Too many WTO disputes with China
• Threat of reprisal silences critics
• Lack of transparency
• Industrial policy on steroids
• Subsidies everywhere
• Coerced technology transfers
• Deliberate strategy of indigenous innovation
• Cyber-security as a new fig leaf
It’s all relative

Openness to foreign investment
(OECD FDI restrictiveness index)

Source: OECD
4. What can be done?

• Trade war failed on its own terms

• Disagreement clarified

• New paths
Winning bigly

China's trade surplus with the US

(US$ billion, rolling 12-month sum)
Decoupling and coupling

China's export destinations
(% share of total exports)

Sources: NBS, The Economist
“Progress of a kind

“What the U.S. expects of China is not the same thing as what China was obliged to do under the terms of its accession agreement. It’s not even close.”

“Promote the development of China’s socialist market economy.”
America: a more strategic decoupling

“I hear the Europeans pushing for the WTO, talking about how to reinvigorate it. They are crazy. It’s a lost cause.”

“Currency intervention may become a real rather than a fake issue with China again, too.”

“You can’t this ‘laundry list’ of issues with a new ‘laundry list’ of legally binding commitments.”
China: defensive integration

“We must build a self-developed, controllable, safe and reliable industrial and supply chain.”

“Tighten the dependence of the international industrial chain on China.”