

Both the US and China have been continuously locking horns with each other. The former has been enjoying hegemony given its gigantic economy size, military preparedness, the stockpile of nuclear weapons, a good pool of human resources, geopolitical and geostrategic influences, preponderance position in the global governance institutions like UN, World Bank, World Trade Organizations, International Monetary Fund. On the other, if most of the scholars to be believed, China has been catching the US at a rapid pace. The latter wants to remain in hegemonic position, the former wants to share the same, leading to sparring between both the countries. Particularly, under the Trump regime, intensive sparring has become one the hallmarks of the Sino-US relations, turning into a trade war, followed by the virus war on account of the outbreak of the pandemics.

Currently, the trade war has become the buzz-word in the changing geo-economic world order, where both the US and China have been locking horns, apart from the strategic and security competitions. The major rationale for the current war is the major trade deficit is being experienced by the US. The incumbent regime has been failed to check the trade deficit with China, making the economy vibrant, providing employment, and bringing the troops back deployed in foreign countries like Iraq and Afghanistan etc. Along with these problems, another challenge on part of China is the currency depreciation that has become another challenge for the US economy. Against the backdrop of depreciation of the currency, Trump has called China the currency manipulator. Now, the US and China have been locking their horns in trade and currency wars. What is the geo-economic meaning of the ongoing trade and currency wars between the US and China?

The economic policies of President **Donald Trump have been outlined and formulated during his presidential** campaigning. Among his pledges, the most important to worth mention here included like making the US economy vibrant by checking the trade deficit, regulating immigration and tax reform in terms of the individuals and corporates. In this line, the trade protectionism has been figured prominently, giving form to the trade policy by withdrawing from trade partnerships and the imposition of tariffs on several countries harming the US economic interests. Upon taking over the office, President Trump had discontinued the negotiations about the Transatlantic Trade and Investment Partnership (TTIP), which has been going on since 2013, initiated by the Obama administration. In the same line, trade war (imposing tariffs over many countries) has started with many countries and regions like China and the EU.



FILE PHOTO: FILE PHOTO: U.S. President Donald Trump holds his signed memorandum on intellectual property tariffs on high-tech goods from China, at the White House in Washington, U.S. March 22, 2018. REUTERS/Jonathan Ernst/

In the context of the US and China, what is a trade war and how it is being shaped, it is to be seen here? There are many differences, distrusts and mistrusts held responsible for the ongoing trade war between the US and China. One of the most important areas of distrusts and mistrusts is the allegations on part of the US vis-à-vis Chinese espionage in general and against the former in particular. The US public and private officials/organizations have been accusing China of stealing intellectual property and military technology along with the adoption and enforcement of advantageous policies. These policies are considered disadvantageous for the US's patent holders given the manipulation of IPR policies. Rather, foreign companies are being asked to get engaged in joint ventures with Chinese companies for making illicit access to foreign military and civil technologies. Economics professor Lawrence J. Lau (2019) has observed that the major cause for the growing trade war between the US and China and for given the global economic and technological dominance throughout the geo-economic world. He argues that "It is also a reflection of the rise of

populism, isolationism, nationalism, and protectionism almost everywhere in the world, including in the US.” On the other hand, the espionage on part of China has further exacerbated the trade war between both the countries. Keith B. Alexander (Former Director of the National Security Agency) has called the Chinese industrial espionage as “the greatest transfer of wealth in history.”

As per one [article](#) (23 April 2019) published by the Wilson Centre has argued that Chinese economic and trade policies and practices have been criticized as an unfair on issues like market accesses, import duties, coerced intellectual property transfers, currency manipulation etc. Foreign direct investment is another area of conflict and concern between China and the US. Since the Deng Xiaoping regime (1978 -1992), foreign companies have been restricted from entering business sectors particularly in the automotive industry, provided the same committed to establishing a joint venture having the majority share of the domestic partners. The joint ventures conditioned by the rights to use intellectual property by the Chinese companies. In one survey (2018), the members of the American Chamber of Commerce, located in China opined that the “leakage of intellectual property” is one of the major concerns for doing business in the latter. In this environment loaded with distrusts, mistrusts and differences exacerbated by the moves and countermoves of rounds of tariffs on part of both sides had turned the trade war into full-blown despite the several failed rounds of negotiations to reach a mutually acceptable deal.



Chinese Yuan/ Stockphoto

China - A Currency Manipulator

Currency depreciation on part of China has emerged as another area of the trade war with the US. But the question is, why the Chinese depreciation is becoming a challenge for the US? Historically, given its adverse and critical consequences and impacts, devaluation has rarely remained a preferred strategy for the good health of the economy. Renowned economist, Cooper (1971), has argued a considerable devaluation would be one of the most “traumatic” policies adopted by any government/country. It is always resulted in exasperation at the public/private level and even could lead to the replacement of the government. Also, the same could be responsible for lowering citizens’ standard of living, purchasing power, escalation of inflationary pressure, making interest payments on international debt more expensive etc. Moreover, a strong currency used to be taken as the symbol of prestige, whereas on the other hand, devaluation as a symbol of weak economies/governments. If it is so, then why Chinese devaluation has become so controversial for the US to call the former as a currency manipulator?

There are paradoxes in the geo-economic world. The economic global institutions, from where the developing countries used to take loans are being asked to devalue their currencies, for example recently when Pakistan asked for a loan and it was made conditional -the devaluation of the currency. Now, China did the devaluation of currency-yuan. On 5 August 2019, China depreciated its currency -yuan to its lowest value *i.e.*, 7 yuan to the dollar since 2008. [Emily Feng \(11 August 2019\)](#) has argued in her opinion that China has given in to the monetary pressure out of escalated tariffs by the US. A depreciated currency would be advantageous for China making its goods cheaper for American consumers. It would offset the damages given the imposition of higher tariffs by the US.

Why China has been called a currency manipulator? As per the Trade Enforcement Act (2015), there are certain criteria identified to constitutes the manipulation of the currency. It includes the determinants like an annual \$20 billion bilateral trade surplus; current account surplus (above 3% of the country's annual GDP); and "persistent one-sided intervention" in the foreign exchange market to depreciate its currency. Here, it is crystal clear and pointed out by the [latest report](#) (May 2019) of the US Department of Treasury on Macroeconomic and Foreign exchanges that China only falls in the purview of the first of those three criteria.

China has reacted very aggressively to the US's new trade war. It has been seen that China is in assertive mode and not going to budge to the US pressure. The Chinese Foreign Ministry spokeswoman Hua Chunying said, "We don't want a trade war, but we are not afraid of it." If we interpret the statement, it conveyed the message to the US, how China is going to take the sanctions? Moreover, the Chinese Commerce Ministry has also used the same tone and tenor while asking the Trump regime on 28 March not to go ahead with such planned tariffs.

It can be taken as a warning signal to the Trump regime as China could set off the same chain of reactions. Moreover, the Xi government has given a clear signal that China would, "fight to the end." Although, the US economically and militarily is in a stronger position, at the same time China has also been following the suit. China has emerged as a stronger economy, moreover, it is a major lender to the US which gives its stronger position vis-a-vis the US. If the trade war lingers on, the losses or gains are not unilateral. One can perceive that the US has to suffer more losses as compared to China.

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