

Macro Roundup Article

Headline: [Despite Disruptions, US-China Trade is Likely to Grow](#)

Article Link: <https://www.piie.com/sites/default/files/2023-10/pb23-14.pdf>

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Tweet: Megan Hogan and Gary Hufbauer @PIIE note that the US-China trade relationship has always faced challenges, and, although the challenges are more severe this time, there are few signs that US imports from China will decrease between now and 2025.

Summary: We first survey the pattern of trade changes between 2019 and 2022 (skipping the acute pandemic years of 2020 and 2021) and then define assumptions to estimate potential trade changes and decoupling between 2022 and 2025 under two scenarios: (1) no real trade growth and (2) trade growth at the same rate as nominal GDP growth. As trade growth has historically outpaced GDP growth, we estimate that US-China trade will likely expand between now and 2025, to around \$855 billion (under the second scenario). Despite potential US “friendshoring”—reducing investments and supply dependencies in China and channeling them instead to “friendly” countries—it is not likely that aggregate US imports from alternative sources will increase dramatically over the next three years. Related: Can China Reduce Its Internal Balances Without Renewed External Imbalances? and Breaking Down China’s Manufacturing and Mexico Seeks to Solidify Rank As Top U.S. Trade Partner, Push Further Past China

Primary Topic: China

Topics: China, GDP, Op-Ed/Blog Post, Trade (not deficits)

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