US-China trade spat harming 3rd parties

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The escalating trade dispute between China and the US is beginning to inflict economic damage on third-party countries, according to a new report.  
An analysis by the Centre for Economics and Business Research, an economic consultancy in London, concludes that US President Donald Trump’s trade measures have already hit £1.9 billion ($2.48 billion) of UK exports this year.  
The report is one of the first to highlight the global ramifications of the trade standoff between the US and China.  
“British goods — directly and through global value chains — consumer confidence and financial markets are particularly exposed to the escalation of protectionism across the globe,” Josie Dent, a member of CEBR’s economics team, wrote in the report, which she authored.  
Edward Tse, chief executive officer and founder of the management consultancy Gao Feng Advisory, said on Tuesday that the CEBR report makes clear that the trade dispute’s impact will be felt across the globe.  
“This has to be expected. Supply chains have become so globalized and China is so much the center of world manufacturing, particularly in areas like consumer electronics, that every country that is in this chain will be affected,” he said.  
“This is not just the UK, but South Korea, Japan, Malaysia and so on. The whole world is brought in by this.”  
The report by the CEBR, which is headed by its founder Douglas McWilliams, a former chief economist of the Confederation of British Industry, the UK industry body, said UK exports have been particularly damaged by the tariffs imposed on China because the United Kingdom is an integral part of the world’s second-largest economy’s supply chain.  
On Sept 24, Trump enacted tariffs on $200 billion worth of Chinese imports on top of the $50 billion he had already imposed.  
Beijing immediately responded, slapping tariffs on 5,207 categories of US products worth $60 billion.  
The report said that the tariffs on Chinese goods alone have damaged about half of the £3 billion of Chinese exports to the US that are originally sourced from the UK.  
In addition, the US tariffs imposed on European Union steel and aluminum exports in May have adversely affected £389 million of UK exports, leading to a total impact on £1.9 billion of exported goods.  
Dent said on Monday that because of the nature of global supply chains, the tariffs China placed on US goods have had a bigger impact than those imposed directly on the EU, of which the UK is a member.  
“A far greater impact on the UK comes through the escalating US-China trade war,” she said.  
Dent, who has done extensive research into global value chains, fears the situation can only deteriorate if Trump makes a further move.  
“In the most recent round of the dispute, Trump warned that if China retaliated, then nearly all goods exported from China to the US could face additional duties. As China did indeed retaliate, the ball is back in Trump’s court,” she said.  
Wang Huiyao, president and founder of the Center for China and Globalization, the leading Beijing-based independent think tank and a counselor to the State Council, China’s Cabinet, said on Tuesday that the eventual effect of the trade measures will be felt globally.  
“It certainly won’t just affect the UK, but many European countries and others too. I don’t think people fully understand the complexity of this. If you take a company like Siemens, which makes SUV vehicles in the US, it will be impacted by tariffs both ways. Its exports to China will be hit, but also the components it sources from China.”  
Wang has just returned from the US presenting the Center for China and Globalization’s own report, China-US Trade Relations and Challenges, at 20 events across the country.  
“As the world’s two largest economies, the US and China collectively account for almost half of global GDP, underwriting global prosperity. A trade war between the two will inevitably lead to a lose-lose outcome, harming not only both countries, but also the global economy at large,” that report concluded.  
Dent said that automakers in the UK are likely to be the worst hit by a trade war.  
Daimler has already announced that the tariffs on cars exported from the US to China contributed to its profits falling from €2.5 billion ($2.9 billion) in the second quarter of 2017 to €1.8 billion in the same period this year.  
“The global nature of car production often means that components cross many borders before the final car is assembled. If each element faces a tariff at border crossings, costs will accumulate along supply chains,” she said.  
Dent said this could be particularly damaging to the UK economy since the auto industry made up 12 percent of exported UK goods.  
“The UK car manufacturers will feel the impact of the trade war strongly, and the fall in profitability will hit the UK economy.”  
Dent said the trade dispute has already hit UK export growth, which has fallen from 14.2 percent year-on-year in the second quarter last year to 1.9 percent now.  
She said it has already also affected consumer confidence — the YouGov/Cebr UK consumer confidence index already fell notably when Trump announced his steel and aluminum tariffs — and she expects it to have a damaging effect on equity markets.  
“(The recent escalation) was already priced in by market players, though further escalations of the trade war are likely to have a negative impact (on stock markets),” she said.

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