



## Us-China Trade War - Implications on Global and Regional, Economic Landscape

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**Abstract:** The US-China trade war has significant implications on the global and regional economic landscape. The escalating tariffs and retaliatory measures taken by both countries have disrupted international trade, leading to economic uncertainty and slowing growth. The impact has been felt across various sectors, with industries such as agriculture, manufacturing, and technology being particularly affected. This trade war has also had broader geopolitical consequences, as it has strained relations between the US and China and caused divisions within the international community. The dispute has led to a reassessment of supply chains and the development of alternative sources of goods and services, potentially leading to the reshaping of the global economy. The US-China trade war has far-reaching implications and has the potential to shape the economic landscape for years to come.

Keywords: Trade War, Global Economic Landscape, Regional Economic Landscape, Technology

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### 1.Introduction

Global trade has been considered as a driving force for economic growth for many centuries. However, the trade conflict that emerged in early 2018 between the United States and China, the world's two largest economies, has presented a major challenge. Throughout history, trade wars have not been uncommon, with examples including the Opium War between China and Britain in the 18th century, the Anglo-Irish War in 1933, and the Banana Wars between the US and EU in 1993. In 2018, the US President announced the implementation of additional tariffs and sanctions on Chinese exports, to which China responded by raising tariffs on American products. This tit-for-tat action has continued between the two countries. The US and China have imposed tariffs on billions of dollars' worth of each other's goods. As of January 2021, the US has applied tariffs to \$550 billion worth of Chinese imports, while China has applied tariffs to \$185 billion worth of US imports.

The trade war has resulted in a significant decline in US exports to China. According to the US Census Bureau, US exports to China fell by 23% in 2018 and by another 13% in 2019. Pakistan has entered a new economic era with the China-Pakistan Economic Corridor (CPEC), and the success of these projects is crucial for the country's economic stability. However, in the midst of a global trade war, it may be difficult for Pakistan to maintain balance between the US and China due to its geographic location and the changing geopolitical and economic environment. It is important to understand the implications of the trade war on the global and regional economy, with a particular focus on Pakistan.

## **2. Understanding Us-China Trade War**

### **2.1 Historical Perspective**

Since 1991, the United States has undertaken a total of five "Section 301 Investigations" against China, whereby both nations have expressed their intention to use tariffs as a form of retaliatory action. The United States has also been involved in trade disputes with Japan and the European Union across other industries. In the majority of instances, trade conflicts lack a definitive victor and are often settled via diplomatic discussions and negotiations. This implies that using tariffs as a strategic instrument may be efficacious in compelling the opposite side to resume negotiations.

In June 2017, President Trump started a 'Section 232 probe' concerning the importation of steel and aluminium, citing "National Security" as the rationale. Tensions escalated with the signing of an executive order by President Trump, which initiated a 'Section 301 Investigation' into China's intellectual property practises. In addition, a 25% tax was levied on 1,333 Chinese imports with an estimated value of \$50 billion. In response, China implemented retaliatory duties on a commensurate selection of American products. Certain journalists and analysts have posited the notion that the ongoing trade dispute has the potential to transform into a contemporary iteration of the Cold War, therefore posing a substantial risk to the stability of the worldwide political and economic landscape.

### **2.2 US-China Trade Statistics**

China and the United States and are widely seen as prominent global trading partners, with a trade relationship that is characterised by its intricate and diverse nature. The overall value of commerce between the United States and China in 2001 amounted to \$125 billion. As of 2021, China has emerged as the primary trading partner of the United States, boasting a substantial trade volume amounting to \$755.6 billion. In the year 2020, the United States purchased commodities valued at around \$481 billion from China, while simultaneously exporting goods valued at approximately \$120 billion to China. The top imports from China to the US include electronic equipment, machinery, and textiles. The top exports from the US to China include aircraft, soybeans,

and vehicles. China is the largest source of imports for the US and the third-largest market for US exports. The trade deficit between the two countries, which measures the difference in value between imports and exports, was approximately \$360 billion in 2020. However, it is worth noting that these figures do not account for the value of services trade between the two countries, which includes items such as tourism and finance. The tables show the US-China trade data for year 2021 given by the USTR. Amounts shown in the tables are in billion US dollars.

Sector	US Imports from China	Exports	Total Trade	Difference
<b>Goods</b>	539.5	120.3	659.8	-419.2
<b>Services</b>	18.4	58.9	77.3	40.5
<b>Total Volume</b>	557.9	179.2	737.1	-378.6

## 2.3 Causes of China-US Trade War

The causes of the current China-US trade war are threefold: -

### 2.3.1 Widening Trade Gap

The trade gap between the US and China, also known as the trade deficit, refers to the difference in the value of goods and services that the US imports from China compared to what it exports to China. In recent years, the trade gap between the two countries has been widening, with the US importing more from China than it exports. According to data from the US Census Bureau, the trade deficit with China was \$345.6 billion in 2019, up from \$323.3 billion in 2018. This widening trade gap has been a source of tension and has contributed to the ongoing trade war between the two countries. The US has accused China of unfair trade practices, such as intellectual property theft and currency manipulation, and has imposed tariffs on Chinese imports in an effort to reduce the trade deficit. China has responded with its own tariffs on US imports.

### 2.3.2 American Political System

Throughout the annals of United States electoral history, it has been observed that the political party that finds itself outside of the realm of power has often managed to stage a resurgence during midterm elections. In the present setting, the midterm elections presented incumbent President Donald Trump with motivations to embrace transformative initiatives that resonate with his base of supporters. One of the primary focal points of President Trump's electoral campaign was the intention to tackle the issue of trade imbalance. The political climate in the US has played a role in shaping the trade policy of the country. The Trump administration, which

initiated the trade war with China, took a more protectionist approach to trade and sought to address what it saw as imbalances in the US-China trade relationship. This approach was supported by some lawmakers and industries, particularly those that have been adversely affected by competition from China. However, the trade war has also faced opposition from within the US. Some lawmakers and businesses have criticized the tariffs and their impact on the economy, arguing that they have led to higher prices for consumers and disrupted supply chains. There have also been concerns about the potential long-term consequences of the trade war, such as a decline in international relations and a slowing of global economic growth. Overall, the American political system has played a significant role in shaping the US-China trade war and its impact on the global economy.

### **2.3.3 Global Economic Dominance**

In recent decades, the ascent of China has posed a threat to the dominant position of the United States. As an example, it is noteworthy that China now holds the second position globally in terms of output volume, yet its Gross Domestic Product (GDP) has already exceeded that of the United States when considering buying power parity. The recent announcements of many strategic programmes by China, including the Asian Infrastructure Investment Bank, the Belt and Road Initiative, and 'Made in China 2025,' may have contributed to the image of China as a potential challenge to the global supremacy of the United States. The US global economic dominance has also influenced the way that the trade war has been perceived and responded to by the international community. The US is a major trading partner for many countries, and the trade war has caused concerns about its impact on the global economy. Some countries have sought to mediate the dispute or have taken steps to minimize its impact on their own economies.

## **3.1 Implications on Global and Regional Economic Landscape**

### **3.1.1 Impacts on Global Economy**

The initiation of a trade war by the United States would have substantial adverse implications for the global economy, as protectionist measures continue to intensify. Both nations that implement tariffs and those that are targeted by tariffs would incur economic welfare losses, while countries not directly engaged would also endure indirect negative consequences. If tariffs are maintained, there would be a permanent decrease in economic production. The trade war has had broader geopolitical consequences as well, straining relations between the US and China and causing divisions within the international community. There have been concerns about the potential long-term consequences of the trade war, such as a decline in international relations and a slowing of global economic growth.



Few important implications are: -

- a. **Macroeconomic Impacts.** Countries that are subject to newly imposed tariffs, such as the United States and China, are expected to see declines in both real exports and gross domestic product (GDP). Other nations may have indirect consequences due to a decrease in demand for their exports, either as a result of disruptions in supply chains or due to a deceleration in global economic development. The adverse consequences of trade diversion in order to circumvent tariffs surpass any possible advantages. The US-China trade war has significant effects on the macro economy, which refers to the overall performance and behaviour of an economy at the national or global level. Some potential effects of the trade war on the macro economy include:
  - 1) Economic growth: The trade war has disrupted international trade and has led to economic uncertainty, which can slow economic growth.
  - 2) Unemployment: The trade war can lead to job losses in industries that are affected by the tariffs and other measures, resulting in higher unemployment.
  - 3) Inflation: The trade war can lead to higher prices for goods and services due to tariffs and other measures, resulting in inflation.
  - 4) Exchange rates: The trade war can affect exchange rates as countries seek to minimize the impact on their own economies.
  - 5) Interest rates: The trade war can impact interest rates as central banks seek to stabilize the economy and manage inflation.

- b. **Decline of Imports/ Exports.** In an environment characterised by increased isolationism, there is a tendency for global commerce to experience a drop. This may be attributed to nations adopting a more inward-focused approach, as well as multinational corporations adjusting their production strategies to cater to local markets in order to maintain competitiveness. In the given scenario, it is anticipated that the actual worldwide exports of goods and services would see a decline of 2.4% compared to the baseline level by the year 2022. The most significant decreases in actual exports are projected to transpire in China and North American nations, while the United States is anticipated to see the most substantial fall in actual imports of products and services.
- c. **Cautious Approach by Investors.** In the case of a trade war, it is anticipated that there would be a curtailment in real fixed investment. This may be attributed to the negative impact on real exports, financial hardship, a decrease in stock prices, and a reduction in foreign investment specifically in developing nations that are the focus of import tariffs imposed by the United States. China is expected to see the most significant economic setbacks, as both international and local investors are projected to exercise more prudence in their allocation of capital expenditures inside the country. Investors may be more hesitant to invest in industries that are particularly vulnerable to the trade conflict, such as agriculture, manufacturing, and technology. They may also be more likely to diversify their investments in order to minimize the risk of being affected by the trade conflict.
- d. **Importance of Supply Chains.** The supply chain between the US and China is of great importance to both countries. The US is a major market for Chinese exports, while China is a major supplier of goods and services to the US. The supply chain between the US and China has grown significantly in recent years, with both countries relying on each other for a wide range of products and services. For example, the US imports a large amount of manufactured goods from China, while China imports raw materials and technology from the US. Numerous American corporations choose to transfer their research and development (R&D) activities to China, not alone to capitalise on cost advantages, but also to enhance proximity to their supply chains. American businesses run almost 50% of the foreign research and development (R&D) centres in China, therefore playing a significant role in China's leading position in manufacturing R&D market share. If the relocation of these supply chains were to occur, there is a possibility that the prevailing paradigm of "we innovate, they build" may undergo a transformation, leading to a new paradigm of "they innovate, they build."

### 3. 2 US-China Cold War

The phrase "US-China Cold War" denotes the present condition of the relationship between China and the

United States, which has experienced tension in recent times as a result of several factors such as commerce, technology, and geopolitical rivalry. The phrase "cold war" denotes a condition of hostility between two nations that lacks direct military engagement, instead manifesting via economic and political rivalry, dissemination of propaganda, and the use of proxy warfare.

The trade relationship between China and the US dates back to 1979, when the leaders of the two countries signed an agreement that promised "most favoured nation" treatment by both sides. This meant that the countries agreed to promote trade, establish strong commercial relations, protect each other's copyrights and trademarks, and resolve any issues through talks. However, this trade deal was bound to create issues from the beginning. China has received a large influx of foreign investment, particularly from the US, which has helped to strengthen its economy over the years.

For the US, this has not been a problem, but rather the rapid growth of Chinese exports to the US has been a source of tension in the trade relationship between the two countries and has been perceived as a threat by the US administration. The goal of imposing tariffs on imported products from China was to discourage US consumers from using Chinese products and instead encourage them to choose domestic products. However, the Chinese authorities responded with tariffs on goods imported by China from the US, calling the US tariffs "the largest trade war in economic history to date."

### **3.3 Security Risks of Global Trade War**

The security risks of a global trade war go beyond economic impacts, as it can also have geopolitical consequences. A trade war can strain relations between countries and cause divisions within the international community. It can also lead to a decline in international cooperation and the erosion of established trade rules and agreements. In addition, a global trade war can create opportunities for non-state actors such as criminal organizations and terrorist groups to take advantage of the resulting chaos and instability.

A full-fledged trade war could destabilize the global economy, but a prolonged conflict may also have security implications. A China that is less constrained by economic ties with the US and more focused on its own interests could pose a greater challenge to US foreign policy. The US views China's technological progress as a growing national security threat. There is an increasingly prevalent viewpoint in the United States that China poses the most significant and enduring security challenge to the nation. Likewise, the trade conflict has brought attention to the strategic susceptibility that China faces due to its dependence on US markets and technology. The aforementioned transition is shown by the United States' offensive actions against the Chinese telecommunications corporation, Huawei, as well as its advisories to allied nations against incorporating Huawei technology into their 5G wireless networks due to concerns over security.



### 3.4 Geo-Political Implications

The geo-political implications of the trade war are far-reaching and complex. The trade war has led to increased tension between the two countries, with both sides taking a more confrontational stance on a range of issues. This circumstance has presented a greater challenge for the two nations to engage in collaborative efforts pertaining to global issues, including but not limited to climate change, terrorism, and the spread of weapons of mass destruction.

The economic conflict between the United States and China is not just centred on commercial matters, but rather is a symptom of the intensifying geopolitical rivalry between these two global powers. The United States is now inclined to prioritise the preservation of its economic connection with China due to the prevailing perception that the potential hazards associated with this partnership now surpass the advantages derived from collaboration. The United States posits that due to its limited access to natural resources for the purpose of dominating high-tech sectors, China is engaging in a neo-colonial foreign policy aimed at acquiring these resources via force projection. China has established a network of client states across many nations globally by using debt peonage, whereby debts are secured via collateralization and then used to get concessions for military sites and deep-water ports.

Several nations with strategically important locations have been aligned with China due to the provision of infrastructure finance from initiatives such as the Asian Infrastructure Investment Bank and the Belt and Road Initiative. These initiatives are seen as China's alternative to the World Bank, which is run by the United States. Nevertheless, the potential separation of the world's two biggest economies, which together contribute to 40% of the global Gross Domestic Product (GDP), would have catastrophic consequences. The possible consequences of such an event would extend beyond the disruption of the global trade system, as it would also eliminate any limitations on the geopolitical competition between China and the United States. This would heighten the likelihood of a significant escalation with possibly severe ramifications.

Another geo-political implication of the trade war is the potential for it to escalate into a broader conflict. The trade war has already had a negative impact on the global economy, and if it continues to escalate, it could lead to a global recession, which would have far-reaching consequences for all countries.

Furthermore, the trade war has implications for the international trade system and the rules-based order that has governed global trade for decades. The use of tariffs and other protectionist measures by the US and China has raised concerns about the erosion of the rules-based system and the potential for more countries to adopt protectionist policies. This could lead to a further fragmentation of the global trading system, with negative consequences for all countries



### 3.5 Comparison with other Trade Wars

The US-China trade war is one of many trade wars that have occurred throughout history. Trade wars are characterized by a situation in which countries impose tariffs and other trade barriers on each other in an effort to protect their own industries.

One example of a trade war is the "Tariff War" of the 1930s, also known as the "Smoot-Hawley Tariffs." This trade war was triggered by the US Tariff Act of 1930, which imposed tariffs on a wide range of imported goods in an effort to protect American industries. The tariffs led to a decline in international trade and contributed to the 'Great Depression.'

Another example is the "Steel War" of 2002, in which the US imposed tariffs on steel imports from various countries, including China, in an effort to protect the domestic steel industry. The tariffs were eventually removed after being ruled illegal by the World Trade Organization (WTO).

While the US-China trade war does have some similarities to the US-Japan trade war of 1987, such as unilateral tariffs, currency revaluation, and influence on Japan's industrial policy, the contrast is significant. In fact, the US's actions against China resemble those taken against the Soviet Union during the Cold War. China, through initiatives such as the Belt and Road Initiative and 'Made in China 2025', is poised to potentially establish a US-independent world economic order. It is therefore imperative for the US to stop China. Given the current shift towards a geo-economic world order and other relevant recent developments, the ongoing trade war is expected to escalate and potentially even turn into a traditional war or at least more proxy war.

## 4.1 IMPLICATIONS FOR PAKISTAN

### 4.1.1 Opportunities for Pakistan

While Pakistan's economy is not heavily integrated into the global supply chain and therefore will not experience significant short-term impacts from the US-China trade war, there are long-term implications. This is because Pakistan has relied heavily on economic ties with China. If the trade war becomes prolonged, both China and Pakistan will experience economic losses. However, the trade conflict has also created business opportunities for low-cost countries like Pakistan. Details are as following: -

- a. **Pressures and Opportunities.** Following the implementation of supplementary tariffs by the United States, Chinese exporters are now confronted with a multitude of business constraints as they strive to address the persistent trade issues. This has created opportunities for other countries to step in and fill the demand for goods and services that may have previously been supplied by China or the US. Pakistan is positioned among the most critical geostrategic and geopolitical locations in the entire region. Pakistan has the potential to capitalize on these opportunities by exporting its goods

and services to countries that may be looking for alternatives to Chinese or US suppliers. Pakistan has a diverse range of products and services that it can offer, including textiles, leather goods, and agricultural products. Similarly, the China-Pakistan Economic Corridor (CPEC) presents another significant commercial benefit. The inherent comparative advantages present in Pakistan position it as the optimal choice for Chinese exporters seeking a location to manufacture their goods.

- b. **Re-location of Chinese Industries.** The relocation of Chinese industries presents an opportunity for Pakistan. As Chinese industries move manufacturing and other operations to other countries, Pakistan has the opportunity to attract these investments and establish itself as a destination for industrial operations. There are several factors that make Pakistan an attractive destination for Chinese industries. These include a large and growing population, a strategic location that allows access to markets in Asia, the Middle East, and Europe, and a favourable business environment. The relocation of Chinese industries to Pakistan has the potential to benefit the country's economy in a number of ways. It can create new jobs and increase exports, and it can also lead to the development of new industries and the expansion of existing ones. After the announcement of the Belt and Road Initiative (BRI), Chinese companies have shown interest in expanding globally, with Vietnam, Singapore, Malaysia, and Japan being popular destinations. While Pakistan is not on this list, it has strategic advantages that make it an attractive location for Chinese companies. Some Chinese businesses, recognizing the comparative advantages, have already started operations in Pakistan in industries such as chemical, textile, steel, and aluminium. The Chinese government has also provided subsidies and preferred loans to businesses relocating to Pakistan.
- c. **Textile Industry.** Pakistan's textile industry is a major contributor to the country's economy, and it has been affected by the trade war in a number of ways. One impact has been the decline in exports to China, as the trade war has disrupted supply chains and led to a reassessment of sourcing options. This has led to a decline in demand for Pakistani textiles in the Chinese market. On the other hand, the trade war has also created opportunities for Pakistan's textile industry. As companies look to diversify their supply chains and seek alternatives to Chinese suppliers, Pakistan has the opportunity to establish itself as a reliable supplier of textiles. This can lead to increased exports and the development of new business relationships. Some brands in the textile industry have already begun production in the suburbs of Lahore and are considering establishing plants in Karachi to avoid inland freight costs, as many of their products are exported to the EU and US. This

development necessitates significant improvements and the revitalization of Pakistan's textile industry.

- d. **Improved Trade Policies.** Pakistan is currently not greatly affected by the US-China trade conflict, but it could potentially suffer in the long term if the conflict continues. In order to mitigate the potential negative effects on its economy, Pakistan should consider establishing comprehensive policies to attract foreign investors and incentivize domestic production. It should also focus on targeting products that are in high demand in countries with lower trade barriers, strong consumer confidence, and positive economic growth prospects, and that offer opportunities for supply chain integration.
- e. **Belt & Road Initiative (BRI).** The Belt and Road Initiative (BRI) is a global infrastructure development strategy launched by the Chinese government in 2013. It involves the construction of a network of roads, railways, ports, and other infrastructure projects in countries in Asia, Europe, Africa, and the Middle East. The BRI has implications for the US in a number of ways. One potential impact is economic competition, as the BRI could lead to increased Chinese investment and influence in countries that are part of the initiative. This could lead to increased competition for US companies and potentially impact their access to markets and resources. Another potential impact of the BRI is geopolitical competition, as the initiative could give China greater influence in strategically important regions. This could lead to tensions with the US and other countries that have interests in these regions. There are concerns from some in the US that the Belt and Road Initiative (BRI) may not be economically viable and could potentially pose a threat to American interests at home and abroad. Some scholars argue that the BRI is a strategic move by China to establish hegemony or a Sino-centric international order.

#### 4.2 Cessations of US-China Trade War

Few important deductions which can be drawn from the implications of US-China trade War are as following: -

- a. The US-China trade war has the potential to significantly impact the global economy, as well as redirect the global economic landscape.
- b. It is expected that around half of global trade will be redirected to other countries that are not affected by the tariffs, which may lead to economic uncertainty and disruption as global production is likely to be relocated.

- c. While some countries, particularly in East Asia, may see economic benefits, the US is expected to suffer more as China has more options to divert its exports away from the US, particularly within Asia.
- d. The trade war may also have secondary disruption effects, such as the return of production activities that took advantage of low-cost labour in Asia to the US, exacerbating negative employment effects.
- e. Developing Asian countries may find small opportunities for replacing some US products in the Chinese market and some Chinese products in the US.
- f. The economic order of the world, especially in Asia, is more likely to change as a result of changing regional trade treaties, with Asia potentially becoming the centre of gravity for global trade.
- g. The likelihood of a comprehensive trade war occurring is rather minimal, given that both China and the United States have significant interests at play. It is in their utmost advantage to establish a mutually beneficial deal that effectively tackles crucial matters such market accessibility, protection of intellectual property rights, and the transfer of technology via joint ventures.
- h. The US-China trade war could have a significant impact on the global economy, affecting both the US and China as well as other countries. It is possible that the US may try to influence other countries in the region to disrupt China's economic projects rather than directly confront China.
- i. Asian countries should consider the potential threats and implications of the trade war from a geopolitical perspective and plan a collective response. Countries located near or on the Belt and Road Initiative routes should be particularly aware of the potential threats and devise strategies accordingly.

## **5.1 RECOMMENDATIONS**

The trade conflict between the US and China is likely to have serious consequences, including disruption of raw materials supply lines, impact on manufacturing processes, increased costs, and job losses, leading to low profits, low exchange volume, and low government revenue. In the short term, Pakistan may not experience the negative effects of the trade war. However, in the long term, it is important for Pakistan to protect its economic interests, given its strong dependence on China. Suggestions in this regard are as under: -

### **5.1.1 Policy Suggestions - Global Level**

- a. US and China, as global powers, should consider turning to the World Trade Organization (WTO) for a solution to the ongoing trade conflict. Both countries should take this opportunity to work towards building a better relationship and negotiate towards a mutually beneficial outcome.

- b. In order to protect their own economic interests and the stability of the global economy. Both sides should be willing to compromise and recognize their common interest in fostering innovation, in order to end the conflict and create a mutually beneficial solution.
- c. It is also important to note that closing the trade differential between the two countries may not necessarily be a feasible or effective solution, as both may not be able to produce enough goods to sell to one another
- d. China should consider providing more favourable treatment to a wider range of foreign companies in the near future and establish a mechanism to gradually ease restrictions on foreign acquisitions of Chinese firms.
- e. The US should pursue open market policies and refrain from disrupting the free flow of international trade. Both countries should avoid engaging in practices that negatively impact China or the global economy as they compete for world hegemony.

**5.2 Way Forward for Pakistan.** Pakistan should prioritize maintaining economic viability and work on improving its image and gaining regional support in order to increase its economic influence in the region and the world. Few recommendations in this regard are suggested as under: -

- a. **Balanced Approach.** To remain economically viable, it is important for Pakistan to focus on projecting a positive image of the country and gaining regional support in order to enhance its regional and global economic relevance. It is also crucial for Pakistan to normalize and balance relations between the US and China, and avoid getting involved in their bilateral issues. The national interests of Pakistan should be the top priority of the current government.
- b. **Cooperation with Economic Blocks.** Pakistan may want to consider seeking closer cooperation with regional and global trade blocks, such as the BIMSTEC (Bay of Bengal Initiative for Multi-Sectoral Technical and Economic Cooperation), BRICS (Brazil, Russia, India, China, South Africa), and Shanghai Cooperation Organization (SCO), in order to secure its economic interests and viability in the face of increasing American tariffs. This could help Pakistan to normalize and balance relations between the two world powers, while also prioritizing its own national interests. It is important for Pakistan to avoid getting entangled in the bilateral issues between the US and China and focus on projecting a positive image of the country in order to enhance its regional and global economic relevance.
- c. **“Made in Pakistan” Approach.** Pakistan should consider developing a slogan similar to "Made in Pakistan" to promote its domestic products, particularly in the smartphone industry where it has a

large user base. To attract international investment, the country should work on improving its business environment and identify opportunities for investment, potentially presenting them to international investors as packaged deals.

- d. **Revisiting Economic/ Financial Policies.** In order to address prevailing economic issues, it is imperative for Pakistan to enhance its financial policies via bolstering collaboration with nations characterized by reduced trade barriers, heightened consumer confidence, and the opportunity for supply chain integration. This may be achieved by refining export tactics. One way to do this is by utilizing the Economic Cooperation Organization (ECO) to further enhance economic relations with Gulf nations as well as Iran, Turkey, and Central Asian Republics.
- e. **BRI/ CPEC.** To ensure the timely completion of the various phases of the China-Pakistan Economic Corridor (CPEC) and the security of the project, Pakistan should re-establish and empower the CPEC Authority. This authority would be responsible for monitoring and supervising the economic and development activities of the project, as well as effectively managing its security aspects.
- f. **Special Economic Zones (SEZs).** To ensure the success of the Special Economic Zones (SEZs) proposed as part of the China-Pakistan Economic Corridor (CPEC), careful planning and optimal utilization of their locations is necessary. It is also important for Pakistan to take steps to prevent any regional or extra-regional player from undermining or subjugating the CPEC projects. These SEZs have the potential to become manufacturing hubs that can increase industrial production and contribute to the socio-economic development of the country
- g. **Infrastructural Developments.** Pakistan should prioritize the timely development of the Gwadar port, as the country's future is greatly dependent on this project. China's interests in Belt and Road Initiative (BRI) ventures should be leveraged to address Pakistan's infrastructural deficiencies, which pose a significant obstacle to both current and long-term economic development.
- h. **Seizing the Opportunities.** The US-China trade war has led to higher prices on Chinese goods in the US market, which has created an opportunity for more competitive Pakistani exports to enter the US market. Due to the low manufacturing costs, cheap labour, and scale of production units in China, it can be difficult for other traders to compete with Chinese products in any world market. However, the higher taxes on Chinese goods have made them more expensive for American buyers, leaving a gap that other traders, such as Pakistan, can fill. In order to take advantage of this

opportunity, Pakistan should focus on boosting its industries, such as textiles and agriculture, and increasing its exports to the US, as well as reviving its stagnated manufacturing capacity.

- i. **Export of Food Items.** To capitalize on the high tariffs placed on Chinese food exports to the US, Pakistan should increase its exports of key food items like seafood, rice, and soya bean to China. These products are in high demand and there is a significant opportunity for Pakistan to take advantage of the void created by the tariffs on Chinese exports. By boosting its industries and exports to the US, as well as reviving its manufacturing capacity, Pakistan can take advantage of the favorable market conditions and increase its economic viability.
- j. **Provision of Conducive Environment.** Pakistan should consider opportunities to attract industries that may be facing insecurity and unemployment due to likely increases in tariffs on Chinese products. To do so, Pakistan needs to create a conducive environment by providing subsidies and improving its ranking on the World Bank's Ease of Doing Business Index. It should also ensure security in order to be seen as an ideal market for investment, trade, and commerce.
- k. **Relocation of Chinese Companies to Pakistan.** The trade war between the US and China presents opportunities for Pakistan to attract Chinese industries seeking to relocate. The government of Pakistan should prepare its legal and administrative structures, as well as rules and procedures, to take advantage of this opportunity. The China-Pakistan Economic Corridor (CPEC), which is entering its second phase and focuses on industrialization, offers a unique opportunity for the relocation of Chinese firms and industries, including the transfer of technology. It is important for Pakistan to create a conducive environment and provide incentives to attract these industries. The recent improvement of Pakistan on the World Bank's Ease of Doing Business Index is encouraging, but persistent efforts are needed to optimize the environment for investment, trade, and commerce.

## 6.1 Conclusion

US-China trade war has the potential to significantly impact the global and regional economic landscape. Both countries have fired the opening salvos of what could become a full-blown trade war. While some countries may see economic benefits, the overall impact is expected to be negative, with economic uncertainty and disruption as global production is likely to be relocated. It is important for countries to consider their own economic interests and devise strategies to protect them in the face of the trade war. Both the US and China should consider seeking a resolution through the World Trade Organization and be willing to compromise in order to end the trade conflict. It is in the best interests of both countries to foster innovation and avoid disrupting the free flow of international trade. Pakistan should focus on safeguarding its economic interests and normalizing and balancing



relations between the two global powers, while also seeking closer cooperation with regional and global trade blocks and enhancing its exports to China. To take advantage of opportunities presented by the trade war, Pakistan should also create a conducive environment for the relocation of Chinese industries and focus on regions with better supply chain integration and lesser trade barriers.

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