TRADE WAR

Trade war will hit China harder than US, IMF says

Chinese economy faces 1.6% haircut, while American losses expected at 0.9%

ARIANA KING, Nikkei staff writer

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Imported food from the U.S. is seen at a Shanghai supermarket. China has slapped retaliatory tariffs on such items. © Reuters

NEW YORK -- China and other Asian countries are expected to experience weaker economic growth as a result of global trade tensions, with Beijing's gross domestic product to be reduced by more than 1.6% next year, the International Monetary Fund said Tuesday.

"The disruption caused by an escalation of trade restrictions could be particularly large in the U.S. and China, with GDP losses of more than 0.9% in the U.S. and over 1.6% in China in 2019," the IMF said in its latest World Economic Outlook report.

The IMF revised down growth projections for China and India, citing U.S. tariffs on Chinese imports, from the previous report in April.

Global growth forecasts for this year and next were both cut to 3.7%, down 0.2 percentage point from what was projected in April to the same growth rate seen in 2017.

Under President Donald Trump, the U.S. has levied tariffs on $250 billion worth of goods against China this year and has threatened an additional 25% tariff on $267 billion worth of Chinese goods. China has retaliated in kind.

The U.S. and China would bear the brunt of the fallout of a full trade war, which would "roughly double" if the U.S. imposes a 25% tariff on $267 billion of imports on China and if China retaliates on the rest of U.S. exports, the report said.

"Higher trade barriers would disrupt global supply chains and slow the spread of new technologies, ultimately lowering global productivity and welfare," the IMF said.

Trump on Tuesday suggested that he was "absolutely" ready to take additional steps against China in the case of retaliation.

"China wants to make a deal, and I say they're not ready yet," Trump told reporters in the Oval Office. "We've canceled a couple of meetings because I say they're not ready to make a deal."

Speaking at the Council on Foreign Relations in New York on Tuesday, Kevin Hassett, chairman of Trump's Council of Economic Advisers, said that the IMF estimates align with his own, and suggested that the administration's measures against China had been specifically selected to maximize this impact.

"Our steps in the trade dispute have been very well-crafted to put pressure on them but not be super harmful to us," Hassett said.

"Everybody hopes for an end game where we work everything out," Hassett said of the trade war, adding that Chinese intellectual property theft is estimated to amount to 1-3% of U.S. GDP each year. "That's something there's a big upside to fixing," he said. "There's a lot of hope for progress, and a lot of opportunity here."