



The Daily Dish

U.S.-China Trade War in Global Perspective

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Eakinomics: U.S.-China Trade War in Global Perspective

The imposition of tariffs against imported goods from China is explicitly intended to harm Chinese economic growth — solely as a means to force the Chinese to change their behavior in industrial policy, intellectual property protection, and, of course, trade practices. And there is no question that raising taxes on imports can harm the pace of U.S. economic growth. These are reasons enough to be concerned regarding the ultimate outcome of the administration's tariff initiatives.

But there is a global economic growth issue as well. As nicely [illustrated](#) by Tony Fratto, the International Monetary Fund (IMF) expects the global economy to grow at an overall rate of 3.7 percent in 2019, with China projected at 6.2 percent and the United States at 2.5 percent. Given the sizes of these economies, this implies that China will contribute 27 percent of overall global growth, while the United States contributes a bit under half that amount — 12 percent. Thus, roughly 40 percent of global growth is at risk in the trade dispute (and even more if one factors in steel, aluminum, and potential auto tariffs).

This has enormous import across the globe. The movement to market-based economies (especially in India and China) and the growth of the global economy have been responsible for tremendous poverty alleviation. As [reported](#) by *The Wall Street Journal*, “The global population living in extreme poverty has fallen below 750 million for the first time since the World Bank began collecting global statistics in 1990, a decline of more than 1 billion people in the past 25 years.” (The World Bank defines extreme poverty as living on under \$1.90 per day in 2011 dollars.)

World Bank Group President Jim Yong Kim [said](#), “Over the last 25 years, more than a billion people have lifted themselves out of extreme poverty, and the global poverty rate is now lower than it has ever been in recorded history. This is one of the greatest human achievements of our time.” Clearly, a reduction in global growth as fallout from a trade war would be a significant backsliding on the recent achievements in poverty reduction.

There are clear, important stakes for the United States and China in the current trade dispute. But there are even larger stakes for the world's poor.