2019.10

China-US Trade Outlook

Shen Jianguang

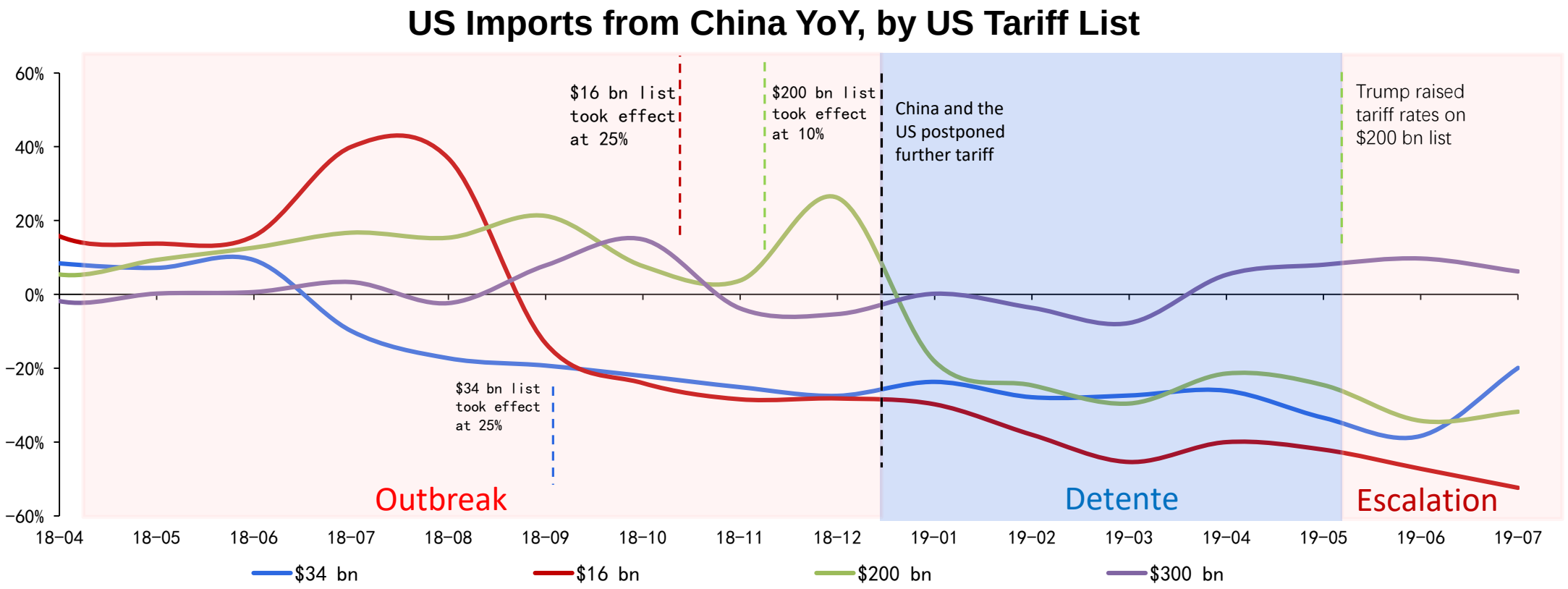
Chief Economist, JD Digits

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Trade War: A Timeline

Trade Flow: China to US

- ✓ The higher the tariff rate, the steeper the decline of imports.
- ✓ Imports of goods on the $300 bn list remain less affected.



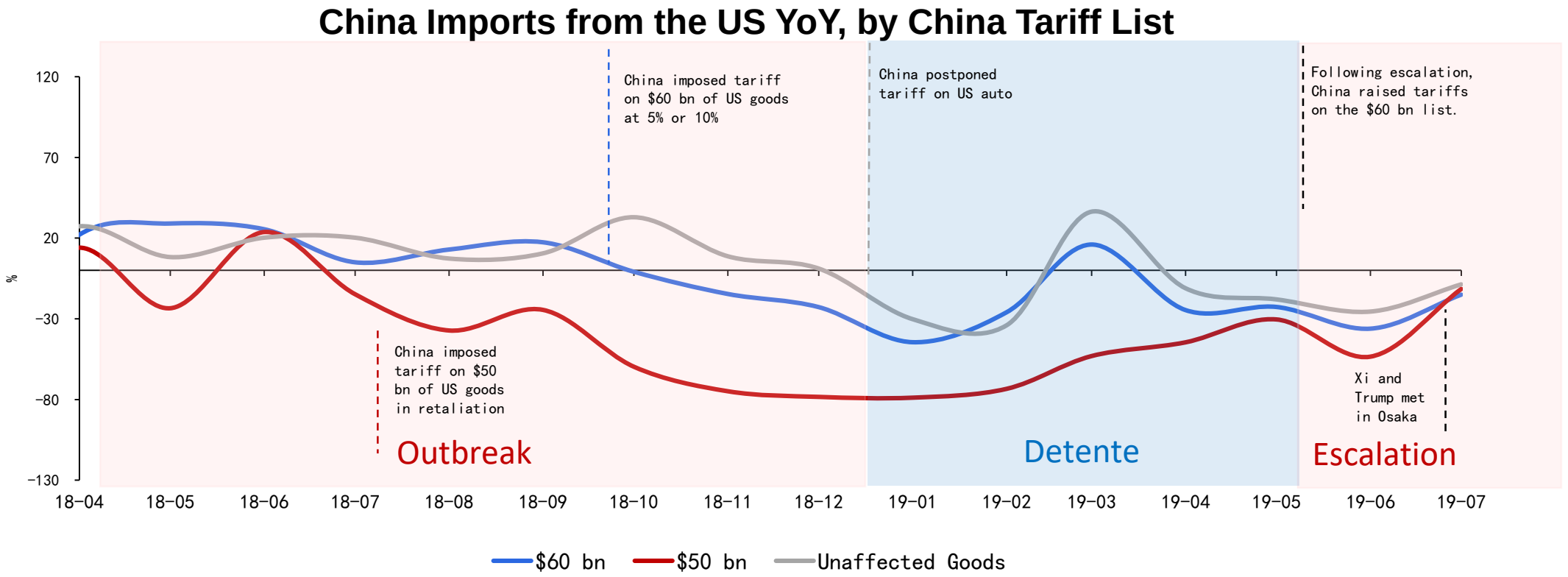
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Data: USITC

Trade War: A Timeline

Trade Flow: US to China

- ✓ China import from the US experienced a broad-based decline, hitting goods both on and off the tariff list.
- ✓ China's $50 billion list (25%) bore the brunt as China's purchase of US soybean halted.

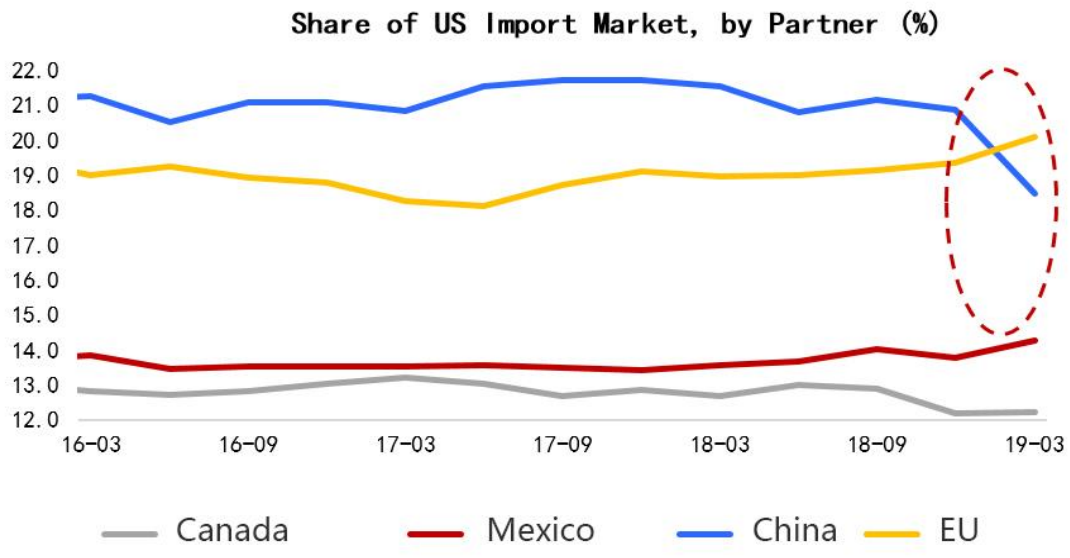


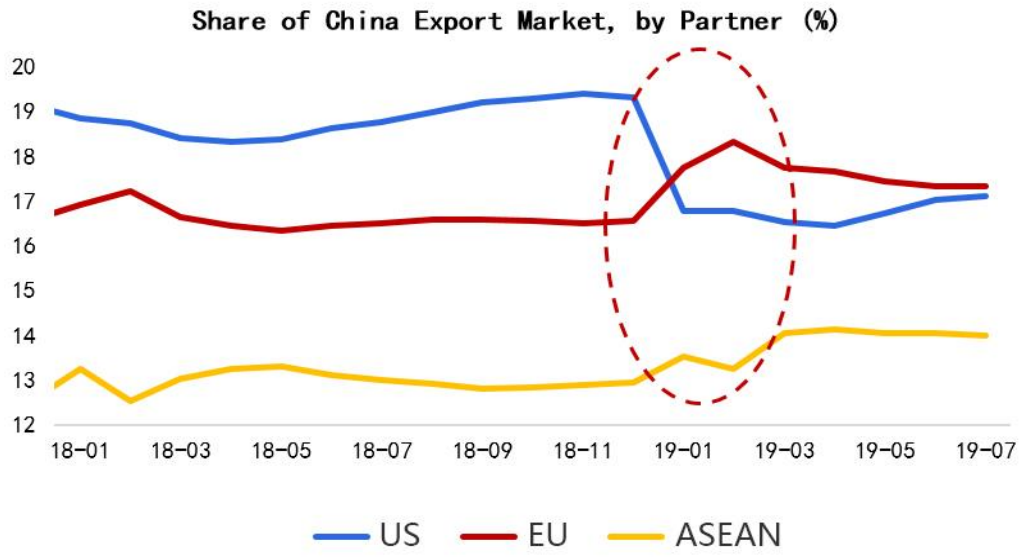
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Winners and Losers

European Union

- ✓ China-US trade decoupling looms as both try to reduce reliance on each other.
- ✓ EU rose to become US' largest source of import and China's largest export market.





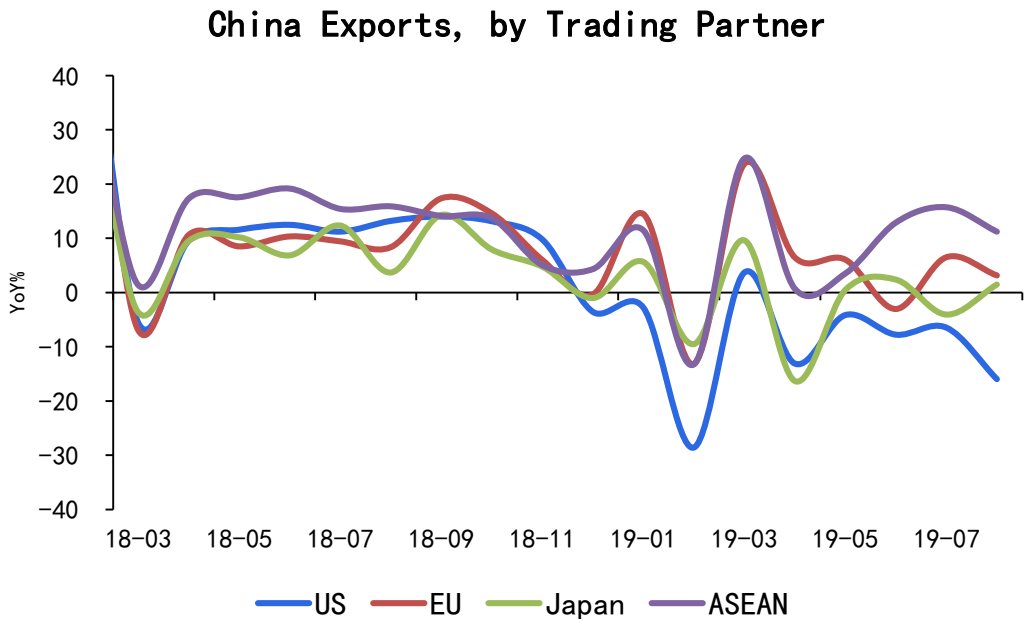
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Winners and Losers

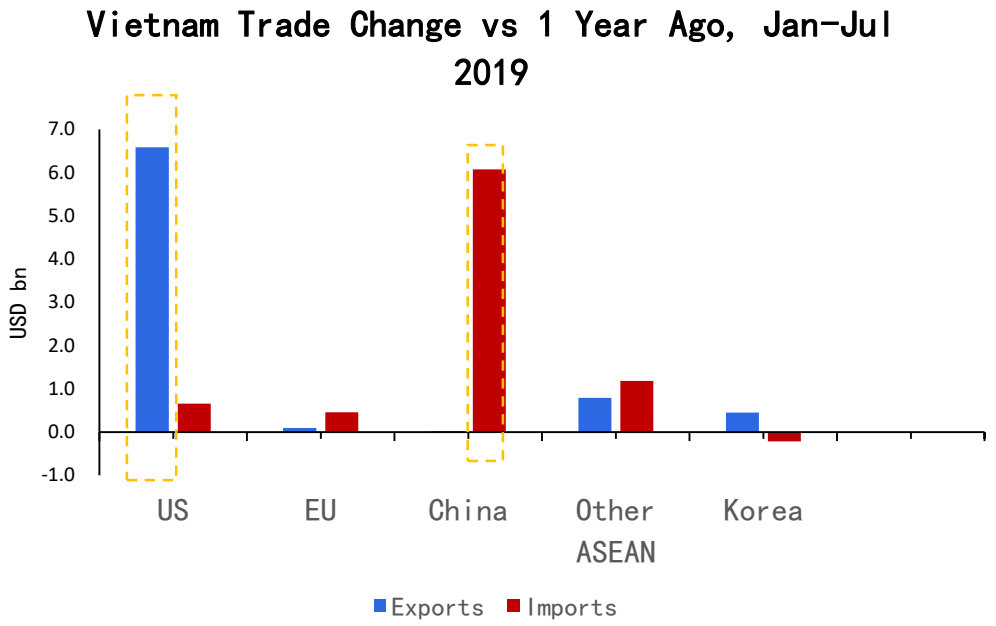
Southeast Asia

- ✓ Tumbling trade with the US prompts China to direct export to ASEAN, and EU to a lesser extent.
- ✓ Transshipment via Vietnam is evident as seen in the surge of China-Vietnam-US trade.
- ✓ The Vietnamese government has vowed to crack down “illegal transshipment” for fear of potential US action.

ASEAN-China Ties Keep Growing…



…As Vietnam “Bridges” China-US Trade

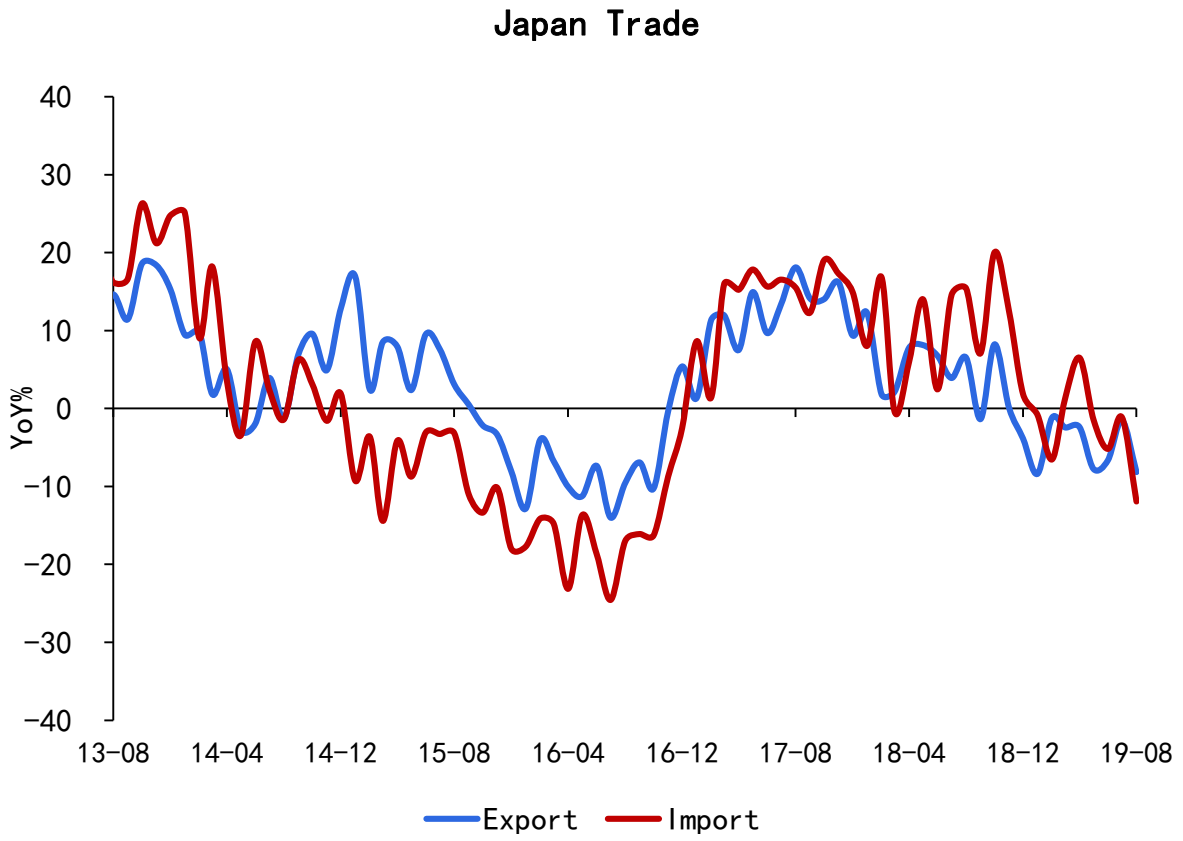


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Winners and Losers

Japan

- ✓ Japan’s export has fallen for nine consecutive months.
- ✓ Export in August contracted by 8.2% due to weak global demand and supply chain disruption.
- ✓ BoJ survey shows Japanese big manufacturers’ business confidence worsened in Q3.

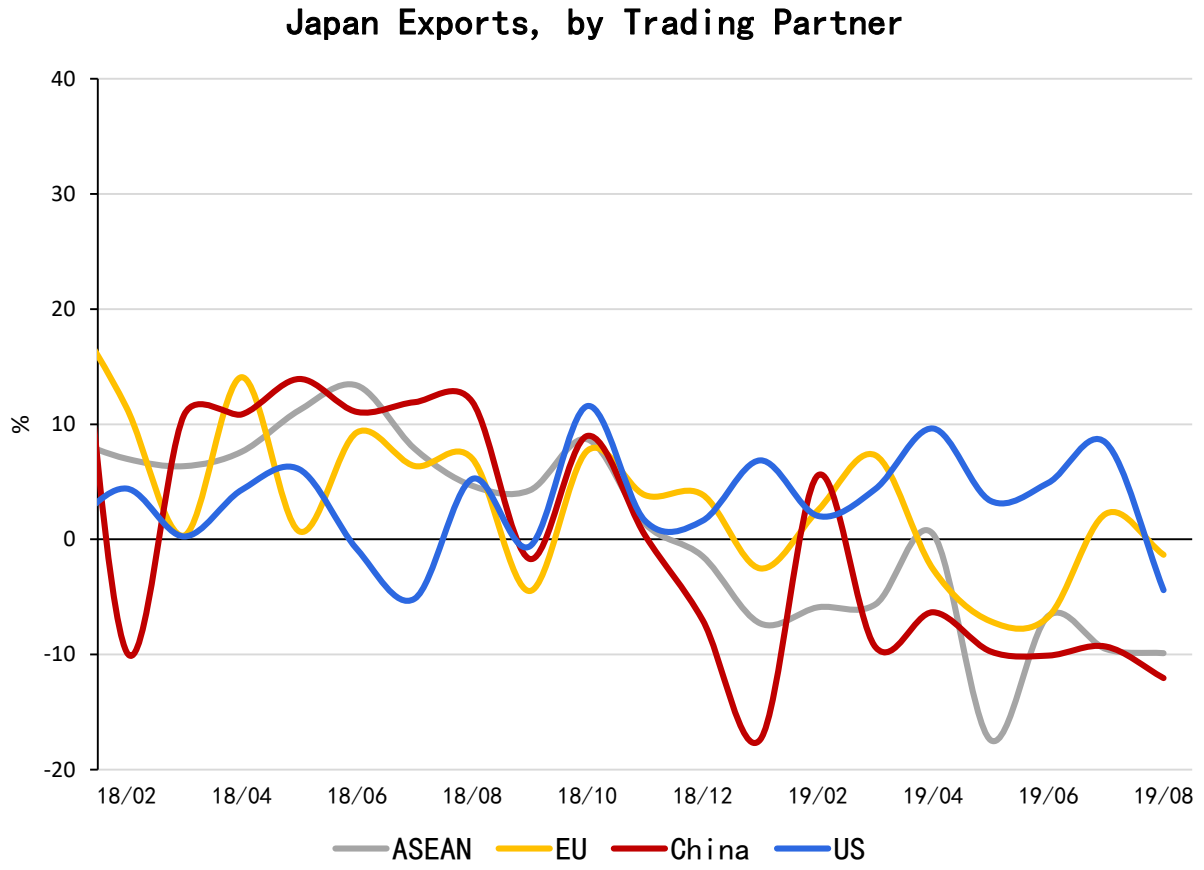


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Winners and Losers

Japan

- ✓ Japan’s trade with the US performs better than that with other trading partners.
- ✓ However, China demand has been a drag.
- ✓ CPTPP has done little to boost Japanese exports.
- ✓ Deteriorating relationship with Korea adds to trade misery.



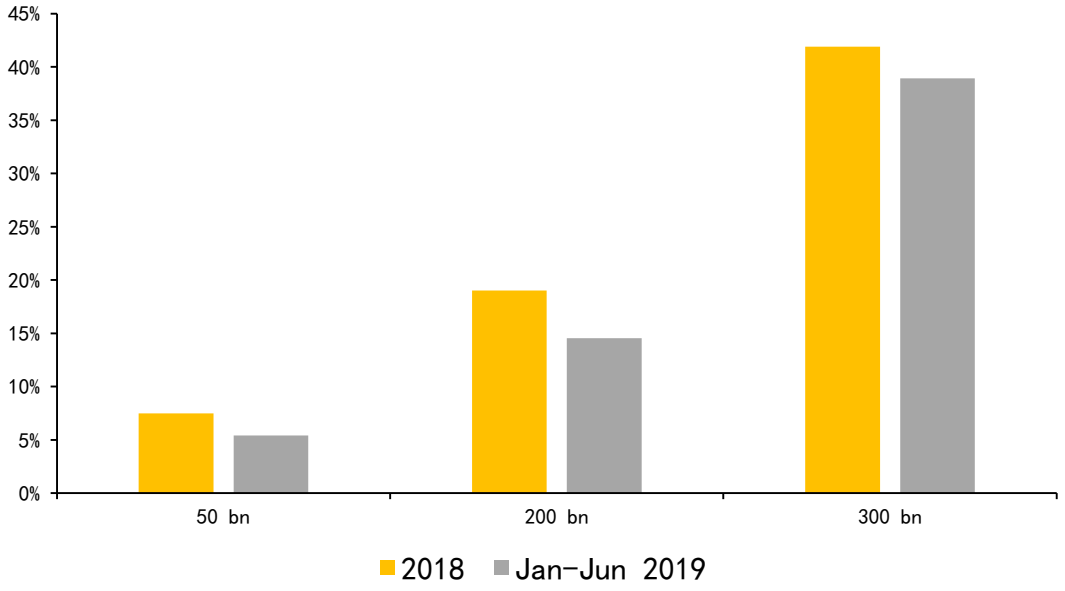
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Is a Deal Coming Soon?

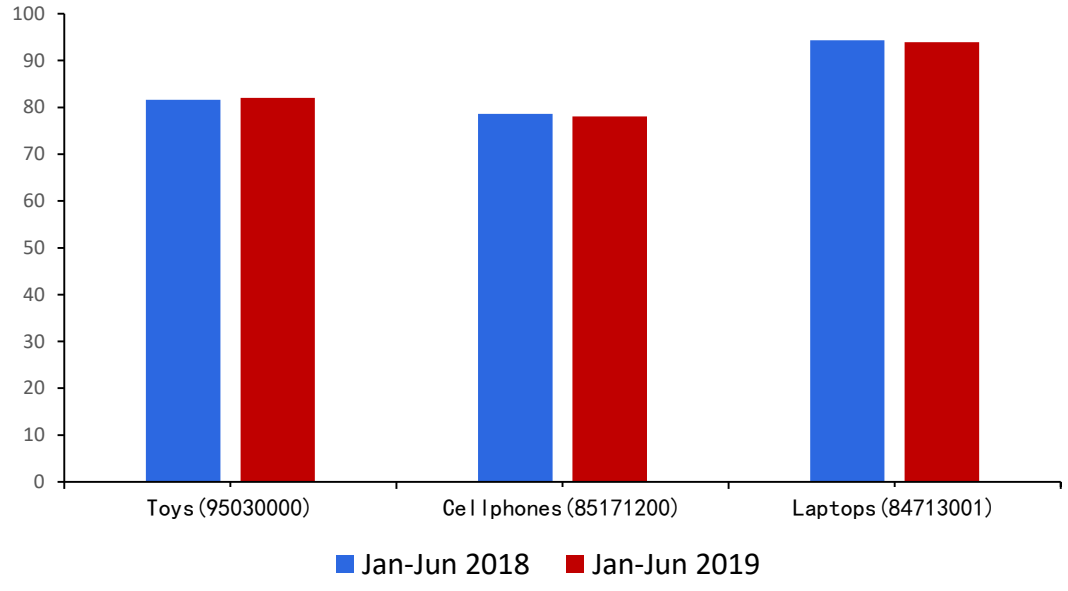
Further Tariff Hurts Badly

- ✓ As trade war goes on, US tariffs have extended to consumer products it relies heavily on China.
- ✓ In the $300 bn list, **82%** of toy imports, **78%** of cellphone imports and **94%** of laptop imports come from China.
- ✓ US retail peak season comes in Q4, meaning further tariffs will likely backfire.

US Dependence on China Exports, by Tariff List



US Dependence on Select $300 bn List Items

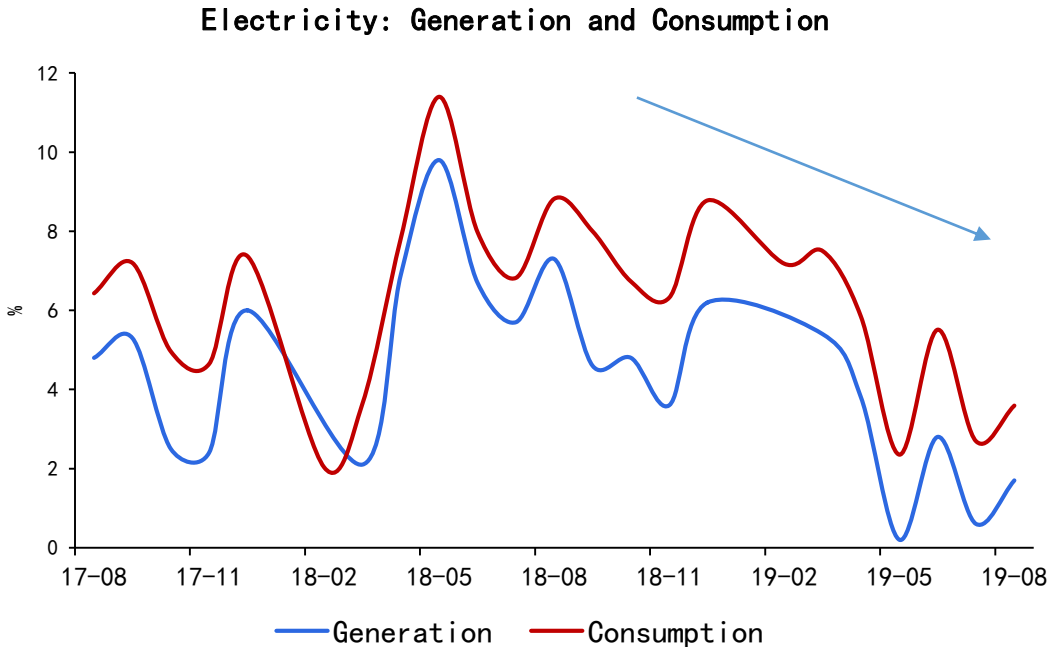


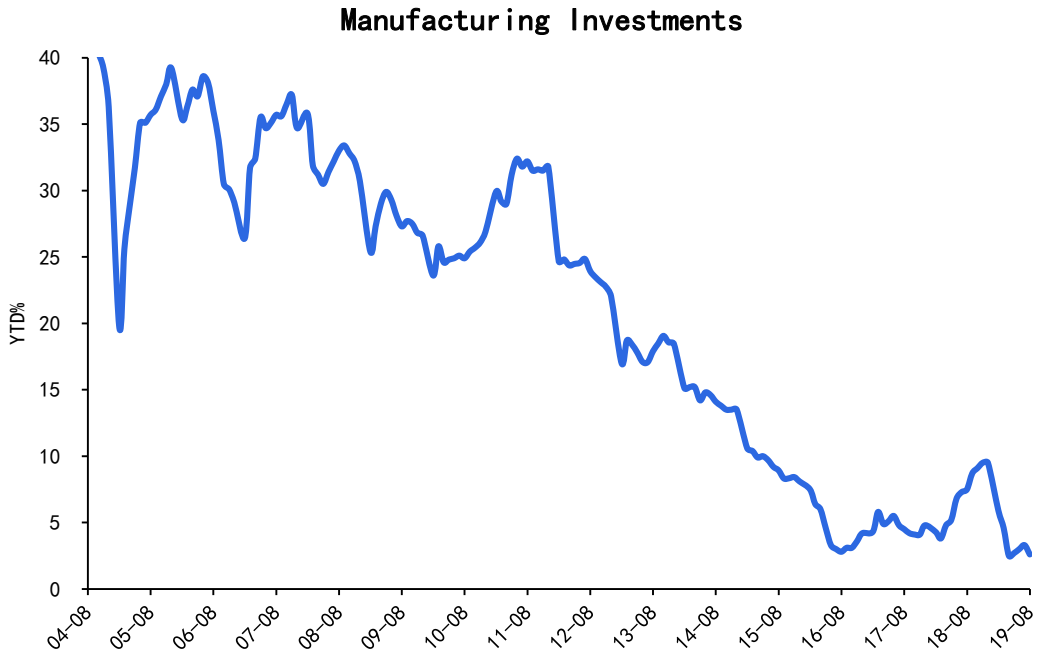
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Is a Deal Coming Soon?

China's Slowdown

- ✓ Weakening electricity generation and consumption point to slowing industrial activity.
- ✓ Manufacturing sector merits particular as investments sink to record low.





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Is a Deal Coming Soon?

Trade Talk: Opportunities and Uncertainties



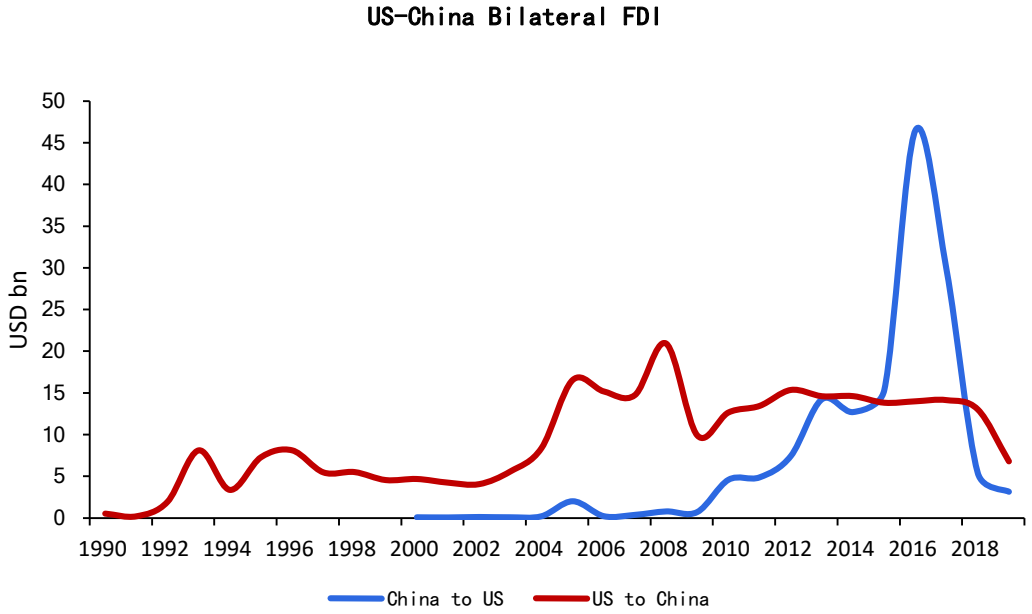
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From Trade to Beyond

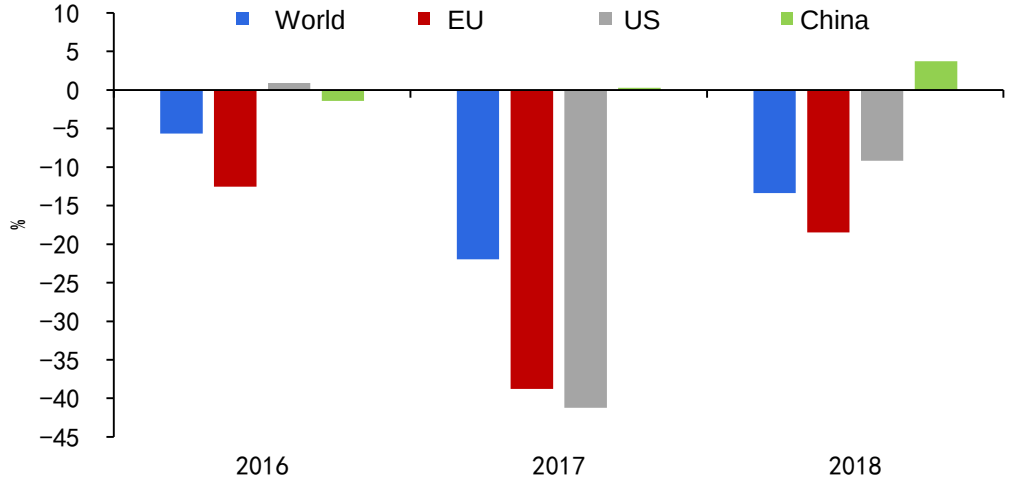
Investment

- ✓ Trade spat has unquestionably deterred bilateral investments as businesses fear political interference.
- ✓ Yet China still performed better in terms of FDI inflows.
- ✓ According to China's MofCom, FDI increased by 3.2% in the first 8 months of 2019 despite trade headwind.

Even When Trade Uncertainty Roils Business…



…China Still Attracts FDI Flows



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Thanks!

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