

China's Economic Growth Slows to a 26-Year Low Amid Tariff and Other Woes

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China has been a world economic leader for many decades. Well known for its rapid growth, China comes in at number two on the list of top economies in the world. Americans spend a lot of money on Chinese goods because of their intriguing low prices. Two factors leading to these low prices are the low standard of living in China and their exchange rate, which is fixed to the dollar. Computers, electronics, and clothing usually arrive in American homes with a “Made in China” label and many people are hoping for a cordial relationship between the two leading economic powers of the world. Companies like Apple have been in the media headlines extensively because they rely on China as a manufacturing base. Forbes magazine said, “an escalation of the trade war could impact the company’s revenues while inflating costs.

Recently, the United States and China haven’t agreed on trade. President Trump has been quoted saying that the goal of forcing China to abide by different rules is to ensure “unfair trade practices” do not continue. The President has also been stern in accusing China of stealing intellectual property from America. CNBC said, “[j]ust under one-third of CFOs of North America-based companies on the CNBC Global CFO Council say Chinese firms have stolen from them at some point during the past decade.” These actions have resulted in over \$600 billion in annual loss to the United States economy. Trade secret theft has become a growing problem and President Trump is eager to put a stop to it.

Their disagreements have led to the Trump administration imposing tariffs of over \$30 billion on Chinese goods. China responded by imposing tariffs of its own on over \$100 billion worth of products from America. When Chinese products are more expensive for consumers and businesses in other countries, their economy is greatly affected. China has slowed to a twenty-six-year low because of these tariffs and it is ultimately not good for their businesses and reputation as being one of the world’s leading manufacturing hubs. There was a consensus forecast of 6.1% for China’s gross domestic product growth, but this third quarter span came in even lower at 6%. The country’s factory, retail sales, and investment forecast are all coming in at similar numbers, between five and seven percent. China’s government has an economic growth target of 6.5% to end the year, but according to Bloomberg, “deflationary pressures are hitting company profits and falling imports indicate that domestic demand is weak.”

Li Wei, a senior economist at Standard Chartered in Shanghai, China, said recently “[t]he growing trade tension between the United States and China is creating an industrial weakness and moderating consumer demand.” As a result, Chinese companies have had to transship products through other countries like Vietnam and Malaysia. To remain at the top of the world’s economic rankings, China and the United States must find solutions to the growing tensions.