

### AND THE LOSERS ARE...

When it comes to U.S. exports to China, current U.S. trade policy appears to have backfired.

The administration in Washington started imposing tariffs on U.S. imports originating from China in early 2018, aiming to make Chinese products more expensive and hence less appealing to U.S. consumers. China retaliated in due course by imposing tariffs on select U.S. goods. One might assume that this policy is hurting China's exporters more than their U.S. counterparts, not least as Washington triggered the escalation. Ironically, just the opposite has happened, as the latest trade data and our "Chart of the Week" demonstrate. In terms of trade with the U.S., China's exports declined by 13.1% in April (year-on-year), whereas imports even declined by 25.7% - the U.S.' trade deficit with China therefore increased further. As monthly trade figures tend to be quite volatile, the chart shows smoothed figures (rolling 12-month total trend). Compared to Q4 2018 levels, Chinese exports to the U.S. dropped by 3% (as of 4/30/19), while Chinese imports of U.S. goods are down by 15%. Even in absolute terms, the decline in Chinese imports from the U.S. outstripped declining exports to the U.S. by a factor of 2. Hence, so far, the trade conflict seems to be a lose-

lose situation, inflicting bigger pain on the U.S. exporters than on their Chinese peers, however.

"Strong consumer sentiment and early deals in order to avoid these tariffs help to explain why the U.S.'s imports from China haven't declined that much," says Xueming Song, DWS China economist. "I also believe China's resilience to the U.S. tariffs can partly be explained by the fact that the country succeeded to broaden its export markets in the last couple of years."

The decline in imports of U.S. goods partly hints to a broader U.S. problem, which becomes clearer when one looks at China's trade figures with the world as a whole. Goods such as soybeans, which China used to buy from the U.S., are now increasingly being sourced from Brazil, in response to China's retaliatory tariffs. All these data suggest that any further escalation of the trade conflict would be costly to almost everyone, starting with U.S. consumers. But based on the evidence so far, that is even true for U.S. exporters, the supposed beneficiaries of Washington's trade policies.



Sources: Bloomberg Finance L.P., DWS Investment GmbH as of 5/8/19  
 \* 12-months rolling

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 Source: DWS Investment GmbH

## GLOSSARY

### Volatility

**Volatility** is the degree of variation of a trading-price series over time. It can be used as a measure of an asset's risk.

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