1. Introduction

China and US had been in trade war since the beginning of 2018. Until now, they are still in a truce period. We are interested in what will happen next after the truce, especially the effect of the imposition of tariffs on income of households both in China and the US. Therefore, this research poster is going to predict the outcome after the truce. The research method we use is literature review from the 1987 US-Japan trade war.

2. Timeline comparison

- Cause of the trade war:
  Both trade wars were triggered by protectionism approaches in US due to the trade surplus in China and Japan, and the failure of talks to end the war.

- The first round of the trade war:
  US imposed tariffs on both China and Japan, while China retaliated and Japan compromised.

- The second round of the trade war:
  Japan and US finally achieved to an agreement where Japan compromised, while China and US came to a deadlock.

Therefore, with the similar timelines for the two trade wars, it is reasonable to predict the effect of China-US trade war on income using the historical data from Japan-US trade war.

3. Research Method

Aim: Prediction can be made that the net exports will decrease in general due to the truce, and then decrease after the US global tariff is imposed.

1) The Effect of Trade War on Japan Net Exports
   Comparing the timeline and net exports data (Graph 1), we can show that the US’s imposition of tariffs and Japan's compromise decrease the net exports of Japan, and Japan's retaliation increase the net exports of Japan.
   - Cause(1985-1987):
     - Failure of Moss Talk
     - 301 Investigation
   - First Round(1987-1993):
     - Tariff Imposition
     - SII Talk
     - Framework Talk
     - Net export (in general)

2) The Effect of Japan Net Exports on Income
   - Definition of Income = Nominal GDP / Total population
   - We use nominal not real GDP since Japan had a low and stable inflation in 1980s and 1990s (Graph 2), and we use nominal GDP per capita to measure welfare.
   - Definition of Nominal GDP per capita = (Nominal GDP) / (Total population)

3) The Indirect Effect of Trade War Events on Income
   - e.g. US Tariff
   - Japan Retaliation

4. Conclusion

1) The Effect of Trade War on China Net Exports to US
   Comparing the timeline and China’s net exports data to US, we can show the similar results in the Japan-US case.
   - Cause(2018.1-2018.6):
     - US Global Tariff
     - China’s Retaliation
   - First Round(2018.6-2018.9):
     - US First Round Tariff
     - China’s Retaliation
     - US Second Round Tariff
     - China’s Retaliation
   - (in general)

2) The Effect of Net Exports on Income
   The income has the similar trend with net exports (Graph 4).
   Income = Nominal GDP (only changed by net exports of China to US) / Total population

3) The Effect of Trade War on Income
   Therefore, the trade events indirectly affect income. Generally, US tariff decreased China’s income and vice versa which depends on the extent of the retaliation.

4) The Prediction of Future Net Exports and Income
   Prediction can be made that the net exports will increase due to the truce, and then decrease after achieving an agreement with China’s compromise. Therefore, we predict that after 2018.11, income will decrease in general due to the truce and final compromise made by China and US.

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Graph 1: Japan net exports of goods and services (million US$)
Graph 2: Japan inflation, consumer prices (annual %)
Graph 3: Nominal GDP per capita (millions US$)

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