

IMF warns U.S.-China trade war to cut global economic output next year



Washington, June 10 (RHC)-- The International Monetary Fund (IMF) has urged an end to the trade war between the United States and China after it found that the current and threatened US-China tariffs could cut the global economic output by 0.5 percent next year.

In a blog and briefing note prepared for the meeting of G-20 finance ministers and central bank governors in Japan this weekend, IMF Managing Director Christine Lagarde said that taxing all trade between China and the United States, as President Donald Trump has threatened, would lead to the vanishing of some \$455 billion in gross domestic product (GDP) in 2020. She added that the \$455 billion in lost output is "larger than the size of South Africa's economy."

"These are self-inflicted wounds that must be avoided. How? By removing the recently implemented trade barriers and by avoiding further barriers in whatever form," Lagarde said in an IMF blog post.

U.S. President Donald Trump initiated what is effectively a trade war with China last year, when he first imposed unusually heavy tariffs on imports from the country. Since then, the two sides have exchanged tariffs on more than 360 billion dollars in two-way trade.

Beijing and Washington have held talks to settle the issue, but to no avail so far. Their latest round of trade negotiations ended earlier in May without conclusion. Chinese Vice Foreign Minister Zhang Hanhui accused Washington of practicing “naked economic terrorism” by engaging in the trade war on China.

Beijing opposes the U.S. tariff hikes, saying they are harmful not only to China and the U.S., but to the whole world. Washington, for its part, says a primary goal of the aggressive tariff strategy is to decrease the trade imbalance with China, which totaled 379 billion dollars in 2018.

"The fact is that protectionist measures are not only hurting growth and jobs, but they are also making tradable consumer goods less affordable -- and disproportionately harming low-income households," Lagarde said. She also expressed concern about the recently-proposed US tariffs on Mexico's imports.

U.S. President Donald Trump, incensed by a surge of illegal immigrants across the southern border, vowed on Thursday to impose a tariff on all goods coming from Mexico. Trump threatened to impose a tariff on all goods coming from Mexico in an effort to curb the flow of illegal immigrants crossing the southern border.

Trump said the tariffs will start at 5 percent on June 10 and increase monthly until reaching 25 percent on October 1.

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