

## Trade Wars explained - What sectors are most affected?

*The trade dispute between the U.S. and China keeps escalating since January 2018, putting at risk hundreds of companies, jobs and purchasing power in both countries. Who's right or who's wrong is no longer important, the biggest trade war in the history turned slowly but surely into an ego fight.*

The two largest worldwide economies, despite numerous and long trade talks, could not reach a compromise unlike the new trade agreement between the U.S, Mexico and Canada (USMCA). The [visual summary created](#) by TradeMachines traces back the initial motives of this trade war and the possible outcomes of a long term dispute on economies. It's a good start if you missed the boat.

## Is protectionism the solution to a country trade deficit ?

Since China joined the WTO (World Trade Organization) in 2001, the American trade deficit (with China) has been multiplied by 4.5. However, it's absolutely not China's fault, American companies took advantage of the natural endowments of the middle kingdom by manufacturing abroad and importing all types of goods on the U.S. soil.

According to U.S officials, the other reasons justifying this global dispute are the following:

- Saving jobs: protectionism does not save jobs. The first tariffs on steel and aluminium caused a loss of 16 jobs for every job gained, impacting negatively all industries that depend on the raw materials.
- Fairer trade rules: when entering the biggest consumer markets, foreign companies have to comply with local regulations. Joint ventures compel foreign firms to transfer their technologies to their Chinese counterparts. This point is the main cause of friction between the two powers, each protecting their interests and technological dependence and/or advancements.

For several experts, the hidden purpose of this trade dispute, is mostly geo-political. In the early 2000's, China was far behind the U.S. in terms of technologies and worldwide influence, in less than 20 years, they caught up and are now challenging the American hegemony. Moreover, the [new silk roads project](#) and the strategic plan "[Made in China 2025](#)" are threats to the U.S. interests.

## De-escalating the tensions is the only way to put a stop to this trade war

Trump's negotiating techniques made him famous in the business world and in international relations, this time, however, it seems like China is not bending the knee.

On May 10, both parties could not reach an agreement despite the truce announced in December 2018, leading to the tariff increase from 10% to 25% on US\$200 billion of Chinese goods. Chinese authorities regret this decision and ensured that “necessary countermeasures” will be taken.

On May 15, Trump blacklisted Huawei thanks to an executive order on the nation’s cybersecurity. American companies are no longer allowed to work with Huawei. It’s a major blow for China’s pride and the second largest telecommunications company in the world and for the trade talks. Trump intends to use Huawei as a leverage in this lasting dispute.

Earlier this week, on May 20, the [leading American footwear companies, brands and retailers in a letter](#) urged the president to stop pursuing his commercial policies or it would be “catastrophic for consumers, companies and the American economy as a whole”.

In a globalized world, decisions taken in one part of the world can have an impact on the other side of the globe. How this trade war could play out for auctioneers and traders of used machinery?

## Effects on the used machinery market

Along with escalating trade war between the U.S. and China and additional tariffs taking effect, more obstacles occur in farming industry. If 2018 was already a tough year for American farmers, it appears like 2019 is going to be even more challenging.

Concern is growing among American farmers; China’s tariffs on U.S. imports, including soybeans, corn, fresh fruits or dairy products, have already impacted the market negatively. The said “necessary countermeasures” soon to be taken by China create uncertainty for farmers.

Much of China’s soybean purchases have been transferred to Brazil causing financial loss and a surplus of produce on the American side. Despite the US\$11 billion federal aid to farmers, their personal incomes fell by [US\\$11.8 billion](#) in 2019’s first quarter.

In this context, farmers fearing for their future have been delaying their investments. Purchasing a new tractor or machinery have become a careful decision, which lead to a decrease in revenues for machinery manufacturers. On top of that, with tariffs on raw materials, companies like Caterpillar Inc. or Deere & Co might spend additional [US\\$100 - US\\$250](#) million this year.

Nevertheless, the current situation might open doors to new opportunities. The price increase for new machinery can turn potential buyers towards the used market.

Heico Koch, founder & CEO of [Trademachines.com](#) - a search engine for used machinery, stays positive: *“The trade war between the U.S. and China will, with no doubt, have an effect on the*

*investment strategies of companies. By deciding to delay or interrupting their investment in brand new machines due to market uncertainties, companies will keep their own used machines longer, which will reduce the offers on the used market. If they are forced to buy one, they are more likely to look first for second-hand offers.*

*At the same time, manufacturers, in response to decreasing revenues, might delay or stop the launch of new innovative products. In some cases, if they have surplus in stock, they can even reduce their selling price, which will cannibalize the revenues for actors in the used machinery market.”*

---

**References used:**

- Deere says trade war is hurting farmers and its earnings - CBS News | <https://www.cbsnews.com/news/china-trade-war-deere-hurting-farmers-and-its-earnings/>
- Factbox: Winners and losers in Trump's trade war with China - Reuters | <https://www.reuters.com/article/us-usa-trade-china-winners-losers-factbo/factbox-winners-and-losers-in-trumps-trade-war-with-china-idUSKCN1SC21R>
- American footwear companies, brands and retailers letter to Trump. | <https://fdra.org/wp-content/uploads/2019/05/2019-Footwear-Tariff-Letter-1.pdf>
- Made in China 2025, Explained - The Diplomat | <https://thediplomat.com/2019/02/made-in-china-2025-explained/>
- China's New Silk Road - Bloomberg | <https://www.bloomberg.com/quicktake/china-s-silk-road>

---

**Press information:**

- *TradeMachines is a meta search engine for used machinery. We consolidate offers from traders and auctioneers all over the world, and have every type of machine under one roof. Our platform is a convenient way for potential buyers to search for local and global offers online.*
- *Reprint free of charges.*
- *In case of usage of our work please credit us by inserting a link to [trademachines.com](http://trademachines.com). All pictures used are free of rights.*
- *For detailed sources please refer to the list at the bottom of this page: [trademachines.com/info/tradewars](http://trademachines.com/info/tradewars).*
- *For more information about TradeMachines, please contact [onlinemarketing@trademachines.com](mailto:onlinemarketing@trademachines.com)*