

A straw that breaks a camel's back

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Earlier in Kazakhstan there was quite an interesting and rigid custom. If there were two applicants for the bride, they would take whips and beat each other in turn, until one of them refused the contest or fell down. This long-standing custom is very much like the battle between the United States and China over European trade markets.

In the spring, the parties failed to conclude a trade agreement, which led to another round of mutual sanctions and only developed a trade standoff. So, Washington raised up to 25% the duty on importing goods from China in the amount of \$ 200 billion and intends to introduce similar tariffs on other products for another \$ 325 billion. Beijing, in response, announced the introduction of a duty of 25% from June 1 on goods imported from the US volume of \$ 60 billion. And this measure will affect the American LNG.

The leading Chinese edition „The Global Times” has published Beijing's possible retaliatory actions against Washington, which may turn out to be „a straw that will break the camel's back.” Among possible responses, blocking the access of US companies to the Chinese market, imposing a ban on the supply of rare earth metals to the US and using a portfolio of US government bonds are indicated.

The ban on the access of American companies to the Chinese market is unlikely to cause irreparable economic damage. But it will definitely affect the image. This measure will give American lobbyists an additional reason to take up arms against Donald Trump, which he hardly wants because of the upcoming presidential elections. Analysts say that Asia accounts for about 14% of the sales of large American

companies. Therefore, such a move of the Chinese will not exactly be catastrophic for America as a whole, but may concern a number of medium-sized firms, for which China is the only point of sales. But the fact that China is a source of cheap labor will definitely harm and affect the rise in prices and lower competitiveness of American products. In this area China could be replaced by Thailand or other countries, but this is not firstly fast, and secondly, Trump is at war with everyone.

If the ban on the access of American companies to the Chinese market is more likely to be a political step, then the introduction of a ban on the supply of rare earth metals in the United States will very seriously affect American manufacturers of electronics and high-tech goods. Because rare earth metals are used in the basis of any microcircuits. Indirectly, Trump recognized dependence on China in this area, because Washington has suspended the introduction of additional duties on rare earth metals from China. At the same time, it is impossible to impose sanctions only on American companies, since they will conduct purchases through partners from other countries. And the introduction of restrictions for all will also affect European companies, which will lead to retaliatory sanctions of the European Union. This is especially relevant in the context of the Chinese-American struggle for European markets.

And the Chinese have called the sale of the existing portfolio of US government bonds the final argument of the Doomsday Day. And the amount is huge. According to the Global Times, China bought US debts during the 2008 crisis, thereby helping to stabilize the US economy. The total amount of US Treasury bonds bought out by China is more than one trillion dollars. And if you use this tool at the time of the next crisis in the US stock market, then the effect of it will be maximum.

In aggregate, it is worth noting that Beijing soberly assesses its chances. China realizes that the US is currently stronger

and has the initiative in a trade war. At the same time, the Chinese side emphasizes that it does not intend to give up and is ready to „endure the pain in order to teach the USA a lesson.” Despite the fact that the dollar is the main currency in the conduct of world trade calculations, as well as on the colossal ambitions of the United States, China has shown that it is fully capable of resisting America in a trade war.

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