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Paper Abstract

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The China-US Trade War: Global and Regional Implications

This presentation addresses the most contentious contemporary Asia-Pacific economic issue, the China-United States trade imbalance, and its implications for the global and regional economies. After highlighting key features of the trading relationship between these economic superpowers, a straightforward international macroeconomic framework is introduced to analyse the main influences on the bilateral trade imbalance. From an output-expenditure perspective it examines real exchange rate valuation, the effects of tariffs and subsidies, higher Chinese consumption, and increased foreign direct investment. Real exchange rate adjustment, increased Chinese private consumption and relaxation by China of restrictions on US foreign investment would all contribute to balancing the external accounts, with lower Chinese saving and more US FDI in China also improving macroeconomic welfare, globally and regionally. On the contrary, protectionist measures are ineffective in reducing the trade imbalance and negatively affect macroeconomic welfare, in both countries, globally, and in South Pacific economies.

Speaker biography

Tony Makin, Professor of Economics at Griffith University, has served as an International Consultant Economist with the International Monetary Fund, as an economist in the Australian federal departments of Finance, Foreign Affairs and Trade, and Treasury, as Director of the APEC Study Centre at Griffith University, as well as Australian convenor of the structural issues group of the Pacific Economic Co-operation Council. He is a member of the National Economic Panel of the Economic Society of Australia, has previously taught at the National University of Singapore and the University of Queensland, and is the author of *International Money and Finance*, *The Limits of Fiscal Policy*, *Global Finance and the Macroeconomy*, *Global Imbalances*, *Exchange Rates and Stabilization Policy*, as well as many journal articles.