



Business English News 42 – Trade Wars

According to Donald Trump, “**trade wars** are easy to win.” However, as usual, reality appears to **contradict** Trump’s **claims**. In the current **dispute** between the U.S. and China, it doesn’t look like a winner will **emerge** any time soon. As CNN notes:

The Trump **administration made good on** its **threat** to raise **tariffs** on \$200 billion worth of Chinese exports from 10% to 25%, marking a **sharp rise in tensions** between the world's two largest economies. After months of talks aimed at ending a year-long dispute that has already hurt global growth and **rattled** stock markets around the world, the latest US **salvo** risks **triggering** a new **wave** of **tit-for-tat** responses.

This **ongoing** issue between the U.S. and China is **all over the news**. And while many are referring to it as a “dispute,” it’s becoming increasingly common to call it a “trade war.” So what exactly is a trade war? According to the BBC:

A trade war is when countries influence each other's international trade by **imposing** taxes and **quotas**. One country will raise tariffs, a type of import tax, causing the other to respond **in kind**, in a tit-for-tat **escalation**. This can hurt other nations' economies and lead to rising political tensions.

America’s unhappiness with China’s economic **tactics** is not new. Every administration in the past 35 years has shown concern about the situation. Their complaints **revolve around** a few key issues, as USA Today reports:

Administration officials want China to stop stealing U.S. **intellectual property** and forcing companies to **hand over** their IP to do business in China. They also want the Chinese government to stop **subsidizing** the country’s manufacturers, giving them what the U.S. considers an unfair advantage. And they want China to **open** its **markets** to more U.S. products and services.

While the current focus is on China, the U.S. has been in talks with almost all of its **trading partners**. After 18 months of tough negotiations, the U.S., Canada, and Mexico now have the **framework** for a new **free trade agreement**. Getting it **ratified** won’t be easy though. And there’s also uncertainty around U.S.-Europe relations as well. As the Hill notes:

Both sides **fundamentally disagree** on the **scope** of trade talks, with **agriculture** remaining the most **stubborn obstacle**. The **European Commission** wants to exclude the **sensitive issue**, because of concerns over **food safety standards** and the protection of **geographical indications**. In contrast, the U.S. team's **negotiating stance** is for **comprehensive coverage** of agriculture in trade talks with the EU. Congress is unlikely to approve a future U.S.-EU **trade deal** that does not **cover** agriculture.

In all of these trade disputes, the Trump administration is working to reduce imports. They say imports hurt the economy, because they make it harder for **domestic** businesses to compete. But will reducing imports really benefit the Americans that Trump has promised to help? A recent Bloomberg article says no:

The strength of the U.S. economy, **mainstream** economists point out, is **ultimately** determined by the **productive capacity** of its workers and businesses. Limiting imports simply raises prices for U.S. consumers and business. Those higher prices lead to less consumer spending and less investment, **neutralizing** any **GDP** gains and leaving U.S. consumers **worse off**.

But this **position** has failed to impact Donald Trump's approach to trade. **Protectionism** is a central part of the entire **Make America Great Again philosophy**. What this – and the ongoing dispute with China – means for the world is uncertain. As the New York Times notes, many experts are not so **optimistic**.

Last week, the **International Monetary Fund cited** global trade uncertainty, including Mr. Trump's trade wars, as it **slashed** its **projections** for global growth. And in a survey by the Business Roundtable, nearly two-thirds of responding chief executives said recent tariffs and trade disputes would have a **negative impact** on investment.

Vocabulary

Trade war: a dispute where countries try to hurt each other's trade by putting tariffs or taxes on each other's goods; "In the 1930s, the United States raised tariffs on hundreds of goods, starting a trade war with Canada and Europe."

To contradict a claim: to say that someone's opinion or idea is not true; "Ted has been angry at me ever since I contradicted his claims that staff are being treated poorly."

Dispute: disagreement; "We are currently having a terrible dispute with one of our suppliers because they've been late with several shipments."

To emerge: to appear or come out of a situation; "Fiona has emerged as the most promising candidate out of the ten people who applied for the job."

Administration: government; "The Trump administration has undergone continual change, as he fires people and hires new ones regularly."

To make good on a threat: to do what you say you will to harm or damage someone or something; "I really can't imagine that all the government ministers will make good on their threat to resign if immigration laws aren't changed."

Tariff: a tax that a government puts on products that enter or leave the country; "Canadian steel companies are happy that the American government finally decided to remove tariffs on steel."

Sharp rise: a big or sudden increase; "With real estate prices looking so good, we've seen a sharp rise in the number of people putting their houses on the market."

Tension: stress between two or more people or groups because they don't trust each other; "Many American mediators have had difficulty trying to reduce tension between Israel and its Arab neighbors."

To rattle the market: to disturb or cause worry among consumers or investors; "The problems between the U.S. and Iran have rattled oil markets, raising the price by several dollars a barrel."

Salvo: a sudden attack; "Trump's communication strategists become frustrated every time the president sends out a salvo of angry tweets."

To trigger: to cause; "The sudden departure of the CEO has triggered a search for a new leader."

Wave of: a big increase in activity or the arrival of something; "We're looking at our email security since employees have been receiving waves of spam messages."

Tit-for-tat: harming someone because they harmed you; "In an economic tit-for-tat, China has responded to U.S. tariffs with new taxes of its own."

Ongoing: continuous; "Many people in the U.K. are frustrated that the Brexit issue is still ongoing."

All over the news: a popular topic in the news; "Climate change has been all over the news, and governments are feeling pressure to find real solutions to the problem."

Impose a quota: to create a limit on how much of a product can be imported or exported in a certain time period; "American uranium companies have asked the government to impose a quota on uranium imports, saving 25% of the market for domestic companies."

In kind: if you respond "in kind," you behave to someone the same way they behaved to you; "Car makers are worried that if limits are set on imports from Japan, the Japanese government will respond in kind and limit American car exports."

Escalation: increase; "An escalation of the U.S.-China trade dispute will damage the global economy."

Tactics: specific methods of achieving an objective; "Senior company leaders are meeting this weekend to decide on the most effective tactics for European expansion."

To revolve around: to have something as an important focus or purpose; "The problems in the staff meeting revolved around management's decision to cut benefits."

Intellectual property /IP: a creation, invention, or idea that others are not allowed to copy or sell; "I'm sorry but this watch isn't a real Rolex, and pretending it is violates intellectual property laws."

To hand over: to give someone control of something; "A judge has ordered Facebook to hand over all emails among company leaders related to data privacy problems."

To subsidize: to help pay for something or an activity, to give economic advantage; "Most public transit systems are subsidized by the government in order to keep fares low."

To open markets: to allow goods to be sold in a place; "North Korea is one of the last remaining countries that refuses to open its markets to international trade."

Trading partner: a person, group, or country that you have good trading relations with; "Canada and the U.S. have been happy trading partners for many years, but recent problems have damaged that relationship."

Framework: a set or system of ideas that you use when making decisions or plans; "We've got a framework for our new five-year strategic plan, and now we need to figure out some specific targets."

Free trade agreement: an agreement between two or more countries to increase trade by reducing tariffs, quotas, and other barriers; "The countries of Africa have recently signed a free trade agreement to eliminate tariffs throughout the continent."

To ratify: to officially or formally accept or sign an agreement; "The American and Canadian governments have agreed on a new trade deal, but Congress has yet to ratify the agreement."

To fundamentally disagree: to disagree with the basic or most important ideas; "I'm sorry Cliff, but I fundamentally disagree with everything you've said about our growth strategy. It just doesn't make any sense."

Scope: the complete list of things that are covered or dealt with; "Trade officials have met to determine whether the scope of talks will include automobiles or just natural resources."

Agriculture: the business or work of farming; "Agriculture accounts for about 2% of jobs in the U.S., with about 3 million farmers and managers and another million employees."

Stubborn obstacle: a difficult thing or problem that prevents you from doing something; "We want to grow our business, but high real estate prices have been a stubborn obstacle."

European Commission: the executive branch of the European Union (EU), which proposes laws, upholds treaties, and manages the day-to-day business of the EU.

Sensitive issue: a topic or problem that many people feel strongly about; "When the economy is not doing so well, immigration and jobs become very sensitive issues."

Food safety standards: the regulations designed to protect people from unsafe food; "Rising food safety standards mean many food production facilities have to spend money on improved equipment and processes."

Geographical indications: signs used on products to show that they are from a certain place and therefore have a certain quality.

Stance: an official position or opinion on an issue; "Trump is determined to take a very aggressive negotiating stance and is not afraid to upset his trading partners."

Comprehensive coverage: including every part or aspect of something; "Our new benefits package gives us comprehensive medical coverage, whereas the old one didn't cover drugs or dentistry."

Trade deal: an agreement between countries about trading; "The Japanese are confident that a new trade deal with the U.S. won't include quotas on Japanese-made cars."

To cover: to include in a discussion, agreement, or policy; "Unfortunately, we won't have time to cover the sales projections in this meeting, so let's schedule another one for later this week."

Domestic: relating to the country being talked about, as opposed to foreign or external; "Air Canada doesn't charge for luggage on international flights, but it does for domestic flights."

Mainstream: normal or commonly accepted by most people; "Heated seats used to be only seen in luxury vehicles, but now every mainstream auto has them."

Ultimately: at the end of a process or activity; "Negotiations seemed to be going well, but ultimately the two sides were not able to reach a deal."

Productive capacity: how much of something a place or company can produce or make; "I'm sorry but your factory is just too small for us. We need a manufacturer with a productive capacity of twice your size."

To neutralize: to stop something from having an effect; "Any increase in revenues we enjoyed have been neutralized by huge increases in fuel costs."

GDP: gross domestic product, or the annual amount of goods and services produced in a country.

Worse off: in a worse situation than before; "Overall, the millennial generation is worse off financially than Gen X or baby boomers."

Position: an official opinion or approach to an issue or problem; "Management has taken a hard position on wage increases, but the union thinks there is room to negotiate."

Protectionism: a system where a country protects its own economy by putting taxes on products from other countries; "Angela Merkel has spoken out against protectionism, arguing that borders need to be more open, not less."

Make America Great Again philosophy: Donald Trump's idea of returning the United States to the time when it was healthy and powerful.

Optimistic: feeling positive that the future will be better; "A rising stock price has shareholders feeling very optimistic about the company's short-term future."

International Monetary Fund: an international organization that works toward cooperation between countries on monetary or financial issues.

To cite: to mention something as an example or evidence of something; "Critics have cited huge executive bonuses as an example of irresponsible corporate behavior."

To slash projections: to reduce a prediction of how much something will increase; "Rising costs have led us to slash our projections of revenues for this quarter."

Negative impact: bad or damaging effects; "Several studies have shown that poor sleep habits have a very negative impact on work performance."

Language Review

A. Collocations

Match words from each column to make collocations found in the article.

1. To impose	a. disagree	
2. To open	b. obstacle	
3. Productive	c. projections	
4. To slash	d. quotas	
5. Fundamentally	e. capacity	
6. Comprehensive	f. threats	
7. Stubborn	g. coverage	
8. To make good on	h. markets	

B. Vocabulary Quiz

- The state government _____ new equipment purchases to help stimulate economic innovation.
 - Subsidizes
 - Revolves around
 - Ratifies
 - Neutralizes
- Which two of the following terms have basically the same meaning?
 - Escalation
 - Dispute
 - Tit-for-tat
 - In kind
- A central part of Donald Trump's _____ is economic _____.
 - Productive capacity / negative impact
 - Make America Great Again philosophy / protectionism
 - Negotiating stance / intellectual property
 - Administration / escalation

4. Which of the following is NOT something that a government might do as part of a trade war?
- a. Impose quotas
 - b. Raise tariffs
 - c. Fundamentally disagree
 - d. Open markets
5. The minor disagreement between the two countries has _____ a larger dispute about trade.
- a. Revolved around
 - b. Triggered
 - c. Emerged
 - d. Covered
6. What does a government do to officially approve a new agreement or trade deal?
- a. Hand over
 - b. Escalate
 - c. Ratify
 - d. Neutralize
7. A sign that a product is from a certain place, such as Scotch Whisky from Scotland, is called a _____.
- a. Negotiating stance
 - b. Food safety standard
 - c. Protectionism
 - d. Geographical indication
8. Which of the following terms is the opposite of "international" or "foreign?"
- a. Mainstream
 - b. Domestic
 - c. Tactics
 - d. Salvo

Answers

A. Collocations

1/d, 2/h, 3/e, 4/c, 5/a, 6/g, 7/b, 8/f

B. Vocabulary Quiz

1/a, 2/c-d, 3/b, 4/d, 5/b, 6/c, 7/d, 8/b