

# China Just Went Nuclear in the Trade War, and There Is No Turning Back Now

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Global Research, August 07, 2019

[End of the American Dream](#) 5 August 2019

Region: [Asia](#), [USA](#)

Theme: [Global Economy](#)

*When will Americans start to wake up and realize what is happening? At the end of last week, President Trump announced that the U.S. would be imposing a 10 percent tariff on 300 billion dollars worth of Chinese imports, and that marked a dramatic escalation in our trade war with China. This move by Trump came as a total shock to Chinese officials, and global financial markets were thrown into a state of turmoil. Since that announcement, we have been waiting for the other shoe to drop, because we knew that the Chinese would retaliate. But honestly, very few of the experts expected something like this. On Monday, China announced that it is going to [completely stop buying U.S. agricultural products](#)...*

China confirmed reports that it was pulling out of U.S. agriculture as a weapon in the ongoing trade war.

A spokesperson for the Chinese Ministry of Commerce said Chinese companies have stopped purchasing U.S. agricultural products in response to President Trump's new 10% tariffs on \$300 billion of Chinese goods.

This is essentially a trade war equivalent of a nuclear bomb.

If the Chinese would have slapped U.S. agricultural products with tariffs, that would have been a proportional response. But to quit buying them entirely is an unprecedented escalation in a trade war that is really starting to spiral out of control.

And it is also clearly a political attack on President Trump. The Chinese know that Trump is highly popular in rural areas, and this ban on U.S. agricultural products is going to severely hurt farmers in rural areas all across the United States.

U.S. voters tend to be more influenced by their bank accounts than by anything else, and so this is a smart strategic move by the Chinese if they would like to see a Democrat get elected in 2020.

In 2017, the Chinese bought [19.5 billion dollars](#) worth of U.S. agricultural products, and that number dropped to just 9.1 billion dollars in 2018.

Now that number is going to zero, and according to [Farm Bureau Federation President Zippy Duvall](#) this latest move by China is going to be "a body blow to thousands of farmers and ranchers who are already struggling to get by."

Please say a prayer for our farmers, because they really need it.

In addition to ending purchases of U.S. agricultural products, the Chinese also allowed the value of the yuan to decline dramatically on Monday. This really rattled global financial markets, and shortly thereafter U.S. Treasury officials formally designated China as a “currency manipulator”. The following comes directly from the official website [of the Treasury Department](#)...

The Omnibus Trade and Competitiveness Act of 1988 requires the Secretary of the Treasury to analyze the exchange rate policies of other countries. Under Section 3004 of the Act, the Secretary must “consider whether countries manipulate the rate of exchange between their currency and the United States dollar for purposes of preventing effective balance of payments adjustments or gaining unfair competitive advantage in international trade.” Secretary Mnuchin, under the auspices of President Trump, has today determined that China is a Currency Manipulator.

As a result of this determination, Secretary Mnuchin will engage with the International Monetary Fund to eliminate the unfair competitive advantage created by China’s latest actions.

This is the first time since the 1990s that the Treasury Department has used this designation on any of our trading partners, and it is the kind of move that would not be made unless all hopes for a trade deal were completely gone.

Of course the Chinese wouldn’t have made the moves that they made either if they were still holding out hope for a negotiated solution. According to one market analyst [that was quoted by CNBC](#), the Chinese are “signalling that they have lost confidence that they can reach an agreement with Trump.”

So what this means is that in the short-term things are going to get bad for the global economy.

Really bad.

In the longer term, the structure of the entire global economic system could change dramatically, and this will especially be true if Donald Trump emerges triumphant in 2020. According to [economist Neil Shearing](#), we could literally be looking at “the end of the world as we know it”...

Among the implications for more deterioration in the global picture that Shearing cites are the “disintegration of the rules-based system” that has governed international commerce since the end of the World War II, and a potential “Balkanization” of the world economy as the U.S. and China develop their own standards, tech platforms and payment systems.

“It’s too soon to say exactly how events will pan out, but this casts the escalation in the US-China trade war over the past year in an altogether more ominous light. We may be witnessing the end of the world as we know it,” he wrote.

It is difficult to imagine a world in which there is no trade between the United States and China, and many would argue that we would be far better off today if we had never gone down that road in the first place.

But now that our two economies are so deeply integrated, trying to decouple is going to be an exceedingly painful process.

If you are [familiar with my work](#), then you already know that I am not a fan of the Chinese government at all. Something needed to be done about China, because they have been brazenly taking advantage of us and flouting the rules for decades.

Having said that, it is imperative that the American people understand that a messy breakup with China is going to cause an extraordinary amount of pain for us, for them and for the whole world.

It looks like this trade war could be the spark that plunges the global economy into utter chaos, and right now very few Americans seem to understand the true scope of the economic nightmare that appears to be headed our way.

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