

Practical Class #02

International Management
Spring 2025

February 13/14

Group project

- ❖ **Goal:** Analyse and evaluate a firm's international expansion
 - The expansion must have occurred in the last 3 years (from 2022 onwards).
- ❖ **Mid-semester presentation:** April 3rd/4th
- ❖ **Reminder:** Project proposal hand-in on February 20th

Free Trade Aspects

ADVANTAGES

Greater availability of cheaper goods because everything will be produced where it can be made least expensively.

DISADVANTAGES

Manufacturing workers as factories move to countries like Mexico and China with lower labour costs, making them lose their jobs

Exercise: Reading & Discussion

❖ Go to Moodle >> Trade War US-China (*link*)

❖ Based on the articles, answer to:

1. What was going on?
2. Implications

Source: <https://theconversation.com/trumps-trade-war-what-was-it-good-for-not-much-147247>

Trade War – US vs China

Major Moments in U.S.-China Trade

1979-80: The United States and China normalize diplomatic and trade relations.

1980

1983: The two countries establish the U.S.-China Joint Commission on Commerce and Trade (JCCT) as a forum to discuss bilateral trade issues.

1985

1986: China applies to rejoin the General Agreement on Tariffs and Trade (GATT).

1989: The Tiananmen Square protests shock the world and disrupt negotiations over China's entry into the GATT.

1990

1995: The World Trade Organization (WTO) is established as the successor to the GATT.

1995

1999: The United States and China reach an agreement on the terms of China's WTO accession.

2000

Trade War – US vs China

2001: China joins the WTO.

2006: U.S. President George W. Bush and Chinese President Hu Jintao launch the Strategic Economic Dialogue (SED) to discuss trade and other economic issues.

2011: The WTO Appellate Body sides with China in a dispute over whether China's state-owned enterprises violate WTO rules on government subsidies.

2017: U.S. President Donald Trump withdraws the United States from the TPP. Trump and Chinese President Xi Jinping launch the U.S.-China Comprehensive Economic Dialogue.

2020: Washington and Beijing reach a "Phase One" trade agreement.

2022: U.S. President Joe Biden institutes stringent export controls on computer chips in an effort to restrict China's advanced manufacturing sector.

2004: The United States brings its first WTO case against China.

2009: U.S. President Barack Obama and Hu launch the U.S.-China Strategic and Economic Dialogue (S&ED). China becomes the world's largest exporter.

2015: The Obama administration concludes negotiations for the Trans-Pacific Partnership (TPP).

2018–2019: Trump imposes a sweeping set of tariffs on Chinese goods, leading to several rounds of tit-for-tat retaliation until U.S. tariffs cover nearly all Chinese imports.

2023: Biden signs an executive order restricting some U.S. investment in Chinese high-tech industries.

Biden Administration on Free Trade

“I’m not going to enter any new trade agreement with anybody until we have made major investments here at home and in our workers,”

Former US President, Joe Biden

- **“Buy American” initiative:** prefer goods at least 51% made domestically
- **Bring back supply chains,** esp. pharmaceuticals
- **“Stand Up for America” initiative:** combat violations of trade agreements by China
- **Trade agreements are not signed without the enforced labour provisions**

Trade Wars: Good or bad?

Why do Trade Wars start? Mainly to protect the national industry

How do other countries react? Retaliation

Examples:

US → China: US unilaterally imposed tariffs on a range of Chinese products

US → EU: US unilaterally to impose tariffs on steel and aluminium

Trade Wars: Consequences

- When protecting the national industry and workers, it usually **backfires as retaliatory tariffs increase exportation costs.**
- This ends up by **hurting business, workers at home and abroad as well as governments themselves**
- E.g.: US & China: The Trump administration was forced to spend \$23 billion to offset some of their losses.

Trade Wars: An alternative

What can an International Manager do to prevent the negative consequences?

Cooperate, negotiate, find other
clients and partners, diversify parts of
the value chain by finding other
sources (...)

Japan – South Korea

- ❖ Go to Moodle >> Trade War: Japan – South Korea (PDF)

- ❖ Based on the article answer to:
 1. What went on?
 2. Potential implications

Triple Shock

❖ Go to Moodle >> Triple Shock (PDF)

❖ Based on the article answer to:

1. What is going on?
2. How should Europe respond according to the article?

Implications for International Management

❖ International Management risk mitigation steps:

- Scenario analysis and contingency planning
- Evaluate supply chain
- Identify alternative supply sources
- Evaluate alternate manufacturing locations
- Assess FTAs, FTZs and Duty Drawback

Source: <https://www.thomsonreuters.com/en-us/posts/international-trade-and-supply-chain/international-trade-management/>

Trade War – US vs China



Why Economists Hate Trump's Tariff Plan?

