(U) **China: U.S.—China Trade War Likely to Set Back Belt and Road Initiative**

(U) The trade war between the United States and China is likely to set back China’s foreign investment, including the Belt and Road Initiative. China’s economic growth rate has been declining for several years, a problem that is being exacerbated by the trade war between China and the United States, which includes U.S. tariffs on over $250 billion in Chinese goods. The trade war will likely pressure Beijing to ignore other objectives, such as the Belt and Road Initiative, until economic issues are under control.

- (U) China’s growth rate is predicted to slow from 6.6 percent in 2018 to as low as 6.2 percent in 2019, a drop that is likely to create some panic for Chinese leadership, who are hyper-concerned about yearly growth numbers, according to CNBC\(^\text{i}\).
- (U) The trade war has damaged China’s private sector, slowed manufacturing output and infrastructure investment, and led to a depreciation of China’s currency, according to the Guardian\(^\text{ii}\).
- (U) China’s Belt and Road Initiative (BRI), a global infrastructure development venture that includes financing and constructing infrastructure projects across Asia, Africa, and Europe, is a substantial financial burden for Beijing to bear during a time when China’s resources are depleting.

(U) **China is likely to focus its resources on domestic issues, such as a growing debt bubble and a slowing economy.** The trade war is putting further pressure on Beijing to resolve long-standing issues resulting from its debt-based economic model. While the BRI is an important aspect of China’s policy, Beijing will likely see these domestic issues as more immediate concerns.

- (U) China is pursuing a “growth at all costs” strategy, which includes lowering the amount of reserves that banks must maintain, cutting taxes, and increasing business lending to stimulate growth and counter the negative effects of the trade war, according to Politico\(^\text{iii}\).
- (U) China’s economic growth is likely to drop by as much as 1.6 percent in two years without this “growth at all costs” strategy, according to the IMF\(^\text{iv}\). Beijing sees GDP growth as an indicator of the health of its economy and an important aspect in maintaining support for the Chinese Communist Party (CCP) amongst its citizens; therefore, Beijing would likely view such a rapid drop in growth as an economic and political crisis.
- (U) Beijing will likely prioritize growth goals over BRI development goals, which have due dates that are not concrete and are farther in the future.
(U) China is very likely to continue to push the BRI as a global initiative, though it will likely allocate fewer resources to the BRI until domestic issues are resolved. Construction and management of BRI projects are likely to continue, however the overall speed of development will likely be reduced.

- (U) China has planned infrastructure development projects in over 60 countries as part of the BRI, allowing them to gain access to new markets and increase economic development, one of the CCP’s most important goals and a partial solution to the problems created by U.S. tariffs.
- (U) China has promised to invest $1 trillion as part of the BRI, including a recent pledge to invest $60 billion into development in Africa. China will very likely continue to develop these projects; however, they will likely wait to deliver the funds as their economy is feeling increased pressure due to trade disputes with the United States.
- (U) The BRI has no set completion date, thus a lack of rapid progress on the BRI is likely less important to the CCP than yearly GDP growth and economic stability.
References


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iv “World Economic Outlook”. October 2018. IMF. 


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