
By Jeanna Smialek, Jim Tankersley and Jack Ewing
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WASHINGTON — President Trump’s trade war is chilling business investment, confidence and trade flows across the world, a development that foreign leaders and business executives say is worsening a global economic slowdown that was already underway.

Recent softening in Europe, Australia and other parts of the world coincides with Mr. Trump’s intensified trade fight with China and other partners. Economists warn that further escalation by Mr. Trump — like tariffs on more Chinese goods or levies on foreign autos — could slow global growth to a crawl.

“With these trade tensions, the global economy, in a sense, is getting close to a crossroads,” said Ayhan Kose, the director of the World Bank’s Prospects Group.

Weakness in China, driven in part by fallout from the trade war, has spread to Germany, Australia and other nations, raising supply chain costs, chilling exports and worrying political and economic leaders.

On Tuesday, Mario Draghi, the president of the European Central Bank, said the bank was prepared to inject more stimulus into the eurozone economy to combat the economic slowdown.

The effects of Mr. Trump’s trade war have been particularly hard on Germany, Europe’s largest economy, which has been bracing for a decision about whether the United States will impose tariffs on auto imports. Trade anxiety has led to a decline in business sentiment and spending: Overall German industrial production contracted sharply in April, falling 1.9 percent on the month versus the 0.5 percent analysts expected.

“The risks that have been prominent throughout the past year, in particular geopolitical factors, the rising threat of protectionism and vulnerabilities in emerging markets, have not dissipated,” Mr. Draghi said in a speech on Tuesday. “The prolongation of risks has weighed on exports and in particular on manufacturing.”

Mr. Trump lashed out at Mr. Draghi by name on Twitter, accusing him of trying to weaken Europe’s currency to get a leg up in global trade by making its goods cheaper to buy overseas.
“Mario Draghi just announced more stimulus could come, which immediately dropped the Euro against the Dollar, making it unfairly easier for them to compete against the USA,” Mr. Trump wrote on Twitter. “They have been getting away with this for years, along with China and others.”

The president’s aggressive approach to trading partners comes as developed and developing nations are already pulling back on the rapid globalization that dominated two decades of economic policymaking. Global flows of foreign direct investment fell by 13 percent last year, to their lowest level since the financial crisis, the United Nations Conference on Trade and Development reported last week.

It was the third consecutive annual decline, which officials blamed on multinational corporations bringing cash back to the United States after Mr. Trump’s 2017 tax overhaul. Officials warned that trade tensions posed a “downward risk” for a rebound in investment growth this year.

Mr. Trump has made steady use of tariffs to punish trading partners, like China, Europe, Canada and Mexico, that he says have destroyed American jobs by flooding the United States with cheap products and erecting unfair economic barriers at home. The president and his top officials insist that the trade war is lifting the American economy and that any slowdown in global growth is not related to the administration’s trade policies.

Treasury Secretary Steven Mnuchin said in an interview this month that he did not “think in any way that the slowdowns you’re seeing in parts of the world are a result of trade tensions at the moment.” He noted that growth in Asia and Europe had been tapering off before trade talks between the United States and China broke down in early May.

Mr. Trump has repeatedly cited China’s slowdown as proof that his trade war is working, telling reporters last week that the United States has “picked up $14 trillion in net worth of the United States.”

“And China has gone down probably by $20 trillion,” he continued. “There’s a tremendous gap.”

But a slowdown in the world’s second-largest economy — one that’s deeply enmeshed in global trade networks — affects other economies.

“China is the biggest trading nation in the world,” said Jacob Funk Kirkegaard, a senior fellow at the Peterson Institute for International Economics in Washington. “The idea that you could slow down the global growth engine and not affect other countries is just not credible.”

Multinational companies are already shifting supply chains and delaying capital spending in response to Mr. Trump’s tariffs on Chinese goods and foreign metals.
Tom Linebarger, the chairman and chief executive of diesel engine manufacturer Cummins, said last week that his company had lost business for part of its operation in China as a result of the trade war. The Indiana company is changing its sourcing practices to minimize exposure to China, and Mr. Linebarger said its costs from tariffs now exceeded the benefits from the corporate tax cuts Mr. Trump signed in 2017.

“The tariffs that are in place now, and which may be in place for some time, are a significant burden on U.S. businesses and farms,” Mr. Linebarger said.

Data increasingly suggest trade tensions are weighing on economic confidence, globally and in the United States.

A Federal Reserve Bank of New York manufacturing survey registered its worst drop ever on Monday, which many economists blamed on Mr. Trump’s threats this month to impose tariffs on Mexican imports as punishment for failing to curb illegal immigration. While those tariffs were averted, the chance that Mr. Trump could make a similar move against another trading partner has caught the attention of global companies and foreign leaders.

The trade war is having “a much bigger impact” on business hiring and investment in the United States than most analysts think, Deutsche Bank wrote in a research note on Monday. Several measures of policy uncertainty, compiled by economists Scott R. Baker of Northwestern University, Nicholas Bloom of Stanford University and Steven J. Davis of the University of Chicago, have spiked with the increased tensions.

On Tuesday, Mr. Trump said on Twitter that he had spoken by phone to President Xi Jinping of China and that the two leaders would have an “extended” meeting next week at the Group of 20 summit in Japan. Those comments could help calm global trade fears, which had risen after the United States accused China of breaking a trade deal last month and Mr. Trump raised tariffs on $200 billion worth of Chinese goods as punishment.

But no agreement is guaranteed, and Mr. Trump has threatened to impose tariffs on an additional $300 billion of Chinese goods if Mr. Xi does not agree to the original deal. The president has already placed import taxes on $250 billion worth of products from China and has hit trading partners with steel and aluminum tariffs and threatened tariffs on foreign autos from Europe and Japan.

The World Bank cut its forecast for global growth by 0.3 percentage points for this year in response to unexpected weakness in trade and manufacturing across advanced and developing economies. Global trade growth has slowed to its lowest rate since the 2008 financial crisis as exports from Europe and Japan have plummeted, particularly to China.

The bank noted that heightened policy uncertainty, including trade tensions, had been accompanied by slowing global investment and weakening confidence. It warned in a report this month that risks to its outlook were “firmly on the downside, in part
reflecting the possibility of destabilizing policy developments, including a further escalation of trade tensions between major economies.”

International Monetary Fund economists estimate that if Mr. Trump follows through on his threat to broaden the Chinese trade spat, tariffs added this year alone will subtract 0.3 percent off global gross domestic product in 2020, with an additional 0.2 percent drag coming from tariffs the administration put in place last year.

Manufacturing, which is especially vulnerable to trade, is slowing across advanced economies even as service industries hold up. Factory gauges have dipped lower across Europe and are wavering in Japan. In the United States, the Institute for Supply Management’s factory index dropped to its lowest reading of Mr. Trump’s presidency in May.

Trade policies aren’t the only culprit behind slowing production. A continuing, structural slowdown in Chinese growth and tensions from Britain’s attempted exit from the European Union are among other factors.

China posted its weakest economic growth in 28 years in 2018, a pullback that analysts blame partly on structural reforms and long-running trends and partly on the trade spat. Analysts at Moody’s Investors Service expect a further slowdown in 2019, to 6.2 percent from 6.6 percent, amid continued trade uncertainty.

Europe, where the I.M.F. estimates 70 percent of exports are links in global supply chains, is particularly sensitive to trade disputes. And Germany highlights how the trade war between the United States and China can spill over.

The nation’s car industry is the backbone of its economy and is dependent on China for growth. As trade tensions exacerbate China’s economic weakening, manufacturers in Germany pay the price.

Volkswagen, the world’s largest carmaker, said last week that sales in China fell 7 percent from January through May, to about 1.2 million vehicles. Largely because of China, Volkswagen’s global sales fell 5 percent during the same period.

“We are experiencing the biggest decline in the world auto market in 20 years,” Ferdinand Dudenhöffer, a professor at the University of Duisburg-Essen, said in a report. If Mr. Trump follows through on threats to impose further tariffs on China, Mr. Dudenhöffer said, “there is danger of a global auto crisis.”

Germany’s central bank has slashed its forecast for growth this year to 0.6 percent from 1.6 percent. That bleak change was “mainly due to the downturn in industry, where lackluster export growth is taking a toll.”

“The fear factor, the uncertainty, is denting willingness to spend, willingness to invest,” said Carsten Brzeski, chief economist for Germany and Austria at ING in Frankfurt. “It’s therefore undermining growth in the eurozone.”
And in Australia, where an almost 28-year-old expansion is looking less secure and the central bank recently cut rates for the first time since 2016, economic officials are watching trade wars warily. The governor of the Reserve Bank of Australia, Philip Lowe, called international trade disputes “the main downside risk” in a recent news conference.

If coming trade negotiations don’t end in a resolution, the United States and its companies could also pay a price, leaders of the Business Roundtable, a corporate lobbying group in Washington, warned last week.

“The biggest self-inflicted risk to growth today would be trade going south,” said Jamie Dimon, chief executive at JPMorgan Chase.

Jeanna Smialek and Jim Tankersley reported from Washington, and Jack Ewing from Frankfurt. Alan Rappeport contributed reporting from Washington.