

Trump steps up trade war with proposal for further tariffs on Chinese goods

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US President Donald Trump has instructed the US Trade Representative (USTR) to consider imposing tariffs on an additional \$100 billion worth of Chinese exports, following the announcement of proposed tariffs on \$50 billion worth of goods under section 301 of the 1974 Trade Act earlier this week.

The White House said the directive was in response to China's decision to impose tariffs on \$50 billion worth of American exports, targeting agricultural products, in retaliation against the US move.

Trump's statement said the initial tariffs had been imposed against China's repeated engagement in practices to "unfairly obtain America's intellectual property" and were aimed at the "elimination of those policies and practices."

"Rather than remedy its misconduct, China has chosen to harm our farmers and manufacturers," it said. "In light of China's unfair retaliation, I have instructed the USTR to consider whether \$100 billion of additional tariffs would be appropriate under section 301 and, if so, to identify the products upon which to impose such tariffs."

Following warnings from sections of US agriculture, especially soybean growers, that they would be hard hit by the Chinese measures, Trump said he was calling on the agriculture secretary to "implement a plan to protect our farmers and agricultural interests."

The measures came after a day of mixed messages from the administration, reflecting divisions over the precise aims of the trade war measures launched on April 3 and the manner in which the US intends to proceed.

White House economic adviser Larry Kudlow spent the past two days seeking to reassure financial investors and industry more broadly that the Trump measures would not spark an immediate trade war and "delicate

negotiations" were taking place.

Kudlow said the US could make a deal with China if other countries joined US action against its practices. "I call it a trade coalition of the willing. Everybody in the world knows that China has not played by the rules for many years."

Kudlow sought to downplay fears of immediate action. "It's nothing around the corner," he said. There's going to be a discussion about it." He told reporters that while he appreciated their concerns, "give us some time to play this out. We can fix this thing."

Kudlow's statements calmed the stock market, which had a two-day rise after a sharp fall in response to the April 3 tariff announcement.

However, other administration members put out a different message. While holding out the possibility of a deal, White House trade adviser Peter Navarro indicated that the tariffs, directed against 1,333 goods from China, could be imposed by June following a two-month period in which US businesses could make submissions on their implementation.

"The expectation is that at the end of 60 days there will be tariffs imposed," he said during a television interview on Wednesday evening. "If we don't do what we are doing now then we are going to lose our future economically and we are going to face national security risks."

For key members of the administration the conflict is about more than the US trade deficit of \$375 billion with China. It is primarily aimed at countering China's "Made in China 2025" policy to develop high-tech products in the areas of communications, robotics and pharmaceuticals, which is regarded as direct threat to US economic and military dominance.

"If they [China] basically seize that high ground technologically by stealing from us we will not have a

future as a country in terms of our economy and our national security,” Navarro said in radio interview.

During a visit to West Virginia before his latest pronouncement, Trump said it was time to stop China “taking advantage” of the US over trade. “You have to go after the people who aren’t treating you right,” he said.

Trump also hit out at Europe, saying the European Union is “very solidly against us in terms of trade, it’s very unfair. We can’t even do business. They send everything over here, they don’t want to take our product. We can’t let that happen.”

Announcing the new initiative, Trump said the US was “still prepared to have discussions” with China on the trade dispute. But it is by no means clear with whom and on what basis any such discussions would take place.

Moreover, the Trump agenda is increasingly being driven by anti-China hawks, including Navarro, US Trade Representative Robert Lighthizer and incoming national security adviser John Bolton.

The *Financial Times* cited a person briefed on the China-US discussions who said: “Lighthizer is the person driving the bus on these tariffs and he’s not really talking to anyone in China.”

China yesterday launched a World Trade Organisation (WTO) action against the US tariffs, saying they were a “serious violation” of global trading rules because they discriminated against Chinese goods. The US had breached a 1999 commitment, made “explicitly, repeatedly and unconditionally,” that it would employ tariffs under section 301 only based on the outcome of a WTO dispute.

But WTO action will cut no ice with the Trump administration. Trump’s view, and that of leading administration officials, is that the system of WTO rules and regulations, which the US largely set up itself, now works against American interests.

Furthermore, the administration maintains that the WTO system cannot deal with the issues of intellectual property theft and forced technology transfers that it claims China is conducting.

Trump’s latest moves were announced after the US markets closed last night, with the Dow Jones index up by 240 points. But there could be turbulence today amid nervousness in wide sections of US industry about the impact of trade war.

Cargill, the world’s largest commodity supplier, said yesterday it was “deeply concerned about the trade tensions” and urged a return to negotiations. “There are no winners in a trade dispute,” it said.

The initial list of tariff proposals excluded most consumer products, such as furniture, clothes and phones, as it sought to target Chinese components in manufacturing industries. This has caused concerns among US companies that their global supply chains are going to be severely disrupted.

Dennis Slater of the Association of Equipment Manufacturers said that while his organisation supported the administration’s policies on tax cuts and deregulation, it was worried about the tariff measures. Even if they were just a tactic for talks, they would have a real “dampening effect.”

“We saying ‘please understanding the significance of its impact on industry’,” Slater said. “If you really want to hurt manufacturing, start a trade war.”

However, the latest measures indicate that far from any pulling back, the Trump administration is determined to press ahead, tearing up the entire system of international relations and thereby creating the conditions for a global trade war.



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