US set to escalate trade war against China

Nick Beams
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As the office of the US Trade Representative prepares the final details for the imposition of tariffs on $200 billion worth of Chinese imports, President Trump has threatened imposts on an additional $267 billion.

Speaking to reporters on Friday, Trump said: “The $200 billion we’re talking about could take place very soon, depending on what happens with them. To a certain extent it’s going to be up to China. I hate to say that, but behind that, there’s another $267 billion ready to go on short notice if I want. That totally changes the equation.”

Trump’s threat of further increases means that all Chinese goods coming into the US would be subject to tariff hikes if China carries through on its threat to take retaliatory measures. The latest US measures come on top of the tariffs on $50 billion worth of Chinese goods now in effect.

Reports indicate that administration officials are considering how the new round of tariffs should be imposed—whether in one hit or in stages and the level of the impost that could go as high as 25 percent. They are also seeking to ensure that the measures are not threatened by legal challenges.

The preparations by the Trump administration follow a series of public hearings in which businesses made submissions on the tariff plan. The overwhelming majority were opposed, with a wide range of firms saying their costs and global supply chains would be severely impacted.

At the end of last week four major technology firms—Cisco, Dell, Hewlett Packard Enterprise and Juniper Networks—weighed in with a joint letter to US Trade Representative Robert Lighthizer warning that tariffs on networking equipment would increase costs for consumers and possibly cause job losses.

“If USTR were to impose a 10-25 percent additional duty on networking products and accessories, it would cause broad, disproportionate economic harm to US interests, including our companies and US workers, our customers, US consumers, and broader US economic and strategic priorities,” the letter stated.

The companies said the imposition of tariffs would adversely affect the roll-out of G5 technology for mobile phones when China is seeking to enhance its position in this area. It warned that “foreign competitors in third country markets” would gain an advantage if tariffs were imposed, cutting the profits for US firms and possibly bringing hiring freezes and job losses as well as impacting on investors through reduced dividends and erosion of shareholder value.

In a separate submission to the USTR, Apple said the proposed tariffs would affect its watch, wireless headphones and other products. Apple assembles the iPhone and most of its other products in China. It said the tariffs would “divert our resources and disadvantage Apple compared to foreign competitors.” It would also lead to higher consumer prices “lower overall US economic growth, and other unintended consequences.”

However, these submissions have cut no ice with the administration. Responding to the Apple submission, Trump tweeted: “Apple prices may increase because of the massive tariffs we may be imposing on China—but there is an easy solution where there would be zero tax, and indeed a tax incentive. Make your products in the United States instead of China.”

The opposition among business groups is not to tariffs against China as such. Their criticism centres on the way the administration is going about it, warning that the Trump measures are putting the US at a disadvantage with respect to its competitors. At the same time, other tariffs, such as those imposed on steel and aluminium and the threatened imposts on cars and auto products, are alienating potential allies in the push against China.

Seeking to allay business concerns, the head of

Trump's National Economic Council, Larry Kudlow, said in an interview on the business channel CNBC last Friday that talks with China on trade would "continue to go on" and that the US was looking for a deal. But there are no prospects for talks—the latest round between middle-range officials ten days ago broke up without any agreement—and no more are scheduled. China is determined to proceed with retaliatory measures if the US tariffs go ahead.

"Our view, the president's view, is not to destroy the Chinese economy. We are not trying to put them out of business," Kudlow said. "We are trying to get them to join the international trading nations' world, and be a citizen, and abide by the rules for the first time in some 20-odd years."

However, the assertion that the US is not trying to destroy China is contradicted by a number of facts. In support of his trade war measures and claims that he is "winning" the conflict, Trump has frequently tweeted that the US economy is "strong" in contrast to the growing problems of China, marked by its falling stock market.

Kudlow and Treasury Secretary Steven Mnuchin are of the view that the US should push for a reduction in the US trade deficit with China and claim victory on that basis. Last May after talks with Chinese Vice-Premier Lui He, the country's chief trade negotiator, resulted in an agreement for China to purchase an additional $100 billion of Chinese goods, Mnuchin said the deal had put the trade war "on hold."

This was countermanded within a few days by Trump who said negotiations would have to take place on a different basis.

The dominant position in the administration is that of Lighthizer and White House economic adviser Peter Navarro who, while they demand that the trade deficit should be cut, do not see this is as the main question. They regard China's efforts to develop its industrial and technological base as an existential threat to the economic, and ultimately military dominance, of the US that must be stopped at all costs.

In their view, for China to become what Kudlow calls a "citizen" in the "international trading nations' world" means that it must cease state subsidies to what it regards as key industries. China must also end its push to acquire new technologies through the alleged theft of intellectual property, and through technology transfers from US firms operating in China. In other words, in its drive for greater technology, China must eschew all the methods previously used by other nations, including the US, to advance its technological base.

The US demands were issued in the initial statement issued by the White House at the beginning of May. In the words of the *Financial Times* at the time, they amounted to "a call for unilateral disarmament ahead of a potential trade war and for Beijing to abandon key elements of its industrial policy."

For Beijing, the essential US demands are non-negotiable because they amount to the reduction of China and its economy to a semi-colonial status.

The underlying US drive was highlighted in an interview on Australian television last Monday with one-time Trump adviser Steven Bannon, one of the key right-wing nationalist ideologues in the US, whose views on China are reflected in the positions of Lighthizer and Navarro.

Questioned as to whether the US was in a "trade war" with China, he "corrected" the interviewer saying it was an "economic war." The implications of that assessment were not canvassed but its inherent logic is military conflict. That outcome is set to come closer with the new tariffs measures about to be imposed by the US.