

As US senators deepen attack on Huawei

# Trump's trade war against China hits Asian economies

Nick Beams  
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Data released by the island state of Singapore, one of the key trading hubs in Asia, reveal the widening impact of the US trade war on China.

Following the report last week of a 3.4 percent decline in Singapore's annual gross domestic product (GDP) growth rate for the second quarter of 2019, figures released on Wednesday showed that its non-oil exports fell by 17.3 percent in June.

The latest decline came on top of a 16.3 percent decline in May and was driven by a 31.9 percent slump in electronics exports.

Because it functions as a transshipment centre for final destinations in the rest of Asia, the decline in exports points to a slowdown across the region. Non-oil exports from Singapore to China fell by 15.8 percent, while those to Hong Kong were down by 38.2 percent. Many of the goods exported to Hong Kong eventually find their way to the Chinese mainland.

The fall of 50.5 percent in primary chemical exports to China could be the sign of a marked slowdown in Chinese manufacturing.

The *South China Morning Post* commented that "Singapore's malaise" was indicative of a "messy regional slump that has been gathering momentum" over the year since the trade war began. "Unsurprisingly, those economies most heavily reliant on international trade—Singapore, South Korea and Taiwan—have been hit hardest, with analysts not expecting an improvement any time soon."

Gareth Leather, senior Asia economist at Capital Economics, told the newspaper that early indicators "suggest that GDP growth slowed sharply across emerging Asia in the second quarter." While there should be a "gradual recovery," growth was "likely to

remain much weaker than the consensus and the International Monetary Fund expect." The region was "now expanding at its weakest pace since the global financial crisis."

Adding to the picture of slowdown, if not yet recession, the Japanese bank Nomura issued a report this week which said the export picture would "remain bleak in the coming months, in line with lack of progress on US-China trade negotiations." It pointed to "heightened global economic uncertainty" weighing on capital spending and "signs that using trade protectionism as a weapon of foreign policy is spreading."

The latter point is a reference to the Trump administration's threat to impose tariffs on Mexico unless it took action to halt the flow of immigrants and refugees to the US, and Japan's move to impose technology bans on South Korea in a dispute over war reparations.

While US President Donald Trump and Chinese President Xi Jinping agreed to the resumption of trade talks at their meeting last month, little progress has been made. The principal negotiators have conducted telephone conversations but no date has been set for a face-to-face meeting.

At a cabinet meeting on Tuesday, Trump warned that the US had a "long way to go" on tariffs so far as China is concerned and repeated his threat to impose levies on virtually all Chinese goods, on top of the \$250 billion worth covered so far. "We have another \$325 billion that we can put a tariff on if we want," he said.

Chinese foreign ministry spokesman Geng Shuang said such action would "only set up new roadblocks for the consultations, and it would take a longer time for us

to reach a deal.”

Chinese representatives are holding to the official position that a deal is still possible, but their comments are very much for the record. They appear to have drawn the conclusion that the US will make no significant concessions, particularly over its demand that, even after any agreement is reached, the tariffs it has already imposed should remain in place as part of an “enforcement mechanism” and would be lifted only at a time decided by Washington.

This week, China’s commerce minister, Zhong Shan, joined the trade negotiating team. In an interview with the *People’s Daily*, the official news outlet of the ruling Communist Party, he said the US had started the economic trade dispute “in violation of the principles of the World Trade Organisation—a classic example of unilateralism and protectionism” and “we must make the best of the spirit of struggle.”

Zhong’s entry into the negotiations and his remarks were widely seen as a sign that China is preparing for a protracted trade conflict.

The conflict has been further complicated by the measures taken by the US against the Chinese telecom giant Huawei. After talks broke down in May, Trump signed an executive order against the company that was followed by a Commerce Department decision to place Huawei on its Entity List.

This latter action, which would severely hit Huawei’s global operations, requires that US tech firms seeking to supply it with vital components apply for a licence to do so—the presumption being it would not be granted.

Following his discussions with Xi, Trump appeared to relax the ban, saying it would only apply to components that affected “national security.”

But the administration has reached no decision on what components can or cannot be supplied. China has insisted there can be no trade deal without a resolution of the Huawei issue.

That prospect receded this week when a bipartisan group of six US senators decided to bring forward legislation that would prevent the president making any move on Huawei without congressional approval.

Leading Republican anti-China hawk, Senator Marco Rubio, had foreshadowed the legislation, describing it as “veto proof.” It is in line with the position of the defence and military establishment that Huawei and other Chinese hi-tech firms must be crushed because

their expansion is a threat to US economic and military hegemony.

In a statement, the six senators said the legislation was intended “to reinforce the Trump administration’s efforts to prevent the Chinese-owned telecom company Huawei from threatening America’s national security.”

One of the bill’s sponsors, Tom Cotton, a Republican senator from Arkansas, said: “Huawei isn’t a normal business partner for American companies, it’s a front for the Chinese Communist Party... American companies shouldn’t be in the business of selling our enemies the tools they’ll use to spy on Americans.”

These assertions are being made despite there being no evidence that Huawei is conducting spying operations on behalf of the Chinese government. Other countries are using Huawei’s equipment, regardless of the US claims.

The rhetoric from the Democratic Party sponsors of the bill was no less bellicose.

Maryland Senator Chris Van Hollen said: “By prohibiting American companies from doing business with Huawei, we finally sent an unequivocal message that we take this threat seriously and President Trump shouldn’t be able to trade away those legitimate security concerns.”

Democrat Virginia Senator Mark Warner said “companies like Huawei represent a threat to the security of the US and allied communications networks... It shouldn’t be used as a bargaining chip in larger trade negotiations. This bipartisan bill will make sure that Congress has a chance to weigh in if the president attempts to make concessions on our national security.”



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