Trump deserves a fitting reply

US administration's unilateral move changing the trade relationship with China defies agreed international rules

Editor's note: *US President Donald Trump signed a memorandum on March 22, purportedly in accordance with Section 301 of the US Trade Act of 1974, to levy huge tariffs on imports from China and restrict Chinese foreign direct investment in the United States. Three experts shared their views with China Daily on the consequences of Trump's move and how China should respond to it. Excerpts follow:*

US action seriously violates WTO rules

He Weiwen, a senior researcher at the Center for China and Globalization

It is obvious that neither Trump nor China would like to engage in a trade war. To a large extent, whether a trade war will be protracted depends on Trump. However, US industries that rely on exports to China and the response of Trump's vote bank are expected to put a brake on Trump's decisions.

The problem is, if the US midterm election result does not go his way, Trump might blame China for it and then fire more trade volleys at China. So China has to take decisive and vigorous measures to counter the Trump administration.

And the more forceful the countermeasures are, the more effective they will be, and the tit-for-tat could yield positive outcomes, even cooperation, while concessions by China would only lead to further unilateral moves by the US.

In fact, China could work along both lines: Resort to international organizations including the World Trade Organization to resolve the issue, and take practical actions on its own because appealing to the WTO can be time-consuming.

Speaking of the WTO, the US has seriously violated the world body's rules. The Section 301 investigation Trump ordered is outdated, as it was used by the US in the 1980s when the WTO had not been established.

And when the European Union appealed to the WTO in the 1990s after the US launched a Section 301 investigation against it, the WTO nullified the investigation.

More important, WTO members are prohibited from unilaterally changing their trade relations with other members without the world body's approval — and China and the US both are WTO members.

Trump's move will hasten the pace of innovation

Zhao Guodong, the secretary-general of the Zhongguancun Big Data Industry Alliance and a researcher with Pangoal Institution

By restricting Chinese investment (and therefore mergers and acquisitions) in the US, Trump will make it even more difficult for Chinese companies to acquire technology and will prohibit their US counterparts from tapping into China's lucrative market.

For instance, the win-win cooperation in the big data sector, where the mergers and acquisitions of US small tech companies by Chinese enterprises offer technology to the latter and market access to the former, will be put on hold.

However, the timely establishment of the State immigration administration will help China attract more tech talent and counterbalance the negative effects of Trump's move. Beijing has just introduced new measures to attract more overseas talent, including from Silicon Valley. Besides, China's supply-side reform and the Belt and Road Initiative will help the country reduce its reliance on the US for trade and technology.

Actually, Trump's trump card in the trade war might prompt China to expedite the development of a more advanced and high-tech economy.

China can emerge from a Trump-instigated trade war as a winner if it hastens the pace of innovation in industries and technologies, and succeeds in attracting more talent from across the world with an open mind.

Global financial markets may not suffer much turmoil

Xiong Peng, a senior researcher at Pangoal Institution

Trump's decision to impose tariffs of up to $60 billion on Chinese products and limit Chinese direct investment in the US raises several points.

First, the US' trade policy is based on geopolitics, rather than economics. The tariffs imposed on all steel and aluminum imports are only an attempt to ascertain China's reaction, while the specific tariff policy's priority target is China.

Second, the team led by US Trade Representative Bob Lighthizer and US National Trade Council Director Peter Navarro has evaluated the possible damage the tariff policy could cause to the US.

But it should also be presumed that both sides are adequately prepared for and intelligent enough to deal with a confrontation. This means both have a general assessment of their losses and believe that the benefits will outweigh the costs.

Therefore, we need to decide which assessment is more realistic. In the case of a Sino-US trade war, the confrontation will constantly evolve, influenced by various factors, and could take every possible turn.

Third, the responses of the stock and financial markets, especially the Standard & Poor's index, yield some worrying signs.

However, as long as the nascent trade war does not affect the global risk preference and financial condition, the global financial markets might not encounter much turmoil.

'Art of the deal' taken to extremes

Trump unlike his predecessors is operating as a capitalist boss, but the US needs to accept China's progress

Chen Jing

US President Donald Trump seems to have an insatiable appetite for profiteering from China.

The US side struck a rich vein in China when Trump stunned the business world last year with deals worth $250 billion during his Nov 8-10 state visit to Beijing. Yet just four months later, on Mar 22, 2018, he announced plans for punitive tariffs on up to $60 billion in annual imports from China.

News of negotiations on possible new deals is understandable. Trump is a talented negotiator, as shown in his merchandise career and his books (such as 1987's *Trump: The Art of the Deal*). To him, the many years and rounds of trade talks with China allowed the United States to be "taken advantage of".

Starting from 2009, the China-US Strategic and Economic Dialogue has been held annually. Each time, the US would play up its accusations against China's "unfair competition", such as intellectual property theft or investment restrictions, and each time, the US would receive economic "gifts" or concessions.

US soybeans and Boeing planes received huge orders from China, and US exports to China grow by 11 percent annually, compared with a sluggish 5 percent growth with the world.

Even the yuan's exchange rate has accommodated US complaints. From 2005 to 2014, the Chinese currency appreciated 27 percent against the US dollar. Since then, the appreciation range has been one of the kernel topics in US-China talks each year, and China completed every appreciation task exactly as promised, to balance the US trade deficit and China surplus.

In 2015, the US changed its yuan policy in bilateral talks with China, so the yuan depreciated to 6.95 in late 2016 and appreciated to 6.3 recently after the dollar index fell.

It is agreed in business circles that the major reason for the rising trade deficit is US restrictions on high-tech exports to China, these being the only Made in the USA products with high added value.

Many experts claim that China should be honored as the US' best trading partner. China has followed rules set by the US and uses the dollar as the currency of bilateral trade, and the US receives real goods from China to control its inflation while China sends the huge trade surplus back to the US financial market.

China has thrived in a global trade market designed by the US and has played by US-drafted rules. The numerous reports about China's supposed dilemma in transforming its economic model, and a looming crash in its financial and other sectors, have come to nothing. This has left many US strategists alarmed that a number of Chinese high-tech and manufacturing industries are overtaking those in the US, or will do so in coming years.

The US administration's psychological advantage over China seems to be turning instead to frustration and anger. And that would explain why the Trump administration is placing economic security on par with military security, while citing China as a strategic competitor.

Unlike many of those engaged in negotiations with the Chinese previously, Trump is not an agent of capital but a capitalist himself. An agent would be satisfied with concessions or gifts from the China side in every round of talks.

The boss, however, is hard to please and will resort to many means, both strategic and tactical. This is the fundamental difference between Trump and his predecessors and a right way of understanding his motivation toward China.

The US is not reconciled to China's progress. Trump is blaming the trade deficit for wrongs in bilateral business relations. "Fair trade" threats in line with his America First policies may be a multi-targeted strategy, but, the days for negotiating at the point of a gun are long gone in this globalized world.

If Trump wants to do something desperate against a trader that has done the right thing, he will lose badly — both in real market terms and also on moral grounds. If the world's largest exporter, China, is punished for catching up with the US in certain sectors, then the conflicts picked by Trump and the US will end in self-inflicted wounds.

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