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US and China skirmish as trade clash looms

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Donald Trump may be threatening to start a trade war with China, but it is becoming clear that the US and its geopolitical rival are already skirmishing ahead of what could be a combative summer.

The latest sign came on Tuesday when the US brought a new challenge in the World Trade Organisation against Chinese anti-dumping tariffs on US poultry products. It was the 12th time that the Obama administration has taken China to the WTO, more than any previous US administration.

“American farmers deserve a fair shot to compete and win in the global economy and this administration will continue to hold China responsible when they attempt to disadvantage our farmers, businesses and workers,” said Mike Froman, US trade representative.

The latest move is part of a broader effort by the administration and American industry to get tough on China that is seeing the trade rhetoric being dialled up even far away from the campaign trail.

“This is war. This is not trade. China is waging economic war. We ought to recognise that and act accordingly,” Lourenco Goncalves, chief executive of iron ore producer Cliffs Natural Resources, told reporters last week on the sidelines of a US steel industry association meeting.

Driving the administration’s push is its desire to secure congressional approval before President Barack Obama leaves office in January for the Trans-Pacific Partnership, the largest trade deal negotiated by the US in decades.

Those plans have been complicated by the antitrade rhetoric of Mr Trump and others campaigning to succeed Mr Obama. The administration’s response has been to turn up the volume on its own argument that the TPP — which besides the US includes Japan and 10 other

Pacific Rim economies but not China — is an important strategic response to Beijing’s own bid to control the region’s commerce.

If China is the problem, as Mr Trump and others argue, then the TPP, rather than the crude tariffs the presumptive Republican nominee is proposing, is the correct response, administration officials argue.

Those efforts are also coinciding with growing anxiety in the US business community about what they see as a new economic nationalism in China and its impact on everything from agricultural exports to technology businesses and the global steel industry.

By the end of this month the US commerce department is set to decide whether to allow a case brought by US Steel seeking a comprehensive ban on imports of steel from China as punishment for what it says were Chinese hacking attacks and the theft of its intellectual property. Later this year three separate anti-dumping cases could see punitive tariffs of as much as 266 per cent imposed on certain Chinese steel products.

The US is also applying pressure on China elsewhere in the trade sphere. It has been quietly leading a campaign to block China securing “market economy” status under the WTO, something Beijing prizes and argues it should be granted automatically come December and the 15th anniversary of its accession to the global trade body.

Even as it pushes to make progress on a bilateral investment treaty with China the Obama administration is keeping Beijing out of separate talks in Geneva on the global trade in services. Washington is pressing it to loosen restrictions on green products such as solar cells in yet another set of negotiations.

Chad Bown, a former member of Mr Obama’s council of economic advisers, said there was a fundamental difference between the administration’s tactics against China and what Mr Trump is proposing. The current moves are all being conducted within “the rules of the game” while Mr Trump’s proposed unilateral tariffs would likely put the US in violation of WTO rules.

But other advocates of free trade bemoan what they see developing.

Dan Ikenson, who directs trade research at the libertarian Cato Institute, said the administration’s pushing of the TPP as a geopolitical response to the rise of China highlighted just how weak Mr Obama’s position now was with Congress. “The elements are all there for the administration to cast China as this real international scofflaw and this danger. And the best way to hit back is to bring these trade cases,” he said.

There is also a risk that an “extremely hostile period” in US-China trade relations could have consequences for the future of the relationship between the world’s two largest economies, said Gary Hufbauer, a US trade policy expert at the Peterson Institute for International Economics. “I see years of acrimony ahead on this current path.”