

ASIA TIMES

Hysteria and pragmatism? Just another day in trade war saga

Gordon Watts

May 30th, 2018

Another day. Another row. As Washington and Beijing continue to flex their muscles, China has hit back at President Donald Trump's plan to press ahead with trade sanctions.

Just days before round three of high-level talks in Beijing are due to start, the White House announced it would roll out tariffs on high-tech products worth US\$50 billion as early as next month.

“[The US] will impose a 25% tariff on goods imported from China containing industrially significant technology, including those related to ‘Made in China 2025’,” the White House stated.

The last reference goes to the very heart of President Xi Jinping's blueprint to turn the world's second-largest economy into a technological powerhouse.

Along with the threatened sanctions, there are also moves to clamp down on the length of stay for Chinese students in the US. Back in December, the Trump administration outlined in a document concerns about intellectual property theft, with China as the main target.

Restrictions on visas for Chinese science and technology students could be brought in on June 11 by the State Department to “enhance security for some visa applicants.”

“Going forward, a reduction in the validity of some newly issued visas is part of the National Security Strategy to ensure that intellectual property is not transferred to our competitors,” a White House official said.

Trade discussions

How this will play with Beijing when the US Commerce Secretary, Wilbur Ross, arrives in China later this week for ongoing trade discussions is open to debate.

Initial reactions have bordered on the hysterical to the pragmatic.

“We want to reiterate that we don't want a trade war, but we aren't afraid of fighting one,” Hua Chunying, a Chinese Foreign Ministry spokeswoman, said at a briefing on Wednesday.

A similar salvo of verbal volleys was fired by the state-owned Global Times, run by the Communist Party's mouthpiece, the People's Daily, under an editorial headlined, *US trade renege could leave Washington dancing with itself*.

“Does the US want to reignite the trade war with China? Obviously not. It’s likely that White House hardliners now have the whip in their hands after internal debate, and have proposed new tariffs on Chinese imports in an effort to apply more pressure.

“In a few days, Commerce Secretary Wilbur Ross will arrive in Beijing. If by then the US has decided to impose tariffs on Chinese goods, then it would be superfluous for both sides yet again to discuss the trade dispute. Let them prepare for an ‘epic trade war.’

“China has demonstrated that it does not want a trade war, while at the same time revealing that it is not afraid of one either. China’s attitude on a trade war remains the same. The Chinese government will have the necessary measures in place to deal with a US withdrawal from any settled agreement.

“If the US wants to play games, then China would be more than willing to play along and do so until the very end ... Breaking a promise for the purposes of landing a better deal is a bad habit for Washington to develop, and it is something China won’t allow.”

In more measured tones, the state-owned China Daily simply stated in an editorial that the “Ministry of Commerce was surprised” by Washington’s move after the US Treasury Secretary Steven Mnuchin had insisted that tariffs had been put “on hold” following the second round of trade talks earlier this month.

It also reiterated that Beijing is not in the business of forcing “foreign firms to transfer their technologies to Chinese” companies.

Again, this was a reference to claims by the US ambassador Dennis Shea at a World Trade Organization tribunal in Geneva on Monday, reiterating allegations from the White House that China is stealing American technology.

Still, the substance of the China Daily editorial was stripped of the hyperbole doctrine perfected by the Global Times when it pointed out:

“It is President Donald Trump’s common practice to ratchet up the stakes in this way in a bid to leverage concessions. And after the two sides reached a general agreement in their talks in Washington that it would be in both their interests to avoid a trade war, the devil it seems is now in the details.

“It is to be hoped that the cut-and-thrust of the haggling will produce results as it is time this dispute was finally settled ... While Washington considers that the US is in a race with China for technological leadership, a change of perspective would allow it to see that cooperating would make the cake bigger for both.”

Relations between Washington and Beijing have never been as “brittle” as they are now. At the core of the problem are the mixed signals coming out of the White House and China’s increasingly assertive role on the world stage.

Diplomatic chasm

Ryan Hass, a senior fellow in foreign policy for the John L. Thornton China Center, graphically illustrated the diplomatic chasm that is opening up between the two economic giants on the Brookings Institution website.

“The foundations of the United States-China relationship are as brittle as they have been in decades ... [and] China’s mercantilist economic policies bear a significant brunt of the blame, along with China’s growing military assertiveness,” he said.

“[But] rather than pursuing a serious strategy to tackle specific problems, the Trump administration has embraced an undisciplined instinct for confrontation. Such an approach will not generate greater Chinese responsiveness to US concerns, but it could do harm to American businesses and workers,” he added.

Dan Ikenson, director of the Cato Institute's Herbert A. Stiefel Center for Trade Policy Studies in Washington, was even more scathing of the White House.

He stressed that the ongoing trade crisis could have direr consequences for the rest of the world. "Trump's schizophrenic China trade policy is a menace to the global economy," Ikenson told Business Insider, an [online American news and business site](#).

As tensions rise, Ross will be able to cut the electrified atmosphere with a knife when he finally arrives in Beijing. Expect more sparks to fly before he touches down.