



Trade war fears ease; Dow gains 669 points

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News that China and the United States are talking to each other to avoid a trade war triggered by new Trump administration tariffs has eased concerns for investors.

The Dow Jones Industrial Average climbed 669 points, or 2.84 percent, on Monday to 24,202, after losing more than 1,000 points on Thursday and Friday.

The S&P 500 and Nasdaq respectively gained 2.72 percent and 3.26 percent.

"Great news! #MAGA" US President Donald Trump tweeted on Monday after the Dow posted its third-best one-day point gain.

Foreign Ministry spokeswoman Hua Chunying said in Beijing on Monday that the door for dialogue and consultation always remains open.

US Treasury Secretary Steven Mnuchin mentioned on Sunday that the two countries are negotiating.

Trump triggered widespread concern about a trade war between the world's two largest economies when he signed a memorandum on Thursday to impose tariffs on up to \$60 billion in imports from China under a Section 301 case on China's intellectual property policies and practices.

The announcement came just a day before new steel and aluminum tariffs took effect under Section 232, which determines what imports pose a national security threat.

China responded by announcing on Friday tariffs on up to \$3 billion in imports from the US, covering 128 products.

China also brought the case to the World Trade Organization on Monday. In its filings, China dismissed the US assertion that the steel and aluminum tariffs were instituted on national security grounds, arguing instead that they were safeguard measures - temporary trade restrictions aimed at protecting domestic producers, the Bloomberg reported.

Trump's tariffs have drawn sharp criticism from many experts in the US. The Washington-based Cato Institute ran a series of articles over the past few days by its economists and trade experts titled: Trump trade tariffs are a wanton act of economic self-destruction.

"President Trump's 'remedies' are likely to raise production costs for US businesses, diminish US productivity, squeeze real household incomes, reduce the revenues of US farmers and other export-dependent industries targeted by Chinese retaliation, exacerbate tensions with China and other countries adversely affected by the restrictions, and hasten the demise of the rules-based trading system," said Dan Ikenson, director of Cato's center for trade policy studies.

Charles Foster, chairman of US-China Partnerships in Houston, described Trump's tariffs on China as "reckless and counterproductive".

"China today is also a major economic power and is open to working with the United States to resolve trade and market access issues, but not through intimidation," he said.

He said many of the goods imported from China contain significant US content and will not be easily replaced by US manufacturing, but more likely will simply result in higher de facto taxes on US consumers and to the extent replaced, they will be replaced by goods from countries with lower manufacturing costs.

"President Trump should focus more narrowly on market access through direct and ongoing negotiations," Foster said.

Erin Ennis, senior vice-president of the US-China Business Council, said in the New York Times on Monday that "if this gets the two countries back to the table to talk about this, then that is a good outcome".

"If the idea is to inflict sufficient pain so that China feels it has no choice but to change its policies, then I'm skeptical."