



Trump threatens China sanctions, vows to rework S.Korea trade deal

February 13, 2018

US President Donald Trump threatened retaliatory action against two major Asian trading partners Tuesday, warning of sanctions against China while vowing to revise or scrap a free trade deal with South Korea.

Accusing Beijing of decimating American steel and aluminum industries, Trump said he was "considering all options," including tariffs and quotas.

Trump recently received two Commerce Department reports concerning alleged Chinese subsidies for steel and aluminum exports -- materials that are vital for industries from construction to autos.

He has another two months to decide on possible retaliatory action, but strongly indicated that he is leaning toward hitting back at Beijing.

"I will make a decision that reflects the best interests of the United States, including the need to address overproduction in China and other countries," he said.

Experts believe any US sanctions would prompt China to respond with sanctions of its own, raising the specter of a trade war between the world's two largest economies.

China produces around half of the world's steel and is accused of flooding the market in order to keep the economic wheels turning at home.

For decades Chinese leaders have been consumed with the need to -- as former president Hu Jintao once put it -- create "25 million jobs a year."

But Trump also is under domestic pressure. He came to office vowing to be a champion of America's rust belt and said Monday he had to act to save the "empty factories" he saw on the campaign trail.

The US trade deficit -- which Trump has vowed repeatedly to fix -- widened even further during his first year in office, up 12 percent to \$566 billion.

"They're dumping and destroying our industry, and destroying the families of workers, and we can't let that happen," Trump told a group of Republican and Democratic lawmakers at the White House.

Trump received some support from the group, but also warnings that action against China could drive up prices and hurt US manufacturing outside the steel and aluminum sectors.

"Mr. President, I think we do need to be careful here, that we don't start a reciprocal battle on tariffs," said Republican Senator Roy Blunt.

"You know, we make aluminum and we make steel" he said. "But we buy a lot of aluminum and we buy a lot of steel as well."

Daniel Ikenson of the pro-trade CATO institute said that Trump may be forced moderate his actions, if not his tone.

"Despite the rhetoric, Trump doesn't want to subvert 'his' economy," Ikenson wrote this week.

"Trump is today more aware that the impulsive actions he has threatened to take would carry some very significant economic and political costs."

That is also true for relations with South Korea, which are already strained over Trump's saber rattling over North Korea's nuclear program.

Taking aim at Seoul, Trump complained that America's 2012 free trade deal with South Korea "was a disaster," vowing the United States would renegotiate a "fair deal" or scrap it altogether.

The Trump administration initiated talks to renegotiate the United States-Korea (KORUS) trade agreement in July last year, arguing it was lopsided because American's bilateral trade deficit had ballooned under it.

"We have a very, very bad trade deal with Korea," Trump said. "For us it produced nothing but losses."

Trump's comments came a day after he singled out South Korea and China, along with Japan, over their trade surpluses with the United States, accusing them of "getting away with murder."