Trump seeks new China tariffs, as trade war worries mount

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WASHINGTON — President Donald Trump on Thursday directed his top trade representative to level an estimated $50 billion in new tariffs against Chinese goods, taking his latest action against what he sees as unfair trade practices even as markets remain skittish about a possible trade war.

The tariffs have been "long in the making," the president said, adding that his administration is "doing things for this country that should've been done for many years" and that Thursday's action was "the first of many."

"The word I want to use is 'reciprocal,'" Trump said, pointing to in imbalance in tariffs leveled by the two nations against imported goods from the other. He deemed the China-U.S. trade deficit "the largest deficit of any country in the history of our world," estimating the imbalance between $375 billion and $504 billion. "It's out of control."

Later, during a panel discussion with millennials next to the White House, Trump said he's fixing problems that should've already been solved by his predecessors. "Past presidents should never have allowed this to happen," he said, without naming names.

"We got stuck with a lot of beauties, but we'll fix them," he assured the friendly audience to applause.

"The bottom line here," top White House trade adviser Peter Navarro told reporters Thursday morning, is that "the U.S. is doing is simply strategically defending itself against this particular form of economic aggression" from China.

Navarro called China's attempts to dominate technology and intellectual property fields an "anathema to a free market global trading system."

The tariffs target continued Chinese violations of intellectual property and technology transfer agreements that have put U.S. companies and individuals at a disadvantage.

U.S. Trade Representative Robert Lighthizer will have 15 days to release the list of Chinese goods and sectors that will be targeted, followed by a 30-day public comment period. A senior White House official didn’t specify what goods might be targeted, but assured it was a “long list.”

Trump also requested Thursday that the trade representative seek settlements in the World Trade Organization against China's "discriminatory licensing practices," while directing the Treasury Department to propose further actions within 60 days on Chinese industries or technologies important to the U.S.

The move comes after a lengthy investigation by Trump’s trade advisers under Section 301 — which gives the U.S. authority to take action against other countries for violations of trade agreements or other unfair trade practices.

Fear of a trade war drove markets down Thursday morning, with the Dow Jones industrial average tumbling by more than 400 points. Boeing and Caterpillar saw some of the biggest declines, reflecting fears by major American companies that new sanctions would affect economic growth and limit global expansion.

“The goal here is to get China to fairly treat U.S. companies the way we treat Chinese companies that are in our market,” another official, taking questions from reporters on the condition of anonymity, said. The administration hopes that the tariffs ensure “we are working and trade on a level playing field,” this person said. How long the tariffs last, the official said, “rests with” China and the steps they take to correct unfair trade practices.

This latest round of tariffs follows controversial trade penalties leveled by Trump this month on steel and aluminum imports. That announcement was marked by the administration as a promise made and kept by the president — but it lost him his top economic adviser, Gary Cohn, who was opposed to the tariffs and resigned in the midst of their announcement. Trump has hinted that Cohn could come back to the administration at some point.

To Trump, his willingness to take action has driven more trading partners to the negotiating table. "Many countries are calling to negotiate better trade deals because they don't want to pay steel and aluminum tariffs," the president said.

Lighthizer told a Senate committee Thursday the president had decided that the E.U., Argentina, Australia, Brazil and South Korea will be exempt from the steel and aluminum tariffs.

Though the president said Thursday that there were "a lot of different ways of counting" the U.S.-China trade deficit, trade deficits are — by definition — calculated by subtracting exports from imports.

According to federal data, China exported $505 billion in goods last year to the U.S. while the U.S. exported $130 billion in goods to China during the same time period. That puts the Chinese trade deficit at $375 billion in 2017, not $504 billion as Trump said it was by one measure. If the U.S. services surplus with China were included in those calculations, the trade deficit falls to $337 billion.

While Trump took a hard line on Chinese economic practices during the 2016 campaign, his rhetoric as president has warmed toward the country. Trump has enjoyed a warm relationship with Chinese President Xi Jinping, applauding him for taking an increased role in the North Korea crisis and steering away from criticisms of China for currency manipulation and unfair trade practices.

He highlighted that "great relationship" Thursday as he announced the tariffs, predicting that ongoing negotiations will likely yield results for the U.S. and that, until then, Section 301 actions would begin to protect American interests.

In Beijing last year, Trump even said he didn't "blame" China for taking advantage of the U.S. on trade.

"After all, who can blame a country for being able to take advantage of another country for the benefit of its citizens?" Trump said then. "I give China great credit."

But Thursday's trade actions come more in line with Trump's tough talk from the campaign days, when he would rile crowds with vows to bring China into a more balanced trade relationship with the United States.

Navarro alluded to decades of U.S.-Chinese trade policy that included talk, but little action. "Talk is not cheap," he said. "It's been very expensive to the American people." Asked about the impact on consumers, a senior administration official guessed that there would be “minimal effects on the consumer.”

Some experts, however, think these tariffs could come at the cost of American buyers.

Daniel Ikenson of the Cato Institute said the trade measures are "likely to raise production costs for U.S. businesses, diminish U.S. productivity, squeeze real household incomes, reduce the revenues of U.S. 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."