



Washington Examiner

Prolonged trade war in the balance as China nears Trump deadline for added tariffs

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December 7, 2019

President Trump has scheduled new tariffs to apply to China on Dec. 15, in just over a week. Postponing the levies would indicate Trump thinks a broader trade deal with Beijing is still within reach. Following through with the tariffs would mean the negotiations are likely to stretch in the election year and raise the possibility of a prolonged trade war.

Trump economic adviser Larry Kudlow indicated Friday that the White House is carefully mulling the situation and would postpone the tariffs if the talks are going well enough. "There's no arbitrary deadlines, but the fact remains that Dec. 15 is a very important date with respect to a no-go or go on tariffs," he told CNBC.

"These are, of course, decisions that will be made by President Trump based on how the talks go between now and then," Kudlow told Bloomberg.

The White House is currently deep in negotiations with China to complete "phase one" of a trade deal with Beijing first announced on Oct. 11. The talks were supposed to be completed in a few weeks but have now dragged on for two months.

Throughout the negotiations with China, the Trump administration has periodically set deadlines and then rewritten them in reaction to apparent or claimed progress in talks with Beijing. The White House was scheduled to impose 25% tariffs on \$200 billion worth of goods, up from 10%, at the beginning of the year, but first postponed them to the beginning of March, then put them on hold indefinitely. The White House then revived the threat on May 5 and followed through five days later. A subsequent threat to impose 25% tariffs on \$300 billion worth of goods was averted days before a June 30 deadline. A later vow to raise tariffs on the same \$300 billion worth of goods went into effect on Sept. 1, but tariffs on some of those items were delayed until Dec. 15.

The administration is also set to place put 15% tariffs on about \$156 billion worth of Chinese products on Dec. 15. This is a combination of new tariffs the White House would impose and tariffs originally scheduled to go into effect earlier this year but were delayed to protect Christmas holiday shopping season.

"China would surely see it as confrontational and the talks would be in worse shape" if the president followed through with the threat, said Simon Lester, trade policy expert with the free market Cato Institute. As long as there was a reason to think a deal was still possible, the administration would likely contrive a reason to hold off, he said.

"With the recent auto tariffs, the administration didn't even bother explaining why they did nothing at the deadline. But they can probably come up with some explanation in this case, even it is flimsy and no one buys it," Lester said.

Welles Orr, a former assistant U.S. trade representative during the Bush administration, noted that China's price for completing "phase one" of the October deal has always been the United States shelving the Dec. 15 tariffs. The assurances from both sides that the talks are still going on are a good sign that the tariffs may not happen.

"The vibes I'm picking up are still positive over the last 48 hours, so I think something is in the cards for an announcement next week on a phase one deal, despite the president's suggestion (earlier this week) that he's fine with pushing things off until next year," Orr said.

The business community is also pushing hard against piling on further taxes, noted Gary Hufbauer, a nonresident senior fellow for the Peterson Institute for International Economics. "My guess is that concern over the Wall Street reaction to a new round of tariffs will ensure a partial deal," he said.

The markets have been waiting anxious for news regarding a deal. Reports one may be far off set the stock markets tumbling on Tuesday, sparking the Dow Jones Industrial Average's biggest decline in nearly two months. Earlier in the year, Trump cited market gains as proof his economic policies were working.

Michael Stumo, president of the Coalition for a Prosperous America, a business and labor coalition group that favors a tough stance against China, argued the talks haven't provided enough to postpone the tariffs. "The Chinese negotiators put on a good show in talks but continue being overridden by the 'China First' hawks at home. Just like last spring. The desire for a 'deal' is a media imperative, but not an economic imperative," he said.