

US trade

Trump moves to initiate US trade investigation of China

President says it is 'just the beginning' and promises to defend workers and innovations



President Donald Trump speaks in the Diplomatic Reception Room of the White House on Monday, during an event to sign a memorandum calling for a trade investigation of China © AP

AUGUST 15, 2017 by: Shawn Donnan in Washington

Donald Trump has set in motion a process likely to lead to a US trade investigation of China's intellectual property policies and potentially new tariffs on Chinese imports, vowing that "this is just the beginning" of a crackdown on unfair trade practices around the world.

"This is what I promised to do as a candidate for this office and this is what I am doing right now as president," [Mr Trump](#) said as he signed a presidential memorandum on Monday. "We will defend our workers. And we will protect the innovations, creations and inventions that power our magnificent country."

The president, who built his campaign last year around an "America First" protectionist economic message, and his team are seeking to accelerate a trade agenda that so far has made many threats but taken little concrete action. "It's a very big move," Mr Trump

declared. “And this is just the beginning. I want to tell you that. This is just the beginning.”

Mr Trump’s latest move also comes as his administration is trying to walk a tightrope with [China](#). Even as his economic team is keen to ramp up the trade pressure on Beijing, his defence and foreign policy aides are trying to secure its [co-operation](#) in dealing with North Korea.

The signing of the presidential memorandum was delayed by more than a week in order to secure Beijing’s backing for new UN sanctions that China began to put into effect on Monday.

But it has already drawn an angry reaction from China with the state-run China Daily running an [editorial](#) on Monday warning the US president to avoid “making a rash decision” as he seeks China’s backing on North Korea.

“Given Trump’s transactional approach to foreign affairs, it is impossible to look at the matter without taking into account his increasing disappointment at what he deems as China's failure to bring into line [North Korea],” the China Daily said. “But instead of advancing the United States’ interests, politicising trade will only [exacerbate] the country’s economic woes, and poison the overall China-US relationship.”

Mr Trump’s move on Monday was aimed narrowly at Chinese rules that require foreign companies investing in the country to enter joint ventures with local partners and share intellectual property as well as other rules that force US and other foreign companies to hand over sensitive technologies. Those rules have been a longstanding gripe of the foreign business community but are also part of a strategic push by China to move its manufacturing capabilities further up the value chain.

Writing for the Financial Times, Wilbur Ross, Mr Trump’s commerce secretary, [accused](#) China of being engaged in a serious and strategic attack on “American genius” as part of a “Made in China 2025” plan targeting key industries such as semiconductors, artificial intelligence and autonomous vehicles.

“The US, which remains the most innovative country in the world, stands firmly in China’s path,” Mr Ross wrote. “But rather than building a globally competitive free market economy in order to compete, China has chosen instead to compel American companies that want to operate in China to turn over proprietary technology and intellectual property.”

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DONALD TRUMP

Monday’s move is unlikely to immediately trigger a trade war with China. Senior officials told reporters over the weekend that an investigation could take up to a year and would only be launched after consultations with China.

But it comes after early efforts at talks yielded only minor gains and top-level economic talks last month that broke up without any major agreement.

Eswar Prasad, a former top International Monetary Fund China expert who studies the rivalry between the world’s two largest economies, said the latest step marked an escalation by Mr Trump’s administration and also potentially signalled more tense times ahead.

“The on-off trade tensions between the US and China are clearly back on,” he said. “While this move by the administration is hardly a major strike against China, the broader context of the economic and geopolitical relationship between the two countries elevates its significance.”

The move also comes amid a souring in the broader mood towards China in Washington.

Unlike other trade actions launched by Mr Trump, such as his withdrawal from the 12-country Trans-Pacific Partnership and the renegotiation of the North American Free Trade Agreement that formally begins this week, the China move drew broad backing from the business community and Congress.

“If the US-China relationship is to deliver mutually beneficial growth, US firms must enjoy the same broad, secure access to the Chinese market that Chinese firms already enjoy to the United States. Equally important, China must end forced technology transfer and protect foreign-owned intellectual property rights within China,” the US Chamber of Commerce said, although it urged Mr Trump to follow a “prudent” path.

Orrin Hatch, the Republican chairman of the Senate finance committee, called the targeting of China’s intellectual property practices “a strong first step toward holding China accountable”.

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