

## The New York Times

# *Trump Threatens Tariffs on \$200 Billion in China Goods, Escalating Fight*

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WASHINGTON — President Trump further escalated his trade fight with China on Monday, saying his administration was prepared to impose tariffs on another \$200 billion worth of Chinese goods and potentially even more if Beijing continues to fight back.

Mr. Trump's threat, in response to retaliatory measures by China, was the latest volley in a dizzying trade dispute that has pitted the world's two largest economies against each other and resulted in a seemingly endless game of one-upsmanship. The president called it punishment for what he said was an attempt by Beijing to keep the United States "at a permanent and unfair disadvantage."

"China apparently has no intention of changing its unfair practices related to the acquisition of American intellectual property and technology," Mr. Trump said in a statement. "Rather than altering those practices, it is now threatening United States companies, workers, and farmers who have done nothing wrong," he added, calling China's response "unacceptable."

The president left little doubt that the United States would continue to hit back even harder if China counters, adding tariffs to another \$200 billion worth of Chinese goods. All told, the Trump administration is threatening to impose tariffs on as much as \$450 billion worth of goods, including an earlier round — a sum nearly as large as the total value of goods China sent the United States last year, which was \$505.6 billion.

"The administration is essentially saying it is willing to bring a substantial amount of commercial activity in the Asia-Pacific to a screeching halt," said Scott Kennedy, a China expert at the Center for Strategic and International Studies.

The tit for tat began on Friday, when Mr. Trump said Washington would move ahead with tariffs on \$50 billion worth of Chinese goods, including agricultural and industrial machinery. The action provoked an immediate response from Beijing, which said it would place its own tariffs on \$50 billion worth of American goods, including beef, poultry, tobacco and cars.

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On Monday, Mr. Trump raised the ante even further, saying that he had directed Robert E. Lighthizer, the United States trade representative, to pursue another \$200 billion worth of tariffs.

China's Commerce Ministry responded swiftly to Mr. Trump's threat, issuing a statement on its website that warned that if the Trump administration followed through, China would "have to adopt comprehensive measures combining quantity and quality to make a strong countermeasure."

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The rapid succession of trade threats has left little time for negotiations that could potentially defuse tensions between the two countries.

Whether President Xi Jinping of China agrees to bend to Mr. Trump's demands remains an open question. With his latest move, Mr. Trump has escalated his trade threats to such a level that China can now no longer issue a proportional response. Last year, the United States exported only \$130.4 billion of goods to China in total.

But trade experts say there are plenty of ways beyond tariffs that the Chinese government could retaliate — including slowing approvals for acquisitions made by American companies or stalling products at its ports. And Mr. Trump's aggressive challenges may have left the Chinese president with little room to back down without looking weak to his own population.

**"Mr. Trump seems to be counting on the fact that China will soon run out of room to retaliate with its own tariffs on U.S. exports," said Eswar Prasad, a trade expert at Cornell University. "This could prove to be a miscalculation since China has other effective levers it can use in a trade war, including disruptions of American businesses' sales operations and their supply chains that run through China."**

The White House imposed the tariffs as punishment for what the administration said was years of unfair trade practices by the Chinese government, including pressuring American companies to hand over valuable trade secrets in order to operate in that country.

Mr. Trump has been betting that the tariff threats will satisfy his supporters, who cheered his tough-on-China statements on the campaign trail. But China's retaliation could come back to bite some groups, especially American farmers, who are bearing the brunt of China's tariffs. And it is generating opposition within his own party among business-friendly Republicans who favor free trade and are increasingly concerned about Mr. Trump's approach.

Lawmakers of both parties have criticized the president's trade threats, but few have advocated taking direct action against him. Last week, Senate Republicans blocked a vote on legislation introduced by Senator Bob Corker, a Tennessee Republican, which would have given Congress the ability to overturn certain tariffs. Senate leaders said such a bill would have simply been vetoed by the president.

The trade conflict with China comes as the administration wages several trade conflicts at once. Rather than forming a coalition of countries to pressure China to change its trade practices, as some foreign leaders and trade officials have urged, the president has put allies on edge with tariffs on metal from Europe, Canada and Mexico and threats to withdraw from the North American Free Trade Agreement.

If they do go into effect, the tariffs would greatly increase the disruption for international companies, which are already anxious about the prospect of higher costs on many goods that move between the United States and China.

Kip Eideberg, the vice president of public affairs and advocacy at the Association of Equipment Manufacturers, which represents major American exporters like Caterpillar and John Deere, said the additional tariffs were "terrible news" for his industry.

"It will effectively wipe out all of the gains that our industry has seen from tax reform and regulatory relief," he said. "We should be creating more jobs, not wiping them out."

The Trump administration had said it intended its initial list of tariffs on \$50 billion of Chinese products to have as little impact as possible on American consumers who purchase Chinese-made televisions, clothes and electronics. But ratcheting up the level of tariffs would eventually start to pinch consumers.

The tariffs could also damage investor confidence, potentially setting off stock market falls or persuading companies to withhold from investing in new facilities and factories. Already there are signs of strains in the global economy from the broader trade tensions, weakness that China and the United States are both better positioned to weather than other nations.

However, there's a chance Mr. Trump's tariffs may have a limited impact on China's nearly \$13 trillion economy, which no longer depends as much on exports and can find other places besides the United States to sell its products.

Some American buyers of Chinese goods may simply choose to pay the newly imposed tariffs rather than find new suppliers elsewhere. Brad Setser, a Treasury official in the Obama administration who is now an economist at the Council on Foreign Relations, said that China's exports to the United States in the listed categories could easily be halved by the tariffs. But they would not disappear entirely, as some Chinese products would still be competitive in terms of cost.

Some of the same goods could probably be sold to other countries at slightly lower prices, further limiting the effect on the Chinese economy, Mr. Setser said. Moreover, China's exports could grow in other areas to offset any drop.

The tariffs could have a longer-term effect on China, however.

Devised as essentially a pre-emptive strike against China's enormous program to bolster high-tech industries, the Trump tariffs could limit eventual sales from China's emerging technologies. With the European Union also protesting the program called Made in China 2025, exports to Europe could suffer, too.

For both sides, the issue has become far more than a struggle over nuts-and-bolts economics. It has become a battle over which country will dominate the high-wage, high-skill industries of tomorrow. Washington and Beijing alike see those industries as essential to protecting national security and to creating jobs.

The Trump administration is pushing hard for curbs on the Made in China 2025 program. Beijing aims to make the country a leader in the manufacturing of advanced products, including computer microchips and commercial aircraft. The Trump administration's statement announcing tariffs managed to mention the Chinese industrial policy program no fewer than five times.

But China appears just as determined to preserve the program. And the trade issue has become so prominent that the Chinese public has come to expect that Beijing will push back hard against the Trump administration's trade measures.

"This pressure will be high," said Tu Xinquan, the director of the China Institute of World Trade Organization Studies in Beijing. "There is no way to move back."

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