

[Myanmar](#)[Energy & Environment](#)[Brexit](#)[North Korea](#)[Earnings](#)[Future of Money](#)[Breakingvi](#)**BUSINESS NEWS**

MARCH 23, 2018 / 6:11 PM / 2 DAYS AGO

Extent of U.S.-China trade fight depends on Trump's goals

David Lawder



WASHINGTON (Reuters) - How bad will the U.S.-China trade fight get? That depends on whether President Donald Trump will settle for a reduction in China's U.S. trade surplus or hold out for sweeping changes to China's industrial policies.

U.S. President Donald Trump, surrounded by business leaders and administration officials, prepares to sign a memorandum on intellectual property tariffs on high-tech goods from China, at the White House in Washington, U.S. March 22, 2018. REUTERS/Jonathan Ernst

After Trump's announcement on Thursday that he will impose tariffs on up to \$60 billion worth of Chinese goods and impose investment restrictions on Beijing, it is far from clear what Trump's end game is, trade experts say.

Trump repeated on Thursday that he wants a \$100 billion reduction in China's trade surplus, while his top trade negotiator, Robert Lighthizer, said fundamental changes that allow U.S. companies to keep their technological edge over Chinese competitors were critical to the future of the U.S. economy.

A deal for the latter will not come in the next 45 days before the yet-to-be published U.S. tariff list becomes effective.

"It's not clear what the Trump administration's bottom line is," said Scott Kennedy, the head of China studies at the Center for Strategic and International Studies in Washington.

"We know what the Chinese bottom line is. They won't do anything to relent on their industrial policy system. They won't clip the wings of China Inc," he said.

Ad



Olive Boutique Hotel

\$284 ~~\$350~~

TRIPADVISOR

[Visit Site](#)

Kennedy said a deal to cut China's \$375 billion U.S. goods trade surplus by \$100 billion is far easier to achieve with additional purchases of U.S. soybeans, beef, liquefied natural gas, Boeing (BA.N) aircraft and other equipment.

But fundamental changes such as joint venture requirements that often cannot be negotiated without technology transfers and industrial policies aimed at acquiring and investing in more U.S. technology firms will not come without significant protracted pressure on China - and economic pain for the United States.

“The Chinese will want to throw us a few bones and otherwise go back to the status quo. If you’re talking about actually changing Chinese behavior, it’s a long, painful process,” said Derek Scissors, a China trade expert at the American Enterprise Institute in Washington.

It also would take a lot more than tariffs on \$60 billion worth of exports from China to inflict significant pain on the government, Scissors said.

China’s goods exports to the United States rose by \$43 billion in 2017 alone. And the U.S. demand for Chinese goods is expected to increase in the next few years as U.S. tax cuts boost growth and increase federal borrowing.

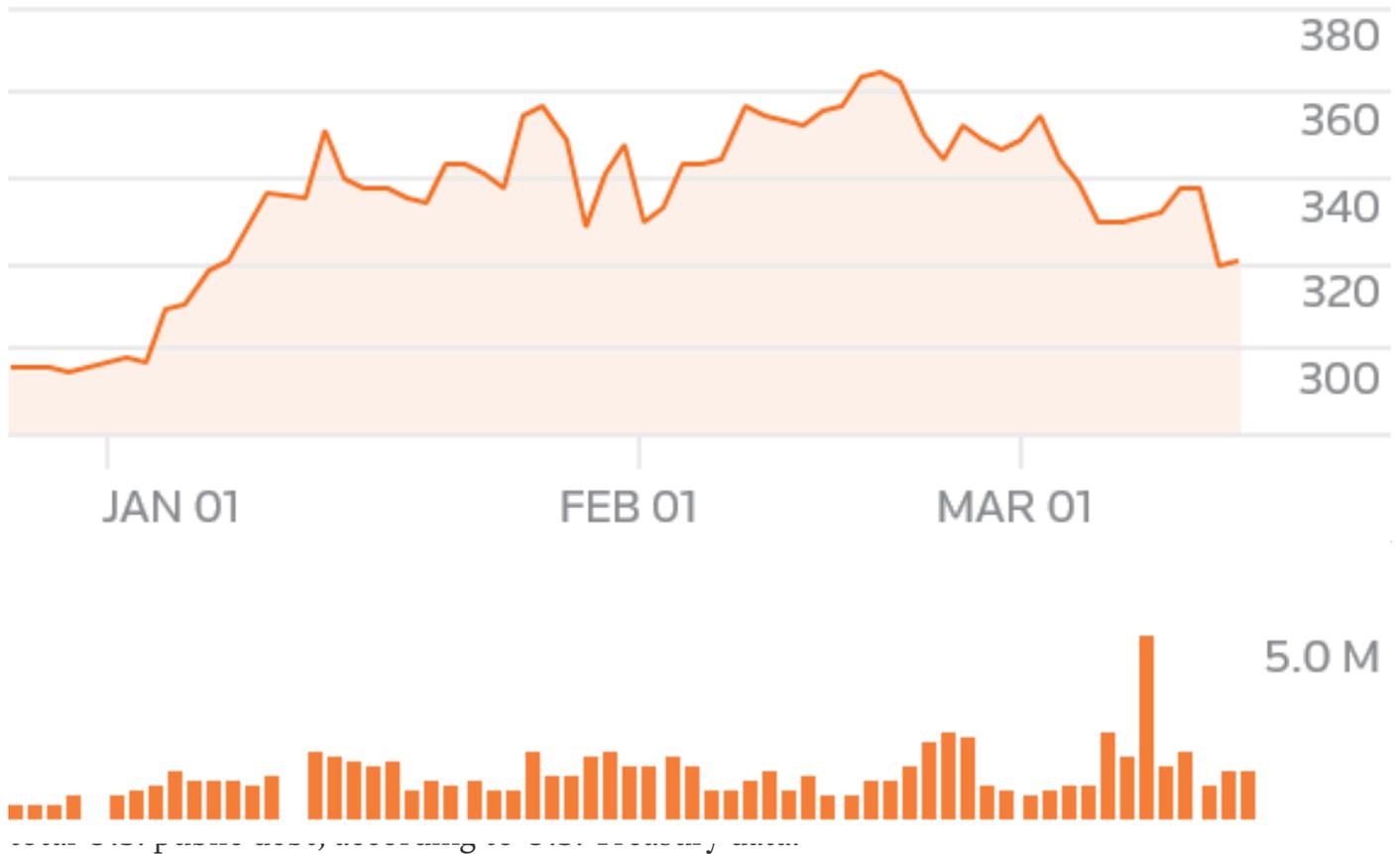
So far, China’s response to Trump’s announcement has been muted. The Ministry of Commerce announced additional duties on up to \$3 billion of imports from the United States, including fruit, nuts, pork, wine and seamless steel pipe. But these are technically responses to U.S. global steel and aluminum tariffs, not the Trump administration’s anti-China tariffs over intellectual property practices.

Boeing Co

BA.N NEW YORK STOCK EXCHANGE

321.0

+1.39 (+0.43%)



China has also hinted at cutting imports of U.S. soybeans, which totaled \$12.4 billion in 2018 - the second largest U.S. export to China after commercial aircraft.

But Beijing is likely waiting for Trump’s final tariff list before it responds more fully. The list is expected to be published within two weeks, then subject to a 30-day comment period and potential revisions by the U.S. Trade Representative’s office after that period ends.

A tit-for-tat escalation of trade retaliation, coupled with Trump’s desire to “look tough on China” will make it harder for the two sides to settle their differences, said Eswar Prasad, a professor of trade policy at Cornell University and a former head of the International Monetary Fund’s China department.

“The hardening stance on both sides, and an unclear game plan in terms of the objectives and end game the Trump administration is striving toward, makes negotiations even more complicated than otherwise,” Prasad said.