

China grumbles at Trump's tariff moves but isn't expected to start a trade war over them

BEIJING — China urged the United States on Friday to abide by multilateral trade rules and not do anything to damage the fragile global economic recovery, after President Trump announced his intention to impose import tariffs on steel and aluminum.

China is the world's dominant steel producer, but experts said the impact of Trump's decision to slap 25 percent tariffs on steel imports, and 10 percent on aluminum, won't have a big impact on China since it only accounts for 2 percent of U.S. imports. The government in Beijing is not about to start a trade war over the tariffs, they added.

"What an extremely stupid move," said Li Xinchuang, vice secretary general of the China Iron and Steel Association. "A desperate attempt by Trump to pander to his voters, which I think in fact runs counter to his 'America First' pledge. The U.S. is now setting a very, very bad example."

Li, who is also director of the China Metallurgical Industry Planning and Research Institute, said the decision would only make U.S. industries fall further behind globally, at a time when "China is in its prime."

Foreign Ministry spokeswoman Hua Chunying told a regular news conference Friday that global trade would be harmed if other countries follow the example of the United States.

"In recent years, the global economy has still recovered slowly and the basis for the global recovery is still unstable," she said. "All countries should make concerted efforts to cooperate to resolve the relevant issues, instead of taking trade restrictive measures unilaterally."

The risk of global trade frictions unsettled markets. Asian stocks followed their U.S. counterparts lower on Friday, with Japan's Nikkei-225 index down 2.5 percent, and South Korea's KOSPI index 1 percent lower, with steel makers in

both countries among the hardest hit.

But Shanghai's main share index fell a more modest 0.6 percent.

"Asia has been the main beneficiary of the production networks and globalization of recent times so it is unavoidably sensitive to trade friction," said Richard Jerram, chief economist at the Bank of Singapore. "Tariffs on steel and aluminium are not the end of the world, but the risk is escalation. How aggressively China reacts, and America's response to that, will worry the markets."

Wei Jianguo, a former Chinese vice commerce minister, said Trump's announcement ran counter to World Trade Organization rules and hurt Sino-U.S. relations.

[Trump gets his tariffs — and much of the world plans to strike back]

"China does not want to see a trade war with the United States. But if Trump insists, China is not afraid of it," Wei said.

"China will actively protect its own trade interests," he said, pointing out that China imports a huge amount of U.S. goods, including Boeing planes, agricultural products and IT products.

But most analysts said the move was more of an irritant to China than anything serious at this stage.

A glut of steel from China has fueled global oversupply, but Lu Zhengwei, chief economist at Industrial Bank in Shanghai, said China had already been working to cut overcapacity in its steel industry.

Anti-dumping duties imposed by the Obama administration on China two years ago had also helped cut U.S. imports from China and protect a restructured U.S. steel industry based around mini-mills, experts said. Last year, China's steel exports fell 30 percent, and Lu said Trump's move came too late to make much of a difference.

Nevertheless, China is also not insensitive to the symbolism of the move, is aware that Trump's rhetoric has targeted China and is wary of further measures to restrict trade and investment, experts said.

“China has to respond and fight for every inch of its own interests, otherwise, it will find it hard to handle more trade adjustments from the U.S. side,” Lu said. “Of course China is able to take revenge, however the result we are expecting is negotiation between both sides.”

The Trump administration is investigating China over intellectual property rights and technology transfer policies, and is expected to unveil further tariffs or penalties in coming months. Congress is also likely to strengthen and broaden controls on Chinese investment into the United States.

In a statement issued Thursday, China’s Commerce Ministry expressed “grave concern” about a U.S. trade policy report that accused Beijing of moving away from market principles and pledged to prevent it from disrupting global trade. But there was no immediate response to the decision on tariffs.

Andrew Polk, a founder of the Trivium consultancy in Beijing, said Trump’s decision would not have much of an effect on China’s economy, and predicted China’s reaction would be more rhetorical than real.

“I don’t think this is the start of a trade war,” he said, predicting a similar reaction to Trump’s decision to slap tariffs on solar panels, effectively saying: “We don’t like this, but we’re going to downplay it and not really do anything.”

Trump’s announcement came as President Xi Jinping’s top economic adviser, Liu He, was in Washington trying to calm trade tensions. Hua, the Foreign Ministry spokeswoman, said the envoy had held “constructive consultations” on trade and economic issues with leading U.S. officials in Washington on Thursday, and shared a candid exchange of views.

Tao Wenzhao, former director of the U.S.-China Institute at the China Academy of Social Sciences, said the overall climate in relations between the two countries has not been great recently.

“Still I wouldn’t say this is the starting point of a U.S.-China trade war,” he said. “China wishes to defuse the tensions that are present between the two countries through communication, as seen by the visit by Liu He.”

Rob Carnell, head of Asia-Pacific research at ING in Singapore, said China might join, or hide behind, other nations and trading blocs, such as Canada, the

European Union, Japan and South Korea, in retaliating to the U.S. move. Taiwan and Brazil are also among those affected by the measure.

“If the European Union and Canada start to work through the WTO, they will be waiting a long time for a resolution, so we are more likely to see tit-for-tat retaliation,” he said.

[‘Every day is a new adventure’: Trump upends Washington and Wall Street with shifts on trade, guns]

That would not be good news for the global economy, he said.

But ironically it might not be bad news for China. By punishing U.S. allies and friendly nations, it potentially undermines efforts to forge a U.S.-led alliance to restrain Chinese mercantilism, said Arthur Kroeber, managing director of Gavekal Dragonomics.

Now, many countries may be inclined to wonder whether it is the United States or China that poses the greater threat to the world trading system, he said.

“It seems to me China can afford to play it pretty cool and measured, as they have been doing ever since Trump took office,” said. “They take a small, really negligible, hit to their steel and aluminum exports, but strategically they come out way ahead by just letting Trump be Trump.”

Luna Lin, Shirley Feng, Amber Ziyi Wang and Liu Yang contributed to this report.

Source: https://www.washingtonpost.com/world/china-steel-slams-trumps-stupid-protectionism-but-trade-war-is-unlikely/2018/03/02/33ec5274-1d94-11e8-98f5-ceecfa8741b6_story.html

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