

Opinion **Global Insight**

## Trump is about to launch a trade war with no way out

President believes he can prevail over China but seems to lack an exit strategy

**SHAWN DONNAN**



Is the Trump administration prepared to engage in the difficult negotiations with Beijing to tackle the underlying issues? © AFP  
Shawn Donnan in Washington 18 HOURS AGO

President Donald Trump is getting ready to launch the trade war [against China](#) that he has always wanted and that has the US business community worried.

While there is a broad consensus in Washington that the US needs a more muscular response to a rising China, there is real concern that the Trump administration appears to lack a strategy for ending the war it is about to start.

If the conflict in the offing was a military one, Washington would be awash now with people warning the president to pay heed to the so-called Powell Doctrine. Born from the lessons of Vietnam, it holds that you do not start a conflict that you do not know how to get out of.

Put in those terms, Mr Trump's trade war with China could be like invading Afghanistan, a quagmire through the ages.

Even if Mr Trump believes he is delivering the trade protections he promised to his base ahead of

November's midterm elections, a policy focused on short-term political gains could cause long-term disruption to the world's two largest economies.

In the past few days business chiefs have pleaded for the Trump administration not to impose tariffs on electronics, shoes and other imports from China that go far beyond the steel and aluminium he has already targeted. Mr Trump, however, is considering doing exactly that.

His administration is expected to announce shortly the findings of a "Section 301" investigation into Beijing's intellectual property practices. People familiar with its findings say it will accuse China of forcing the transfer of technology worth \$30bn a year from US companies trying to do business in China. It will point to billions more lost by American firms either to state-backed Chinese hackers stealing IP or via lost licensing fees.

Altogether, Washington is considering new tariffs on Chinese imports worth \$60bn a year. At the same time, the US is expected to impose restrictions on investment from China and possibly even new limits on visas for Chinese nationals.

But is the Trump administration prepared to engage in the difficult negotiations with Beijing to tackle the underlying issues? And if it goes to war what is its real goal?

Mr Trump has talked about reducing the \$375bn annual trade deficit with China and asked for a \$100bn reduction plan from Beijing. He and others in his administration have also talked about bringing factories home to the US. His focus is largely domestic in other words.

But for US businesses the true gains would come from real change in China's IP regime, investment rules, and other regulations that make it hard to do business in China. Their focus is on further opening up China's lucrative market.

Extracting such concessions would take hard negotiating. But Mr Trump's team has repeatedly signalled that they are tired of talking with China. Last year they froze the main strand of bilateral economic talks. They are convinced every US administration that has negotiated with China has been duped.

Some former US officials who have dealt with China concede Mr Trump's White House has a good reason to be wary of talks. Chinese officials know how to drag their interlocutors into interminable discussions that go nowhere.

Many in business also understand the frustration. When Liu He, Xi Jinping's top economic emissary, visited Washington this month to plead the case for trade peace, business executives told him they had lost confidence in China's promises of reform. Mr Xi's poor record, they argued, meant Beijing needed to prove its case via action rather than words.

Mr Trump's supporters argue that the president is trying to force exactly that by creating real

consequences for China rather than engage in the endless talks and World Trade Organization litigation that embroiled previous administrations.

There is another possibility, too. Mr Trump's military-style trade bombast replicates the "fire and fury" rhetoric he employed with North Korea. Together with toughened sanctions that, he believes, led to Pyongyang caving. Emboldened, Mr Trump is about to launch a trade war he believes he can win.

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