

CAN TRUMP WIN A TRADE WAR WITH CHINA ?

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develop a passion
for Teaching!*



Hello, I'm Lucy Hockings.
From the BBC World
Service,
this is The Global Story.
This week,
economic warfare broke out
between
the world's two biggest
superpowers.
President Trump announced
a new tariff,
essentially a tax
on Chinese goods coming
into the US.
And now Beijing has hit
back.
So can anyone really win a
trade war?

And what will the impact be
on the rest of the world?

With me today is Ritika

Gupta,

who is our

North America Business

correspondent,

joining us from New York

and the BBC

World Service Asia/Pacific

editor,

Michael Bristow.

Well, if there's one thing we

know

about Donald Trump,

it's that he loves tariffs.

The word tariff, properly

used,

is a beautiful word, one of the
most beautiful words I've ever
heard.

It's music to my ears.
I always say tariffs is the
most
beautiful word to me in the
dictionary.

They are at the heart of his
economic plan for the United
States.

During his first term, and also
throughout the presidential
campaign,
he was very clear. He thinks
tariffs
are going to help make
America

and American people richer.

And he also thinks
that they're a useful tool
in helping to get other
countries

to do exactly what he wants.

Before we go any further,
though,

I think, Ritika, we need to
cover some basics,

like what exactly is a tariff?
Do you see a tariff is a tax on
imported goods from foreign
countries.

So Trump had proposed a
25% tax
on Canada and Mexico,

which have now been paused.

But as an example,
say you had a product that
was worth

\$4 that would result
in a \$1 additional charge,
so the total product costing
some \$5 or so.

President Trump repeatedly
says that
a tariff is a tax on a foreign
country.

He's said that time and time
again.

Is that true?

No, it's not necessarily the
country that pays for the
tariff.

It's the importing business
that
typically pays that extra
charge.

However, many economists
have warned
that these costs will be passed
on
to the American consumer
because your
businesses, your Walmarts,
your Targets,
for instance,
may be facing margin
pressure.

So ultimately it will be
the consumer that pays.
And that shows up again

on their receipts
when they go into
their big box chain stores.

So although there's been a lot
of talk about the negative
impacts
of tariffs
for the Trump administration,
there has been
one big success already this
week.

When Donald Trump
threatened to
impose tariffs on Canada and
Mexico,
he said it was largely because
of

concerns about border
security.

Now, both Mexico
and Canada have made big
commitments
to increase security
at their borders.

So Ritika, can this be seen as
a big win then
for the use of tariffs?

In some ways,
Lucy, it's worked.

He's showed in some ways
the kind
of the art of negotiating a deal
because, as you say, Canada
and Mexico did cede to
Trump's demands

when it came
to adding extra border
security.

Um, but there's also
the US trading off too in
some ways.

And many experts have said
that you
didn't need necessarily the
threat
of tariffs
to get some of those things
done.

And it also does cause
concern
and uncertainty about tit for
tat
and the escalation

of a global trade war as well.
And that's what many experts
and economists have been
warning are
the dangers of this.

The biggest target of Trump's
tariffs
so far, though, has been
China.

And economists are worried
that we could be on the brink
now
of a real trade war between
China
and the US.

This isn't a new war, though,
because

President Trump began this
economic war
with China during his first
term
when he was in office.

Micky, why does Donald
Trump see
China as such an economic
threat?

Yeah, it's a really good
question.

And it's not necessarily
obvious why
China should be an economic
threat.

I think first and foremost,
it's just a very, very big
economy,

which does a lot of trade
with the United States.
We're talking about half a
trillion dollars.
Also, the United States is in
deficit
in that trade with China.
So essentially the United
States
imports far more goods,
hundreds of billions more
goods
than it exports to China.
So I think President Trump,
what he does is he sees
that, um, he saw that big
deficit
and he wants to do something

about it
because it appears as though
China's
winning and the United States
is losing.

Also, in his first term in
office,
there was some very specific
things
which President
Trump complained about
China for, which previous
American officials have
complained
before, specifically stealing
intellectual property,
forcing American companies
to

transfer technology to
Chinese firms.

If they wanted
to set up operations in China,
they could only do it, say,
with a joint venture.

They had to transfer
their technology.

Also, he accused China
of currency manipulation,
essentially keeping the
currency

at a particular level
to make those exports
cheaper.

Micky, China has always said
it doesn't want

a trade war with the US.
And then we also back in
2017,
I remember Donald Trump
speaking
at the World Economic
Forum.

He said, we don't want to start
a trade war with China.

But we did then see China
responding
with tariffs of its own
in a kind of tit for tat way.

What were they?

China doesn't want a
trade war at all.

The economy is based
primarily

on exports.

So if there's some barrier
to those exports,
going to other countries,
then it doesn't want them.
I had a look back at the list of,
uh,

reactions that China made
when President Trump was
in his first term in office,
and there was a whole series
of them. Raising tariffs by
10%, then
10% again, 25% in some
cases.

They also reported the United
States
to the World Trade

Organization.

They stopped buying some products, agricultural products particularly, outright, which really affected farmers in America.

So a range of tools, uh, which China used, which, incidentally, is the kind of tools which it's already using now with these latest, um, tariffs imposed by President Trump, similar kind of tools, not just tariffs,

but also non-tariff measures
to try
and harm the American
economy.

Now, although this trade war
has been simmering for
several years,
it really is hotting up now that
Donald
Trump has returned to the
White House.

Ritika, can I ask you a bit
more
about these latest tariffs
Donald Trump has
introduced?

What are the new tariffs on

Chinese
goods that he's introduced this
week?

So some of the biggest tariffs
are going to be on electronics,
toys
and appliances.

Consumer electronics being
one of the
top goods imported from
China to the US.

If you look
at data that includes cell
phones,
TVs, your laptops, game
consoles.

China is also a major supplier
of home appliances as well.

And also footwear.
You see a lot of footwear
products also
being imported into the US
from China.

And what new tariffs, Ritika,
have
China announced in return?
The tariffs from China
are actually rather minimal.
They're seen as not
such an aggressive approach.
A 10-15% levies
on selected goods.
So part of China's
countermeasures
include import taxes

on US coal and LNG.

That's 10% and
a 15% charge on crude oil.

And as well as fuel,
China has also slapped a 10%
tariff

on agricultural machinery and
pick up trucks and some large
cars.

And they've also announced
some non-tariff measures as
well,

one of which is a probe
into Google
and an anti-monopoly
investigation
into that tech giant.

And Micky,
is there any indications yet as
to
how these US tariffs are
going
to affect the Chinese
economy?

Just at the moment, when the
Chinese
authorities need their
economy,
need people to be spending
more money,
it's going to hit
those manufacturers that sell
to the United States.
So it's definitely an
unwelcome thing

when it comes to China.
But because they've been
through this
before, because Trump did
this
to them in his last term.
Are they better prepared in a
way?

Have they got a strategy
of how to deal with it
sort of decoupling from the
US a bit
diversifying their markets as
well.

I don't think decoupling is
is remotely possible.
We're talking about trade,
hundreds

of billions of two-way trade
between these two countries
Um, every year there has
been
some attempts by America,
particularly President Biden,
to try and not sell
certain technology products,
high-end technology products
to China.

But the two economies are so
integrated
that decoupling is really
impossible.

In fact, under
the Biden administration,
later on, officials stopped
talking

about decoupling
and started using other words
to
suggest they're just targeting,
um,
targeting specific areas
of the Chinese economy.
Is China more prepared?
I think it was expecting this.
So before President Trump
came
into office,
Xi Jinping, the Chinese
leader, um,
the ambassador,
the Chinese ambassador in
Washington,
all went on the charm

offensive,
tried to persuade President
Trump
before he was coming into
office.

Just don't do this.
Nobody will win with a trade
war.

We can both win if we keep
tariffs
out of the equation.
So they knew something was
coming.

And also to a certain extent,
as you
suggested there, they could
prepare.

There are many ways

in which China can hurt
the American economy,
which don't involve tariffs.

Well, we know
that Donald Trump sees
tariffs
as a way of rebalancing
global trade
in a way that he hopes
that America can stay on top
and remain
the world's economic
superpower.
So is he going to be
successful
in stopping China's economic
rise?

Micky, China is selling
goods,
as you've mentioned,
everywhere,
not just to the US.
It has been the main driver of
growth
in the past few decades.
Surely there must be
really deep concern now in
China
about these tariffs
and that more could be
coming.
This could just be the start.
I mean, of course there is.
I mean, the Chinese economy
really isn't doing awfully

well.

It needs impetus.

It needs a boost from
somewhere.

But to a certain extent,
there's not a lot the Chinese
can do about President Trump
if he decides to use tariffs.
And you've already touched
on it,
that tariffs are sometimes
used again,
are used in ways which are
for non-economic reasons.
We talked about Mexico and
Canada
sending, uh, reinforcements
to their borders

to stop illegal immigrants
and,
and illegal drugs from,
from getting over that border.
So really he's using
economics
to solve political problems.
Perhaps, and President Trump
has mentioned this
previously,
China can help with the war
in Ukraine
because it has influence with
Russia.

China's trade with Russia is
is really just gone through the
roof
since Russia invaded Ukraine,

um,
hundreds of billions of dollars
worth of trade, um,
between those two countries.
So perhaps President Trump
could
persuade China to use its
influence
with Russia over the war in
Ukraine,
um, in return for dropping
tariffs.

So that's politics
being changed through
economic means again.
Everyone talks about
President
Trump being very

transactional
and he likes a deal.

What's Xi Jinping like? Like,
if the two of them are on a
call?

Well, in some respects, quite
similar.

I mean, I think China, China
doesn't always, uh, say out
loud
what its policy is, what its
foreign
policy aims, what it's trying to
do.

In fact, very rarely does it
say.

But I think

if there is an overarching
philosophy
when it comes to China and
Xi Jinping,
and the Communist Party
generally,
it's trade with the rest
of the world. Trade has made
us rich,
and trade will make you rich
as well
if you trade with us.
So in that respect,
it is transactional.
You know, we benefit, you
benefit.
Win-win is a constant refrain
from Chinese officials.

Trade is, as the Chinese see it,
and most economists,
most traditional economists,
would agree with the Chinese,
it benefits both sides.

I trade with you.

You win, I win.

Ritika, one of the things that
economists say
about tariffs
all the time is
that it creates price rises
that ultimately end up being
bad
for consumers.

Do you think that
these new tariffs and the

potential
of a tariffs war with China
could
really impact consumers in
America?

That is something
that economists warn of,
is that ultimately the
consumer pays
the price for these higher
tariffs,
even if the companies initially
pay
for the tariff.

There's a lot of pressure
on margins for companies
as their costs rise.
And then ultimately

the consumer ends up paying.
So there is a likelihood that is
what economists have been
warning.

And it is also seen
as counterproductive in some
ways

to one of the key objectives
that President Donald Trump
had,
which was to keep the cost of
living

for Americans low.

And then there's also the
issues
of the monetary policy side
and what
it means for the Federal

Reserve.

If inflation rises and then it
means
that their interest rate policy
would be impacted,
whether they have to lift rates
and how that could impact the
economy
and economic growth.

Ultimately, Micky, we've got
President
Trump and Xi Jinping on the
phone together.
Do you think that Xi Jinping
will bend
at all, will give in to Donald
Trump?

They will give something.
Definitely.

China will give something
because of
all the reasons I explained
before.

The export economy is vital
for the Chinese economy as a
whole.

They will not want that
disrupted,

particularly to one
of their biggest markets.

And if you look back at what,
um, China did previously
in the first Trump presidency,
they did make concessions.

Some kind of deal,

uh, was enacted in the end.

Now, you could argue whether China didn't renege on those terms of that deal, it might well have done.

And that's certainly what President Trump would argue.

But China is just as determined when it comes to politics. And it too, I think, would be prepared not to go to the whole hog to appease President Trump. They have got their red lines. And I think they've got some

really,
um, good measures
or some measures which
could
potentially hurt America in a
way
that President Trump wouldn't
want.

And they're in it for the long
haul.

They don't have, um,
a limited time frame.
They've got a longer time
frame. So
I think they will give some
ground,
but not as much
as President Trump would

want.

And I know it's been a
holiday in China,
so we haven't seen the full
response
to this, but has there been any
sort
of increase in nationalism?
We saw it immediately
in Canada with
Justin Trudeau coming out
and big signs coming out, say,
buy Canadian, and Canadians
booing the
Star-Spangled Banner at
sports matches.
Any kind of nationalistic

fervour
in China as a result of this?
In this case, they won't want
to,
the Chinese Communist
Party, try
and drum up nationalistic
fervour
at this early stage,
because they'll hope it's all
resolved without too many
problems,
without getting everybody
angry in
a way which makes it then
difficult
for the government to back
down

and do some deal with
Donald Trump.
But I think in the future,
if this continues,
that nationalist fervour
will certainly play a part
and stiffen the resolve of the
of the Communist Party.
Ritika, thanks so much.
Thank you.
Thanks, Micky.
Thank you.
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