The Washington Post

Opinions

China will learn its lesson — just not the one Trump wants

by Catherine Rampell Columnist July 12 Email the author

President Trump wants to teach China a lesson. Unfortunately, the lesson that China learns may be the exact opposite of the one Trump thinks he's teaching.

On Tuesday, the Trump administration released a list of proposed tariffs on $200 billion in Chinese products. This would be in addition to tariffs on $50 billion of Chinese goods partially rolled out last week. Trump has said that another round, targeting $300 billion in goods, is in the works.

Do the math: If all those tariffs came to pass, we would have new taxes on $550 billion worth of Chinese products — that is, more than the sum total of Chinese goods imported last year by the United States.

China sees itself as the victim here and has vowed to retaliate tit-for-tat. We buy about four times as much in goods from China as China buys from us, though. Which means China will "run out" of U.S. products to slap with tariffs long before the United States does.

Trump apparently believes China will therefore be forced to cave to his confused and ever-shifting demands, whatever they are. Huzzah! Victory is near!

What he doesn't recognize, however, is that China has lots of *other* tools that it can use to fight back. Specifically, even without tariffs, the Chinese government can make life very, very difficult for the many U.S. firms that do business there.

China might, for instance, use propaganda to organize consumer boycotts of American products such as iPhones, just as it has successfully done in the recent past when it wanted to punish South Korean companies.

Or, as Chinese officials told the Wall Street Journal's Lingling Wei, it could increase inspections of U.S. shipments at the border, gum up mergers and acquisitions involving U.S. companies, and delay licenses that U.S. firms need to operate in China.

In fact, some of this already appears to be happening.

Customs officers recently quarantined a load of U.S. cherries for a week, my Post colleague Danielle Paquette reports; it spoiled and had to be sent back to the United States. A U.S. vehicle manufacturer likewise recorded a 98 percent increase in random border inspections over the previous month.

Chinese antitrust regulators may also be slow-walking the approval of U.S. semiconductor multinational Qualcomm's proposed merger with NXP , a Dutch firm, as Peterson Institute for International Economics senior fellow Nicholas R. Lardy notes. The merger has been approved by the other eight required global regulators; only China is left.

Meanwhile, U.S. companies operating in China fear a spike in fire-code or environmental inspections, a tool the government has used before to increase the day-to-day cost of doing business.

Further, the Chinese government has said it would dole out generous new subsidies to its own firms caught in Trump's tariff crossfire.

There is a certain sad irony to such developments.

Trump's trade war is ostensibly about getting China to stop its abusive trade practices, including mistreatment of foreign firms and large government subsidies of domestic industry. Now, backed into a corner by tariffs it can't match, and feeling political pressure to show it won't be bullied, China may double down on the very bad behavior the United States has been trying to stop.

It didn't have to be this way.

Within China's government, there has been a gradual, market-oriented reform effort afoot, led by President Xi Jinping's top economic steward. The reform strategy has been divisive, however, and Trump's trade war appears to be emboldening the anti-reform, industrial-planning, stick-it-to-the-foreigners hard-liners.

The lesson China is learning from the trade war "is not that they should open and liberalize markets," says Cornell University trade policy professor Eswar Prasad. "It's that they should be more self-sufficient, and that the government should pursue a strategy where it develops its domestic industries on a variety of fronts."

The best hope for U.S. firms at this point, Syracuse University economics professor Mary E. Lovely tells me, is that China still seeks to convince other countries that it's a reliable trading partner and a safe place to invest.

China signed commercial accords with Germany this week, for instance. And more broadly, Xi has tried to cast China as the world's new champion of globalization. Backhanded swipes at U.S. firms could undercut that message — especially in countries that have been similarly mistreated by China before.

But given how many of these same countries Trump has *also* alienated lately — including, most recently, at the disastrous NATO summit — China may well be able to "punch back" without significant reputational damage.

"If they're tightening the screws only on American businesses," says Prasad, "the rest of the world might well say, 'Well, good for China!' "

Read more:

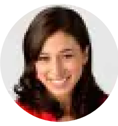
The Post's View: Will Trump's splendid little trade war live in infamy?

Catherine Rampell: Can China build an anti-U.S. alliance?

Catherine Rampell: Trump's tariffs are already backfiring

Robert J. Samuelson: What comes after the trade war?

Greg Sargent: Trump's delusions are about to blow up in his own voters' faces



Catherine Rampell
Catherine Rampell is an opinion columnist at The Washington Post. She frequently covers economics, public policy, politics and culture, with a special emphasis on data-driven journalism. Before joining The Post, she wrote about economics and theater for the New York Times. Follow

Stories from The Lily

The Lily, a publication of The Washington Post, elevates stories about women.

Perspective

My best friend is facing deportation to Afghanistan. Here's how we are fighting back.

'Eighth Grade' stars Elsie Fisher and Emily Robinson on the 'blurgh' of middle school

Meet the Subversive Sirens. These 5 women are bringing joy and inclusivity to synchronized swimming.