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Trump Talks Tough on U.S.-China Trade but Delays Real Action

By KEITH BRADSHER

SHANGHAI — President Trump appeared to follow through on Friday on his promises to get tough on trade with China, less than a week before he is to meet with President Xi Jinping of China.

In two executive orders, Mr. Trump called for tighter enforcement of tariffs imposed in anti-dumping and anti-subsidy trade cases, as well as a comprehensive review of the United States trade deficits — measures that reflect America's economic tensions with China. A pair of earlier presidential Twitter posts played to the tough talk: Mr. Trump said next week's meeting with China "will be a very difficult one," given the "massive trade deficits" and "job losses."

But beneath the surface, the moves betrayed a trade policy in disarray, with the administration troubled by staffing deficiencies and a lack of consensus over strategic direction. With more talk than action, the orders so far seem more like a delaying tactic that

gives administration officials the time to come up with a unified trade policy, which has eluded them so far.

The delays in instituting an overall trade policy, particularly the 90 days for reviewing trade deficits, could also have geopolitical advantages. By putting off decisions on economic policy, Mr. Trump gets an opportunity to focus next week with Mr. Xi on North Korea. American officials are increasingly concerned that North Korea may already have mounted a nuclear weapon on an intercontinental ballistic missile that can reach the United States or will very soon be able to do so.

During his presidential campaign, Mr. Trump criticized China for unfair trade practices, accusing it of draining millions of jobs from the United States through a huge imbalance. In Mr. Trump's view, that deficit was fed by Chinese currency manipulation, government subsidies to exporters and other directives aimed at giving China's homegrown players an edge.

The executive orders, though, do not really address those problems.

The 90-day review of the trade deficit, described as a comprehensive examination of the products and countries responsible for the gap, looks more like an economics classroom exercise than a foundation for policy. While portrayed as a new approach, it is the latest in a very long lineup of federal reports on trade.

Every year, the Office of the United States Trade Representative produces a voluminous report on foreign failures to protect intellectual property and another massive report on foreign trade barriers. The United States International Trade Commission, a separate federal agency, is constantly being asked by administrations and by Congress to produce lengthy reports on specific issues. And the Commerce Department produces a very detailed monthly report on trade statistics that includes data by country and by industry.

As for improving enforcement, that is a somewhat technical issue. In the order, Mr. Trump wants to ensure that the steep tariffs imposed in anti-dumping and anti-subsidy cases are collected.

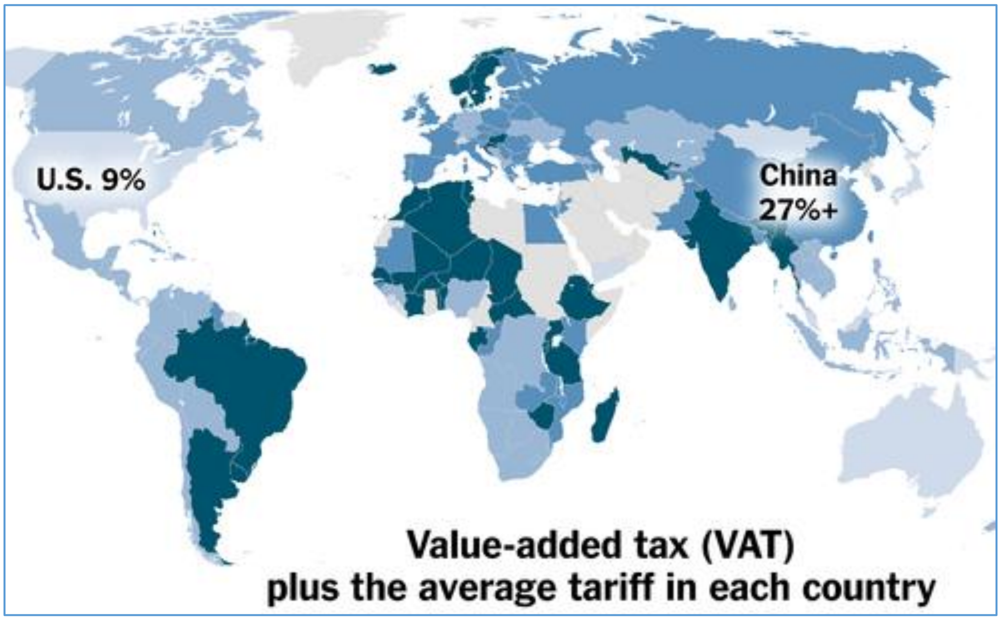
Over the years entrepreneurs have been suspected of setting up new companies in the United States to import goods, often from China, in the monthslong period after the government imposes such tariffs but before their exact amount is calculated. The companies bring the goods into the United States and sell them, and then the companies disappear or file for bankruptcy before the final duties can be collected.

"There are many unscrupulous tricks of the trade being used — especially by China — to evade hard-won duties and thus continue cheating through the use of dumping and subsidies," said Thomas M. Sneeringer, a former steel industry lawyer who is now the president of the Committee to Support U.S. Trade Laws, a manufacturing trade group. "These include falsifying the country of origin, transshipping, misclassifying products and outright criminal fraud."

Graphic

Building Trade Walls

The Trump administration faces the problem that China’s high trade barriers are allowed by the World Trade Organization, because China entered the group as a developing country and insists it still is one.



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But these cases aren’t an economic game changer. As little as 1 percent of American imports are covered by steep tariffs, and the actual effect of illegal violations of these tariffs is far narrower still.

“They’re politically sensitive, but in terms of the overall trade balance, they’re going to have a limited effect,” said Alan Wolff, a former American trade official who is now a senior counsel at the law firm Dentons.

What really could make a difference for the trade deficit would be if the United States imposed a so-called border-adjusted tax. Such a move would essentially impose a tax on goods from other countries.

It would strike at the heart of the trade deficit. Each year, the United States buys $4 worth of Chinese goods for each $1 worth of American goods that China buys.

The border-adjusted tax has strong similarities to the way China and the European Union assess taxes.

The combined value of import tariffs and average state sales taxes in the United States is just 9 percent. Import taxes plus value added taxes — a kind of sales tax — total 27 percent in China and roughly 25 percent in Western Europe.

Above all, the Trump administration still has not made the most fundamental strategic decision. Will the main priority on trade be a border-adjusted tax as part of tax reform in Congress? Or will the main priority be a long series of narrow, industry-specific trade disputes?

Peter Navarro, the director of Mr. Trump's National Trade Council, and Wilbur Ross, the choice for commerce secretary, appear to favor a more aggressive approach like the border tax. Others, like Gary Cohn, the head of the National Economic Council, and Treasury Secretary Steven Mnuchin, could have a moderating influence.

Chinese officials have been watching the issue with rapt attention.

Zhong Shan, China's new minister of commerce, was asked at a news conference during the National People's Congress annual session in early March which of two difficult outcomes he might prefer. A border-adjusted tax would impose a heavy financial burden on Chinese exports and the Chinese economy, but it might result in limited diplomatic friction. The tax would amount to a single action by the United States and would apply equally to trade with all foreign countries — not just China.

A flurry of sector-specific trade restrictions by the United States might not add up to a lot of money, because bilateral trade is divided into thousands of categories. But it could produce a long series of diplomatic confrontations.

Mr. Zhong, in the usual fashion of trade ministers, did not address the question directly, endorsing a continuation of existing trade relationships. "No protectionism," he said, "serves the interests of the two countries."