

NEW DELHI: President [Donald Trump](#)

is betting Beijing will blink first in the showdown over tariffs. Such an outcome is far from assured -- and it could also take a while.

Trump said Friday the US will slap duties on \$50 billion in Chinese imports, with the first wave of tariffs to cover \$34 billion of goods and take effect July 6. The president threatened to raise the total even higher if China retaliated, which it swiftly pledged to do. The Communist Party-run government countered with a list of goods slated for tariffs, including cars and farm products, that could cause political damage for Republicans.

The US is still showing interest in talks with Beijing.

“Our hope is that it doesn’t lead to a rash reaction from China,” US Trade Representative Robert Lighthizer said in an interview with the Fox Business Network after the tariffs were announced. “We hope that this leads to further negotiations and we hope it leads to China changing its policies.”

The US duties are intended to punish China for abusing American intellectual-property rights. Trump also has signaled he wants to reduce America’s \$376-billion trade deficit in goods with China.

Much depends on how far Trump is willing to go to reach his goals. He has already threatened to put tariffs on an additional \$100 billion in Chinese goods. US officials are close to completing the list of products that would cover that amount, according to two people briefed on the matter, meaning the administration could escalate the conflict on short notice. The administration says it’s developing restrictions on Chinese investment and will release proposals on June 30.

“The question is, does the Trump administration really want to negotiate with China, or just draw blood and only after that start a serious negotiation with the Chinese?” said Scott Kennedy, deputy director of China studies at the Center for Strategic and International Studies in Washington.

Here are four scenarios that could come to pass in the coming weeks and months:

BOTH SIDES BACK DOWN

Less than a month ago, this seemed possible. Following talks between the two powers in Washington, Treasury Secretary Steven Mnuchin said the administration was “putting the [trade war](#)

on hold” and wouldn’t impose tariffs. Hope grew that the US would accept a modest increase in purchases by China of American products. But within days, the president backed away from the framework for the talks.

A short-term truce now seems unlikely. On Friday, a senior administration official said the US is looking for structural changes to the way China deals with technology. The administration wants Beijing to stop forcing American firms to transfer know-how. Beijing has signaled it won’t accept major changes to its Made-in-China 2025 blueprint, which lays

out how the Asian nation plans to lead in emerging industries such as artificial intelligence.

CHINA BLINKS

President [Xi Jinping](#)

has defended the existing global trade order. Certainly, China has a lot at stake. For years, state-driven investment and exports drove growth. Xi's government is trying to engineer a gradual slowdown that puts more emphasis on consumer spending. A trade war could disrupt Beijing's careful management of the economy, which showed signs of underperformance in May.

In the best-case scenario for the US, China would back down on technology issues and open its market to more American goods and services. "If you're a trade negotiator, in some sense, having President Trump is a great advantage because everybody knows he will impose tariffs and that gives the trade negotiator a lot of leverage," said Rod Hunter, a partner at law firm Baker McKenzie and former director of international economics at the White House National Security Council under President George W. Bush.

US BLINKS

Trump prides himself on his negotiating prowess. He co-authored a book called "The Art of the Deal," in which Trump describes how he extracted concessions in real-estate transactions.

But the jury is still out on Trump's negotiating record as president. The US push to overhaul the [North American Free Trade Agreement](#)

is in limbo. Critics say Trump gained little from his high-profile meeting this week with North Korean leader Kim Jong Un. It's quite possible China may call Trump's bluff, knowing how much the president enjoys a rising stock market and strong US economy.

China's list of products designated for tariffs includes a range of agricultural items like soybeans, sorghum and cotton, a potential blow to rural states that backed Trump in the 2016 presidential election.

"What Trump is signaling here is that he wants to not only continue negotiations, but he'd actually like to have them resolved in the short term rather than the long term," Terry Haines, managing director and head of political analysis at Evercore ISI, told Bloomberg Television.

ALL-OUT TRADE WAR

There's reason to believe the US and China won't solve this soon -- and things could escalate quickly. Neither side wants to be seen as weak. Trump rode to power on his appeal in Rust Belt states hit hard by globalisation. With midterm elections in Congress in November, he's under pressure to appease his political base. Turning China into a global technology leader is a key part of Xi's long-term strategic plan.

If Trump pushes for systemic changes to China's basic economic model, the world could be in store for a long period of tensions between the two nations. Past US administrations have urged Beijing to loosen control of industries as steelmaking, with little effect.

Bloomberg Economics estimates a trade war would have a limited direct impact on growth in both countries. But that could change if the conflict hurts business and consumer confidence.

“A trade war can be anything from a minor skirmish to a full-blown battle, with lots of collateral damage to American workers, farmers and consumers,” said Michael Smart, managing director at Rock Creek Global Advisors in Washington and a former international trade director on the National Security Council. “We’re not there yet, but it’s scary, because it seems like we’re on a path toward major conflict, and it’s hard to see the off ramp.”