|  |  |
| --- | --- |
| Metatag Type |  |
| Title | Why Trump’s tariff-based battle plan against China completely misses the point |
| Source | South China Morning Post |
| Author(s) | David Dodwell |
| Published/Uploaded | Monday, 09 April, 2018, 1:47pm |
| URL | http://www.scmp.com/business/global-economy/article/2140803/why-trumps-tariff-based-battle-plan-against-china-completely |
| Total Images | 2 |
| Total Videos | 0 |
| Total Ext. Links | 1 |
| Total Items Comprising the Sample | 1 |
| Total Word Count | 504 |
| Contributor | T. T. Williams |

Following “Trade wars are good, and easy to win”, we now have a second, slightly more reflective iteration of Trump’s China trade battle plan – not this time in a Tweet, but in an interview with a New York radio station: “I’m not saying there won’t be a little pain … We might lose a little bit … but we’re going

Bottom of Form

Trump himself might be forgiven for not having the depth of trade or foreign policy knowledge to recognise this, but he is surrounded by (mainly) men who ought to have deep knowledge, and who ought to be fully aware of how the logic underpinning this brewing trade war is dangerously flawed.

Most important, concerns about IP protection, and forced technology transfer are well-founded and need to be addressed. So too do concerns about the scale of subsidies and support for state-owned enterprises (though most economies, including the US, provide generous subsidies to their own “champions”, so people in glass houses should be careful where they throw stones).

But these problems have little to do with tariff barriers, and much more to do with behind-the-border regulatory barriers and an array of policies intended to help domestic champions to develop the maturity and sophistication to compete with massive and well-established multinationals.

No wonder, therefore, that so many in the US business community are applauding the Trump administration for “getting tough” on trade, while attacking Trump for following a tariff-based battle plan focused on bilateral trade deficits that wholly misses the point. They don’t want additional costs imposed on trade. Rather, they want China’s market peeled open.

But to point a finger uniquely at China is disingenuous. The US and the EU have been as reluctant as China to tackle the hundreds of behind-the-border regulations that frustrate international companies’ access to their respective home markets.

Nor, as they play catch-up, has China felt in any way embarrassed by the strategy it has openly pursued. Ever since entering the WTO, they have been made glaringly aware that as “the manufacturer to the world”, their place has been at the lowest-value-adding point in companies’ global production chains.

When Acer’s Stan Shih first drew his production chain “smiley face”, it was immediately clear that China’s companies were the assemblers that sat at the lowest point of the chain. It irked them that China’s workers at Foxconn in Dongguan accounted for just US$7 of the US$500+ of an iPhone being sold on US retail shelves.

If Beijing was to lift Chinese workers out of poverty and create a prosperous middle class, they needed to capture higher-value-adding parts of the production chain. There has since then been a relentless quest to capture better value-adding skills – capturing IP sometimes by illicit means, and ruthlessly squeezing foreign investors to transfer technology.

Theft of IP can never be acceptable, but it is my guess that China will continue to use the seductive potential of its massive market to continue to squeeze technology transfer wherever possible. Irritating but understandable in the ruthless horse-trading of international business.