CHINA

Trump Expects to Move Ahead With Boost on China Tariffs

President, in interview, calls it 'highly unlikely' that U.S. would hold off on increase to 25% on $200 billion of goods

President Trump said tariffs could be placed on Apple iPhones imported from China. **PHOTO:** RICHARD B. LEVINE/NEWSCOM/ZUMA PRESS

By Bob Davis

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WASHINGTON—President Trump, days before a summit with China's leader, said he expects to move ahead with boosting tariff levels on $200 billion of Chinese goods to 25%, calling it "highly unlikely" that he would accept Beijing's request to hold off on the increase.

In an interview with The Wall Street Journal, Mr. Trump suggested that if negotiations don't produce a favorable outcome for the U.S., he would also put tariffs on the rest of Chinese imports that are currently not subject to duties.

"If we don't make a deal, then I'm going to put the $267 billion additional on" at a tariff rate of either 10% or 25%, Mr. Trump said. He first threatened those duties, and the higher tariffs on the initial $200 billion in goods, in late summer.

The meeting between Mr. Trump and President Xi Jinping of China at a summit of the Group of 20 industrial and developing nations in Buenos Aires, which begins on Friday, comes amid escalating trade tensions that have weighed on stock markets in both countries. That has heightened pressure on both sides to show progress; U.S. and Chinese officials have been speaking for the past few weeks.

In other trade disputes, Mr. Trump has used tariff threats as leverage to try to win concessions.

Some in the administration argue that the odds against a deal are high; the president may be trying to prepare the market for a negative outcome.

Chinese officials have said their priority is to convince the U.S. to suspend the planned Jan. 1 increase in tariffs on $200 billion in imports from China to 25% from 10% currently. Beijing also hopes Washington will forgo additional tariff actions against Chinese products and lift existing punitive taxes on China-made steel and aluminum.

The U.S. was unlikely to accede, Mr. Trump said.

Ahead of the summit, Beijing sent a proposal for a deal, which hawkish members of the president's trade team have characterized as insufficient.

But others, including officials at Treasury and the White House National Economic Council, have been trying to see whether the proposal could become the basis for a deal.

At most, U.S. officials said, the sides could agree to formal negotiations over the coming months. Should such talks occur, Beijing wants the U.S. to suspend the tariff increase and halt any additional levies.

So far, the talks haven't made much progress.

One indication: Chinese Vice Premier Liu He, Mr. Xi's economic envoy, traveled to Germany this week to attend a China-Europe forum instead of going to Washington to meet with U.S. negotiators. People close to the Chinese government said Mr. Liu's trip to Germany had been planned for a while, but the timing was firmed up after Mr. Liu decided not to go to Washington for any presummit talks.

The administration also figures that China's economy is slowing at a rate that worries Beijing. Later Monday, as he left the White House for a trip to Mississippi, Mr. Trump said of a China deal: "It could happen."

> "The only deal would be, China has to open up their country to competition from the United States," the Republican president said. "As far as other countries are concerned,

that's up to them." Mr. Trump also said that China would have to curb its theft of U.S. intellectual property.

The president said tariffs could also be placed on Apple Inc. iPhones and laptop computers imported from China if the U.S. decides to put tariffs on additional goods. Some of his aides had suggested those products might be exempted from additional tariffs. The administration has been worried about a consumer reaction should such items be subject to levies.

"Maybe. Maybe. Depends on what the rate is," the president said, referring to mobile phones and laptops. "I mean, I can make it 10% and people could stand that very easily."

Apple declined to comment on Mr. Trump's remarks. In a September letter to U.S. trade authorities, the iPhone maker said tariffs would disadvantage the company compared with foreign competitors and lead to higher U.S. consumer prices.

The mounting tariffs on Chinese imports have prompted many U.S. companies that export to the U.S. from China to examine whether they should put facilities elsewhere.

"What I'd advise is for them to build factories in the United States and to make the product here," Mr. Trump said in the interview. "And they have a lot of other alternatives."

Mr. Trump also used the China context to take another shot at his disapproval of interest-rate increases by the Federal Reserve, which he worries will crimp economic growth. "I think the Fed right now is a much bigger problem than China," he said. A Fed spokeswoman declined to comment.

At the G-20 meeting, the U.S., Mexico and Canada are expected to sign the renegotiated North American Free Trade Agreement, which has been renamed the U.S.-Mexico-Canada-Agreement. One reason the Trump administration made this deal a priority was to encourage U.S. companies to shift their production from China to North America, if not the U.S.

Mr. Trump said the U.S. wouldn't be hurt if a deal wasn't reached with China. He argued that the country would benefit from the tariffs collected on Chinese imports. He also repeated his threat to levy tariffs on auto imports, which could batter the European, Japanese and South Korean car industries. "I happen to be a tariff person," he said.

One consequence of higher tariffs is to drive production to countries whose exports don't face such levies. Tariffs can benefit domestic manufacturers but hurt U.S. companies that depend on inexpensive imports from China.

Many Wall Street analysts don't expect a tariff battle to slow U.S. growth much because the $500 billion in Chinese imports annually is a fraction of the $19 trillion U.S. economy. But some have argued that such estimates ignore the long-term impact of tariffs on important industries and could tip the U.S. economy into recession.

An escalation of trade tensions also could cause businesses in China to scale back production and investment and consumers to cut spending. An analysis by Wang Yiming, a vice minister of the State Council's think tank, the Development Research Center, estimates that a full-bore trade war with the U.S. could slash as much as 1.5 percentage points from China's GDP growth next year.

The world's second-largest economy is on track to meet the leadership's 6.5% growth target for this year.

Mr. Trump said that the U.S. problems with Beijing started when China joined the World Trade Organization in 2001. "The World Trade Organization is absolutely unfair to the United States, and they're going to have to change their ways," the president said. The administration argues that the WTO has tried to crimp U.S. ability to enforce trade rules.

U.S. Trade Representative Robert Lighthizer has increased pressure on the WTO, refusing to name new members to its appeals panels. Unless new judges are named in the coming months, the appeals body won't have a quorum to decide trade cases brought by member nations.

—Lingling Wei contributed to this article.

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