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POLITICS

Trump Ordered New Chinese Tariffs Over Objections of Advisers

President acted after China wouldn't commit to farm purchases at Shanghai talks



President Trump spoke to reporters on the South Lawn of the White House before boarding Marine One on Friday. Mr. Trump is threatening to put 10% tariffs on an additional \$300 billion in Chinese imports. PHOTO: ANDREW HARRER/BLOOMBERG NEWS

By Vivian Salama and Josh Zumbrun

Aug. 4, 2019 6:02 am ET

WASHINGTON—President Trump overruled advisers to ramp up tariffs on China after a heated exchange in which he insisted levies were the best way to make Beijing comply with U.S. demands, according to people familiar with the matter.

Barring a break in the impasse, the U.S. is now poised to impose 10% tariffs on roughly \$300 billion in Chinese imports that aren't currently taxed starting Sept. 1. Battle lines are hardening in Beijing as well—raising prospects that a deal may be put off until after the U.S. presidential election next year.

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Mr. Trump, who has speculated the Chinese may be waiting to negotiate with a possible Democratic successor, says a strong U.S. economy gives Washington the upper hand if

the dispute drags on. But advisers argued that a new round of tariffs could hurt the U.S. economy and further strain relations with China.

Trade talks in Shanghai last week were brief and unproductive. U.S. Trade Representative Robert Lighthizer and Treasury Secretary Steven Mnuchin were in China for a little over 24 hours, and their itinerary consisted of a dinner the night they arrived and a meeting that lasted about three hours Wednesday.

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Neither team was accompanied by large staffs needed for detailed technical discussions, as in past rounds. The talks last week involved fewer than 10 people, including interpreters.

After returning, the trade negotiators and other top advisers congregated early Thursday afternoon in the Oval Office to brief Mr. Trump on the talks. Messrs. Lighthizer and Mnuchin conveyed that they didn't yield the kind of results that Mr. Trump had intended, the people said.

Mr. Trump, who had a re-election rally scheduled in Ohio later that day, wanted to be able to assure farmers—who have been hardest hit by the trade fight as China scaled back purchases of U.S. corn, soybeans and pork—that he had at least secured concrete commitments from the Chinese that they would boost their purchases of U.S. agricultural exports.



U.S. Trade Representative Robert Lighthizer attended brief trade talks in Shanghai last week.
PHOTO: BRENDAN SMIALOWSKI/AGENCE FRANCE-PRESSE/GETTY IMAGES

But to his frustration, Messrs. Lighthizer and Mnuchin couldn't give him any guarantees.

"Tariffs," Mr. Trump said to his team, one of the people said. Those present included his national-security adviser John Bolton, top economic adviser Lawrence Kudlow, China adviser Peter Navarro and acting chief of staff Mick Mulvaney.

All of them, save Mr. Navarro, a China hawk, adamantly objected to the tariffs, the people said. That spurred a debate lasting nearly two hours, one of the people said. Beijing insists that tariffs must be dropped in return for concessions demanded by the U.S.

The president said his patience had worn thin and stood by his argument that tariffs were the best form of leverage, the person said.

His advisers eventually conceded, one of these people said, and then helped the president draft the tweet announcing an extension of tariffs to essentially all Chinese imports.

The decision followed weeks of advice from some of Mr. Trump's advisers, including his son-in-law Jared Kushner, to put China talks on the back burner, according to the people and a former administration official.

The president's advisers urged Mr. Trump to focus on other trade pacts, including the pending deal with Canada and Mexico, which still needs congressional approval, as well as talks with Japan, which in recent weeks have gained momentum, these people said.

Proponents for standing pat on China argue that any deal with Beijing is likely to be attacked as too soft by Democrats in Congress, and that an escalation in tariffs will eventually start to become a drag on the economy, the people said.

The stock market is one of Mr. Trump's primary gauges of economic confidence and until late last week Wall Street had been riding high. Mr. Trump's resolve to impose the tariffs may have been further strengthened by the Federal Reserve's decision just one day earlier to cut its benchmark interest rate by a quarter percentage point, which could give an already strong U.S. economy extra fizz.



A worker operates a combine harvester in Kirkland, Ill. Farmers have been hardest hit by the trade fight as China scaled back purchases of U.S. corn, soybeans and pork. PHOTO: DANIEL ACKER/BLOOMBERG NEWS

“The economic effects (of the trade dispute), at least in President Trump's eyes, haven't been massive on the U.S. economy and he's got what he thinks the Fed is lowering rates to accommodate his trade policy,” said Chad Bown, a senior fellow at the Peterson Institute for International Economics.

“Perhaps that emboldened him to do more tariffs.”

The response, however, was swift. Stocks plunged Thursday and Friday on prospects of a prolonged trade fight, and business groups warned about the impact on consumer spending.

Consumer products that had been spared in previous rounds—including smartphones, apparel, toys and videogames—will now be subject to tariffs.

The U.S.-China Business Council, which represents companies that do business in China, expressed fears about the impact on its members. China doesn't import enough from the U.S. to impose an equivalent levy in tariffs, so the likely retaliation could include "increased regulatory scrutiny, delays in licenses and approvals, and discrimination against U.S. companies in government procurement tenders," president Craig Allen said.

China has its own pressures on the domestic front. The Trump administration's decision to proceed with arms sales to Taiwan, which Beijing sees as a breakaway province to be reunified with the mainland one day, plays into the hands of those Chinese government leaders who are distrustful of Mr. Trump.

Last week, just before the trade talks got under way, China's Foreign Ministry accused Washington of being behind mass antigovernment protests in Hong Kong, with a spokeswoman calling them "the work of the U.S."

"Within Chinese government circles, there are strong voices against any deal with the Trump administration," said Myron Brilliant, head of International Affairs at the U.S. Chamber of Commerce. "With each escalation by either government, the two sides grow further apart and prospects of a comprehensive high-standard agreement more remote."

Despite the deterioration in talks, Mr. Trump signaled confidence in the U.S. position from his New Jersey golf resort on Saturday. "Things are going along very well with China," he said on Twitter.

"They are paying us Tens of Billions of Dollars, made possible by their monetary devaluations and pumping in massive amounts of cash to keep their system going. So far our consumer is paying nothing—and no inflation. No help from Fed!"

—*William Mauldin contributed to this article.*

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