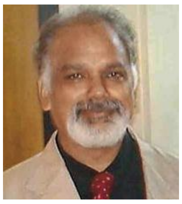

Arvind Sinha

President elect Donald Trump & Business with China

Compiled by Arvind Sinha

China will have great gains from the Presidency of Donald Trump

China has been a very favorable topic for U.S. politicians for last three decades, and the 2016 election was no exception. Former U.S. Secretary of State Hillary Clinton repeatedly promised to stand up to China and hold it accountable to international trade rules, but the exact wording of her statements usually left her enough room to avoid action if necessary. However, President-elect Donald Trump's anti-trade, anti-China rhetoric, however, unambiguously bound him to decisive action.

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Now since he will be in White House very soon, he has to take tough decisions to fulfill his commitments made during Presidential campaign. Trump will have to thoroughly discuss and plan these implementations has he will come to know now facts of various matters which he has been discussing during the campaign and he will find a difficult to keep many promises made during campaign. With Republicans in control of both the Senate and the House of Representatives, he won't be able to blame Congress if he fails to deliver. In fact, he could make good on most of his promises on trade and China through executive action, without Congressional approval. U.S. President Barack Obama's penchant for governing by executive order means that many of his initiatives can be reversed with the stroke of a pen. Expect a quick end, for example, to U.S.-Chinese cooperation on climate change.

At the very beginning of his campaign, Trump pledged to label China a currency manipulator on day one in office. Trump has also vowed to take legal action against Beijing (domestically and at the World Trade Organization) and to slap punitive tariffs on China if it does not stop its illegal activities. Not much wiggle room there.

On top of all this is Trump's pledge to scrap the **Trans-Pacific Partnership**, Obama's flagship trade, investment, and intellectual property deal. In theory, the **TPP** should attract broad support from the U.S. political establishment. In practice, it has become politically toxic. Primarily a tool for spreading U.S. interests abroad, Trump has portrayed it as a Trojan horse for foreign—and ultimately Chinese—influence.

Those were the campaign promises. What is the reality? President Trump's China policy is likely to be much less aggressive than candidate Trump's. His language may not have been as carefully chosen as Clinton's, but his stance is not as extreme as it may appear. China probably has little to fear from Trump. And it may even stand to gain.

Trump has loudly, repeatedly, and unequivocally promised to instruct his secretary of the treasury to label China a currency manipulator on day one of his presidency. There is little reason to doubt his commitment to do so. Everyone knows that China is a currency manipulator and has been for the last 40 years. All countries take actions to manage their currencies, but China is more overt about it than most. Diplomatic politesse is the only reason China has dodged the label for so long.

The problem for Trump is that these days, China is more likely to be manipulating its currency up. Most countries accused of currency manipulation are accused of doing the opposite: a weak currency boosts export competitiveness. In fact, of the six countries on the U.S. Treasury Department's currency manipulation watch list, five are depressing the values of their currencies.

By contrast, China has intervened heavily in foreign currency markets to prevent a rapid RMB depreciation, according to a recent U.S. Treasury Department report.

The communiqué goes on to note that over the last year China has “sold more than $570 billion in foreign currency assets to prevent more rapid RMB depreciation.” That represents an enormous market intervention to keep the RMB strong—and make Chinese exports less competitive.

China has not been manipulating its currency as a gift to U.S. exporters. It has been intervening to gain accession to the International Monetary Fund's global benchmark basket of currencies and to put a lid on the massive capital flight of late 2015 and early 2016. So although China clearly is a currency manipulator, and Trump's Treasury Department might label it as such, the only realistic remedy would be for Washington to continue monitoring China. Right now, Beijing’s actions are helping U.S. exporters, not hurting them.

TRADE AND RETRIBUTION

Trump’s threat to start a trade war with China is a more serious concern. Here the issue is big steel. Steel is a politically sensitive topic in Midwestern states such as Indiana, Michigan, and Ohio—states that propelled Trump to the presidency. With an eye to 2020, Trump can ill afford to be seen as weak on steel.

But widespread media panic over the possibility that Trump will place tariffs on Chinese steel is largely overblown. The United States routinely slaps punitive tariffs on Chinese exports. For example, in May the Obama administration hit China with tariffs of 451 percent for corrosion-resistant steel and 522 percent for flat-rolled steel. Chinese tires, chemicals, and other products also face heavy anti-dumping duties. The global economy has not ground to a halt.

Given extensive Chinese state intervention in its steel industry (which is largely state-owned), U.S. trade protection against Chinese steel is inevitable. The question isn't whether to act; it is about how much action to take. The prior existence of relatively uncontroversial Obama administration tariffs in the range of 500 percent doesn’t offer much room for concern about Trump’s future actions on steel.

Some of Trump’s vaguer statements on the campaign trail—for example, that all Chinese exports enjoy unfair trade subsidies of anywhere from 20 to 45 percent—do not bind him to slapping indiscriminate tariffs on all Chinese-made goods. In any case, Trump’s allegations of unfair competition are probably true. Labor and environmental standards in China are atrocious, and state subsidies are rife.

But tariffs are unlikely in industries where there are no major U.S. competitors for Chinese imports, or where goods are manufactured in China by U.S. companies. Industries that may once have been politically sensitive, such as electronics and footwear, no longer are. Trump is more likely to place duties on high-value durable goods, such as subway carriages and specialized construction equipment. These moves won’t make the national headlines, but they will help Trump on the stump in 2020, when he will have to convince Midwestern voters that he delivered on his trade promises.

A GIFT TO CHINA

China’s biggest cause for cheer is that the populist turn seems to have ended all possibility that the United States will ratify the 12-country **TPP**. The agreement will only enter into operation if at least six of the countries involved, constituting 85 percent of the group’s GDP, ratify it. That means without the United States, there will be no **TPP**.

The **TPP** is highly controversial for many reasons, but one thing is clear: it is a United States–centered trade agreement that strongly favors U.S. interests.

On the campaign trail, Trump repeatedly warned that if the **TPP** came into force, China would eventually "enter the **TPP** through the back door at a later date." He didn't seem to understand that the whole point of the **TPP** is to set the rules of twenty-first century trading without input from China, then make China agree to those rules in order to join.

Trump's unequivocal pledge to dump the **TPP** even compelled Clinton, who had once called the deal "the gold standard," to disavow it. Now the Obama administration has publicly proclaimed that it will not lobby Congress to ratify the TPP during the lame duck session, and Senate Majority Leader Mitch McConnell has clearly stated that the bill will not be brought to a vote this year.

Killing the **TPP** may be the one great gift that Trump (and the rest of the dysfunctional U.S. political establishment) gives to China. When Trump set out on this political odyssey a year and a half ago, he gave a rambling kick-off speech in which he said over and over again how much he loves China. He said that China's leaders are smarter and more capable than our own. The self-inflicted death of the **TPP** may just prove him right.

Hence actions of President Donald Trump will be watched Global Community very carefully particularly in case of China & Iran. China it looks stands to gain considerably because of exist of **TPP** and USA may not find easy replacement of Chinese goods because of capacity constrains globally and nobody can match Chinese production capacities. This has to be very carefully watched now.

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