



**CNN TODAY**

## **US-China Tariffs, Trade War**

**Robert Lawrence Kuhn, August 2, 2018**

**Host:** To talk about the potential impact [of tariffs].... Robert Lawrence Kuhn is a long-time advisor to China's leaders and the Chinese government. He is also the author of *How China's Leaders Think*. You are the perfect person to have on to get China's perspective. Thank you so much for joining us.

**RLK:** A Pleasure.

**Host:** So Trump is obviously hoping for some kind of trade deal, but is this going to work? Tariffs to get Chinese officials to the table?

**RLK:** Certainly from China's point of view, they were very happy with the status quo before this occurred. They blame the U.S. for starting a trade war. They think the U.S. will suffer and, indeed in a trade war, everybody suffers. There are some serious problems, though, that American experts, American government [policies], reflect. Very few people in the U.S. actually support the tariffs themselves. There will be higher prices for consumers. There will be more people affected – [there are] more industries that use steel than produce steel.





**RLK:** So there's a significant impact [on the US]. The US hope is that China will be pressured to make changes in its policy. Now the [tariff] policy is not just [targeting] the trade deficit. The policies are, what are called, China's closed market, intellectual property protection, industrial espionage, tech transfers and JVs (to get the Chinese market) and government support for tech. And for each of these, China has responses. China says it was doing what was appropriate under the WTO because it was a developing country. Now that it's advanced, it's opening markets.

China has a "negative list" telling people [companies] what it cannot do, making it much easier; China is also opening further in autos and financial services. But they need to be pushed more. Even economists in China recognize that, that coming out of this, if we have cool heads and smart brains, both sides can be better off.

**HOST:** So are there other ways to do this? You listed that Trump wants to close a trade deficit. He's hitting back at these closed markets. He wants to prevent the stealing of intellectual property. What is an effective way to do this besides heaping these tariffs on China?





**RLK: Well some people would say that tariffs have at least got China's attention. Even some leading people tell me privately in China that in that sense China needs to move faster in doing things like opening markets, like intellectual property protection. Now they are doing some things. They have an intellectual property court. I visited it in Shanghai a few months ago. It's working really well. Much more progress needs to be done. So in that sense the tariffs are a beacon that tells everybody we need to deal because everybody is going to suffer by tariffs. The question is how we deal with it.**

**China needs to make some specific changes regarding markets, IPR, some of these other things — they should be done subtly and not publicly. That's the way to get things done.**

**HOST: I see. You know, President Trump has infamously said that trade wars are good and they're easy to win. And you wrote about this, why the Chinese don't think that the U.S. could ever win a trade war with Beijing. It was a very long list but tell us the highlights of that.**

**RLK: Right — in the early days of the so-called trade war, the Chinese media and Chinese experts were talking very frequently about how the U.S. can't win.**





**Examples were the U.S. is divided on tariffs which is certainly true. China is not because publicly people don't speak against the Chinese government, so that may be a little bit artificial, but nonetheless it is a matter of public policy in China to support the government. There's a nationalistic pride in China. Americans will be affected by their pocket book. They're going to pay more for baseball gloves and television sets and dishwashers. And people are not going to be happy about that. There will be industries that will be affected — and technology and soybeans we know. So there will be many, many interest groups in the U.S. that will argue and fight against tariffs.**

**So the basic reason is that the U.S. has a divided approach to tariffs, and that's certainly true. Most experts deny that tariffs are an effective way. Quiet diplomacy, putting pressure on China in the right way is the way because China does need to make some changes. People in China recognize that.**

**HOST: As China is saying they will not be blackmailed to doing these things. We're going to have to leave it there. Robert Lawrence Kuhn, we appreciate your expertise. Thank you very much for your time.**

**RLK: Thank you.**

