

# **BBC World Service**

## **BBC Newsday**

### **New Tariffs, Trade War**

#### **Robert Lawrence Kuhn**

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**HOST:** Now to China, where Premier Li Keqiang has defended the principle of free trade just as a trade war with the US escalates. On Tuesday, the Chinese government confirmed it would impose tariffs on US goods worth \$60 billion following the Trump Administration's earlier decision to impose tariffs on \$200 billion worth of Chinese goods. Robert Lawrence Kuhn is a long-term advisor to Chinese leaders and multinational corporations. He's also the author of "How China's Leaders Think". So what do they think?

**RLK:** They want to de-escalate. They'd like to go back to the status quo ante, the way it was before. That's impossible because of reactions and feelings in the US about what's been transpiring for many years. But China signaled with its response to Trump's \$200 billion worth of goods on which he is putting 10 percent tariffs, going up to 25 percent in January. China levied tariffs on \$60 billion of US goods, but about half of it was at 5 percent, half at 10 percent. So that's a signal that China wants to ratchet this down.

**HOST:** If we look at that Chinese response, wanting to ratchet down and so on, surely the risk for them is that President Trump will say, Aha, they're weak, I'm winning. I'm just going to press on even harder with what I was doing.

**RLK:** Yes, of course, and China is sensitive to that. There are two big issues that the government founds its legitimacy on, as does the ruling Communist Party of China. One is economic growth. This is the 40th year of reform and opening up. China has had dramatic success. The economic miracle is a term that's quite justified. But the second area is national rejuvenation, national pride, which is equally important. And so China must protect that. China cannot look weak.



**HOST:** But isn't it looking weak by putting on 60 billion rather than 200 billion --

**RLK:** In one analysis, it looks strong because it's not looking to make some violent changes like selling treasury bonds or preventing visas or attacking American corporations.

**HOST:** But that is interesting, sorry to cut across you. But that is interesting because there has been lots of analysis coming, I suspect mainly out of the U. S that it is possible that China could set off some of the US bonds it owns. You think that's unlikely?

**RLK:** Well, I think it doesn't make sense that at this point. That would just make things worse. China is retaliating, as they say, unwillingly and unhappily. They talk about having "synchronized countermeasures". They're not trying to escalate the dispute — and in one sense, if you think about it, that's a stronger position because they want resolution of this. But there are these key issues that need to be resolved. And I think that the key is for China to really open its markets more and indeed, many Chinese economists call for that themselves for China's own benefit, because the more competition will just improve Chinese industry and help the Chinese consumer.

**HOST:** There's no sense that this is going away anytime soon, this problem though; this is going to get worse before it gets better, the relationship between China and America.

**RLK:** I think that's a fair call at this point. Certainly nothing before the midterm elections. I don't see this lasting 20 years, but it's not going to be over in a few months.

**HOST:** The views of Robert Lawrence Kuhn.