
CHINA READY TO STEP UP SCRUTINY OF U.S. FIRMS IF TRUMP STARTS FEUD: SOURCES

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China is prepared to step up its scrutiny of U.S. companies in the event President-elect Donald Trump takes punitive measures against Chinese goods and triggers a trade war between the worlds two biggest economies after he takes office, according to people familiar with the matter.

The options include subjecting well-known U.S. companies or ones that have large Chinese operations to tax or antitrust probes, the people said, asking not to be identified because the matter isnt public. Other possible measures include the launch of anti-dumping investigations and scaling back government purchases of American products, according to the people.

The move illustrates how the fallout from escalating tensions between the two nations could spread to companies. Trump has made China a frequent target of his attacks and nominated trade-related officials that the Communist Partys Global Times newspaper said would form an "iron curtain" of protectionism.

Any retaliation by China against Trump could be risky. A backlash may result in China damaging access to its biggest trading partner, said Michael Every, head of financial markets research at Rabobank Group in Hong Kong.

"When you have a country with a large trade deficit that retaliates against a country with a large trade surplus with it, its the country with the trade deficit that wins," said Every. "The country with the surplus loses, every time."

Americas trade deficit with China narrowed to \$31.1 billion from \$32.5 billion in October as U.S. exports to the nation were the strongest since December 2013, according to the most recent data available. That brought the trade deficit to \$288.78 billion for the ten months to the end of October.

Playing Chicken

Chinas central government compiled the possible countermeasures after collecting opinions from various departments, the people said. The punitive steps would only be carried out if the U.S. acts first and after senior Chinese leaders sign off on them, they said.

Representatives at Chinas Ministry of Commerce, National Development and Reform Commission, State Administration of Taxation and General Administration of Customs either didnt respond or couldnt immediately comment to Bloomberg queries.

Representatives at Trumps transition team didnt respond to a request for comment.

Late last year, China fined General Motors Co., the second-largest foreign carmaker in the country, nearly \$30 million for antitrust violations after the company was accused of setting minimum prices on some models made by its SAIC General Motors joint venture. GM said at the time it respects local laws and that it would fully support its venture in China to ensure all appropriate actions are taken.

Given how much they have at stake -- Rhodium Group estimates American multinational corporations have poured more than \$228 billion into China since 1990 -- U.S. business groups have a history of pushing back against Washington on trade issues with China. In the 1990s, companies including Boeing Co., Motorola Inc. and American International Group Inc. were involved in lobbying efforts in the annual battle to renew Chinas most-favored nation status that gave its exports low-tariff status in the U.S. In 2011, trade groups representing companies including Microsoft Corp. and Wal-Mart Stores Inc. lobbied against legislation to pressure China to raise the value of its currency.

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