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“Triple punch” policies to bring years of trade tensions^①

US President Donald Trump has adopted a hard-line trade policy and recklessly instigated the trade conflict with China. This is the result of a combination of adjustments to his trade, foreign, and fiscal policies. These intertwined policies will likely stretch China-US trade frictions throughout Trump's presidency.

First of all, the adjustment to the trade policy includes a shift from multilateral free trade to regional free trade and pressuring other countries to open their markets.

Since the turn of the 21st century, the US has had three presidents - George W. Bush, Barack Obama and Donald Trump. Bush addressed the benefits of free trade and

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pushed through WTO negotiations and regional free trade zones, while Obama emphasized building the Trans-Pacific Partnership (TPP). This means US trade policy has already shrunk from multilateralism to an emphasis on regional trade. When Trump became president, he started to abandon regional free trade settlements such as NAFTA to pursue bilateral trade relations. He threatened US trade partners to open their markets and asked for more favorable conditions. The change in policy has shown US interest in global trade cooperation has been falling.

Secondly, US foreign policy has also diverted to keep China in check. The Bush administration put anti-terror operations at the top of the agenda, leaving limited time and energy to elaborate a specific strategy against China, which left China with space to develop. The Obama administration proposed a return to Asia in an effort to rebalance China. On trade, the TPP had obvious intentions to leave China out of the picture. Especially during Obama's second term, different interest groups managed to agree on one issue - seeing China as a rival and trying to contain it. The Trump administration made it clear that China is a strategic competitor in the 2018 National Defense Strategy. Trump has been assembling a hawkish team in the White House that is increasingly hostile to China.

Third, US fiscal policy has make deficit reduction its top priority. The US had a



surplus in goods trade in the 1960s. Since 1976, the US has had a trade deficit. Especially since 1984, the US trade deficit in goods has exceeded \$120 billion. The US trade deficit has increased nearly 80 percent since 2000, becoming the country with the largest trade deficit. The Bush administration did not make reducing the deficit a target, nor did the Obama administration, despite an attempt.

Since taking office, Trump has made reducing the US trade deficit a priority, rolling out a series of policies such as tax cuts, infrastructure improvements, the renegotiation of NAFTA, and trade protectionism to cut the US trade deficit.

Trump initially hoped that China would cut its trade surplus with the US by \$100 billion. Later his team doubled this goal to \$200 billion by the end of 2020 at the first trade talk in May.

US trade policy, foreign policy and fiscal policy have combined to create Trump's aggressive policy, and it seems that the three policies tend to work simultaneously.

If the US only adopted tougher foreign policy and made eliminating the trade deficit its policy goal, Trump would not withdraw from the TPP, renegotiate NAFTA, levy tariffs on its traditional allies and ask for such a high price from China.



If the US only changed its trade policy and reduced the trade deficit, then the strategy to deal with China should be to sit down and talk instead of making excuses about intellectual property rights theft and accusations about "Made in China 2025."

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