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U.S. and China Ramp Up Trade Threats

In high-stakes gambits, the Trump administration is preparing to unveil new tariffs and Beijing is weighing possible retaliation

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President Trump's economic conflict with China is set to escalate this week, as the administration plans to unveil fresh tariffs on $200 billion in Chinese products entering the U.S. and Beijing debates new ways to retaliate against U.S. corporations doing business in China.

The threats from both sides of the Pacific risk upending a fragile new diplomatic initiative—led by Treasury Secretary Steven Mnuchin and supported by top U.S. financial and business executives—to see if they can broker negotiations aimed at staving off a new round of tit-for-tat penalties.

As part of that initiative, the Chinese government over the weekend was completing plans for a top economic policy official to visit Washington in the next few days to lay the groundwork for a trip by Vice Premier Liu He the following week. Mr. Liu is expected to see Mr. Mnuchin, and possibly Mr. Trump.

But Chinese officials said that if Mr. Trump carries out his plans to announce the fresh tariffs early this week—as people familiar with his plans said over the weekend that he would—then those talks could get scuttled.

"China is not going to negotiate with a gun pointed to its head," said a senior official who advises the leadership on foreign-policy matters.

White House spokeswoman Lindsay Walters declined to comment on the status of the tariff discussions inside the administration, referring to a Friday statement that said: "The president has been clear that he and his administration will continue to take action to address China's unfair trade practices. We encourage China to address the longstanding concerns raised by the Unites States."

With the expected new round of U.S. tariffs, combined with earlier rounds, the Trump administration will have levied duties on roughly half of the more than $500 billion in Chinese goods that enter the U.S. each year, a considerable escalation coming amid a series of other U.S. initiatives aimed at overhauling American trade policy.

Mr. Trump's aides are locked in tense negotiations with Canada to rewrite the quarter-century-old North American Free Trade Agreement by a month-end deadline, as the president threatens to expel Ottawa from the pact that also includes Mexico. Talks between the U.S. and Canadian chief negotiators ended inconclusively last week, and, as of Sunday, there were no set plans yet to resume this week, officials said.

The Trump administration's two-track approach to China—new import taxes looming on $200 billion in goods, twinned with a willingness to hold new high-level talks—shows divisions inside the Trump team.

The next stage of Mr. Trump's unfolding China strategy also reflects the president's personal desire, according to people familiar with administration deliberations, to show Beijing that he is willing to step up the pressure, that he feels he has the upper hand in the conflict, and that if tariffs and diplomacy conflict, he will choose tariffs.

For its part, China shows no signs of backing down, and it is unclear what fresh concessions, if any, Mr. Liu would offer on a Washington trip. Indeed, some Chinese officials advising the leadership are proposing to step up the trade fight a notch by restricting China's sales of materials, equipment and other parts key to U.S. manufacturers' supply chains.

Such restrictions could even apply to Apple Inc.'s iPhones, which are assembled in the mainland, officials said, without elaborating. Apple didn't respond to a request for comment.

China can adopt "export restraints" as a way to hit back at the U.S., in addition to retaliatory tariffs it has

already deployed, former Finance Minister Lou Jiwei told a gathering of Chinese and American academics and business executives Sunday.
At the same time, Trump officials appear to be trying to balance the president's desire to squeeze China with concerns about hurting American consumers reliant on cheap Chinese imports—especially in the middle of a difficult election campaign season for his Republican party.

In a nod to those concerns, the administration is looking at lowering the tariff rate on the $200 billion in goods to about 10%—down from the 25% level they said in early August that they would impose on those imports, according to people familiar with the emerging plans.
In addition to the continuing Nafta talks, U.S. Trade Representative Robert Lighthizer is scheduled to meet separately over the next two weeks with his counterparts from Japan and the European Union to try to advance new trade agreements. And Mr. Trump has said he hopes to sign a revised trade pact with South Korea later this month.
Some Trump aides say the goal is to strike new trade deals with all of those allies to advance a unified global coalition supporting the U.S. campaign against China.
That campaign started earlier this year when the Trump administration issued a report accusing China of extensive unfair trade practices, and in particular of pressuring American companies to turn over valuable intellectual property in return for access to the Chinese market. The Chinese government has denied the allegations.

After negotiations between Mr. Liu, Mr. Mnuchin, and other members of the Trump team failed to resolve differences, Mr. Trump imposed 25% tariffs on $50 billion in Chinese goods earlier this summer. China retaliated by imposing tariffs on the same amount of U.S. goods. Mr. Trump responded by threatening to impose tariffs on $200 billion in additional Chinese goods.
In July, the administration unveiled a 195-page list of products it was considering for those tariffs—from fish to luggage to semiconductor equipment—and held more than a week of public hearings in late August, listening to pleas from importers and others asking to be spared.

The announcement expected early this week will include a final list of those goods, and companies will be studying it closely to see if any changes were made in response to their input.
Another big question will be the effective date that the administration sets for the new tariffs. In the past round, the tariffs took effect less than three weeks after the final list was released. If officials follow that practice, the duties would be in place by early October.
Advocates of further negotiations hope that a later effective date might leave the door open to further talks, especially if the Chinese were given a signal that the outcome of those discussions had a chance of staving off or diminishing the planned tariffs.
"If the administration is hellbent on putting tariffs in place in the next two weeks, it's very unlikely the Chinese will go ahead with a high-level visit," said Myron Brilliant, the top international official at the U.S. Chamber of Commerce, who has opposed the tariffs and talks regularly with officials on both sides.
"But if the administration announces the tariffs but pushes back the date for imposing them significantly, then one could speculate there's still an environment where the two sides could engage in meaningful commercial discussions."
The U.S. business community has played an active role in encouraging further negotiations, and the push for ongoing talks over the past few weeks has involved, among others, Blackstone Group LP Chief Executive Stephen Schwarzman, according to people familiar with the efforts.
While Mr. Trump was willing to accept Mr. Mnuchin's efforts to restart discussions with Mr. Liu, he wanted to make it clear he felt he was doing so at China's request, according to people familiar with administration deliberations. And those discussions have faced opposition from some of Mr. Trump's more hawkish advisers, such as White House trade official Peter Navarro.
—Tripp Mickle contributed to this article.