

## Trump mulls China sanctions, scrapping S. Korea trade deal

No free trade: A file photo of Chinese workers packaging aluminium rolls at a production facility at Huaibei in east China's Anhui province.

U.S. President Donald Trump threatened retaliatory action against two major Asian trading partners on Tuesday, warning of sanctions against China while vowing to revise or scrap a free trade deal with South Korea.

Accusing Beijing of decimating American steel and aluminium industries, Mr. Trump said he was “considering all options”, including tariffs and quotas.

Mr. Trump recently received two Commerce Department reports concerning alleged Chinese subsidies for steel and aluminium exports—materials that are vital for industries from construction to autos.

### Spectre of a trade war

He has another two months to decide on possible retaliatory action, but strongly indicated that he is leaning toward hitting back at Beijing.

“I will make a decision that reflects the best interests of the U.S., including the need to address overproduction in China and other countries,” he said.

Experts believe any U.S. sanctions would prompt China to respond with sanctions of its own, raising the spectre of a trade war between the world's two largest economies.

China produces around half of the world's steel and is accused of flooding the market to keep the economic wheels turning at home.

For decades, Chinese leaders have been consumed with the need to — as former President Hu Jintao once put it — create “25 million jobs a year.” But Mr. Trump also is under domestic pressure. He came to office vowing to be a champion of America's rust belt and said Monday he had to act to save the “empty factories” he saw on the campaign trail.

### Widening trade deficit

The U.S. trade deficit — which Mr. Trump has vowed repeatedly to fix — widened even further during his first year in office, up 12% to \$566 billion.

“They're dumping and destroying our industry, and destroying the families of workers, and we can't let that happen,” Mr. Trump told a group of Republican and Democratic lawmakers at the White House.

Mr. Trump received some support from the group, but also warnings that action against China could drive up prices and hurt U.S. manufacturing outside the steel and aluminium sectors.

“Mr. President, I think we do need to be careful here, that we don't start a reciprocal battle on tariffs,” said Republican Senator Roy Blunt. “You know, we make aluminium and we make steel” he said. “But we buy a lot of aluminium and we buy a lot of steel as well.”

Daniel Ikenson of the pro-trade CATO institute said that Trump may be forced to moderate his

actions, if not his tone.

“Despite the rhetoric, Mr. Trump doesn’t want to subvert ‘his’ economy,” Mr. Ikenson wrote this week.

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