



EIB World Trade Headlines

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Fax: (978) 250-4529 • P.O. Box 4008, Chelmsford, MA 01824

December 15, 2016 - Volume 8, Issue 23

TRUMPS First 100 Days might affect Exports

These are some action items that may affect Trade that President elect Trump has stated are goals he has set for his first 100 days in office.

- * (Might affect BIS, DDTC) a hiring freeze on all federal employees to reduce federal workforce through attrition (exempting military, public safety, and public health);
- * I will announce my intention to renegotiate NAFTA or withdraw from the deal under Article 2205
- * I will announce our withdrawal from the Trans-Pacific Partnership
- * I will direct my Secretary of the Treasury to label China a currency manipulator
- * I will direct the Secretary of Commerce and U.S. Trade Representative to identify all foreign trading abuses that unfairly impact American workers and direct them to use every tool under American and international law to end those abuses immediately
- * End The Offshoring Act. Establishes tariffs to discourage companies from laying off their workers in order to relocate in other countries and ship their products back to the U.S. tax-free.

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U.S. economy added 178,000 jobs in November; unemployment rate dropped to 4.6 percent

The U.S. economy added 178,000 jobs in November, and the unemployment rate fell to 4.6 percent from 4.9 percent the previous month, according to new government data released Friday morning.

The first employment report after a contentious presidential election in which the candidates expressed diverging views of the health and direction of the economy showed a job market that is continuing to steadily strengthen from the recession.

Economists surveyed by Bloomberg News had expected U.S. employers to create 180,000 new jobs last month -- roughly in line with the average number added in the first 11 months of the year.

[Seven of the 12 Fed districts described fall growth as modest to moderate]

The unemployment rate fell to levels not seen since August 2007, before a bubble in the U.S. housing market began to burst. The fall was driven partly by the creation of new jobs and partly by people retiring and otherwise leaving the labor force. The labor force participation rate ticked down to 62.7 percent last month.

Average hourly earnings declined by 3 cents to \$25.89. The decrease pared back large gains seen in October, but over the year, average hourly earnings are still up 2.5 percent, the Bureau of Labor Statistics said.

The data release comes ahead of the Federal Reserve's Dec. 13-14 meeting, where the central bank is expected to announce its first interest rate increase in a year. Although wages fell slightly in November, many economists view the steady wage gains of the earlier months as a sign that a tightening labor market is allowing workers to demand higher pay, increasing pressure on the Fed to head off inflation by hiking interest rates.

President-elect Donald Trump has promised to spend heavily to rebuild America's infrastructure, plans which may also increase inflationary pressure in coming months.

The November jobs report was also one of the final snapshots of the economy under President Obama's administration. While some economists note that America's labor force participation rate remains low and broader measures of unemployment are still elevated, the data captured an economy that has undeniably bounced back from Obama's first months in office, when the private sector was shedding roughly 800,000 jobs a month and the unemployment rate was at 10 percent.

Trump speaks with Taiwanese president, a major break with decades of U.S. policy on China

President-elect Donald Trump spoke Friday with Taiwan's president, a major departure from decades of U.S. policy in Asia and a breach of diplomatic protocol with ramifications for the incoming president's relations with China.

Trump spoke by phone with Taiwanese President Tsai Ing-wen, Trump spokeswoman Hope Hicks said. The conversation was first reported by the Financial Times and the Taipei Times.

The call is the first known contact between a U.S. president or president-elect with a Taiwanese leader since the United States broke diplomatic relations with the island in 1979. China considers Taiwan a province, and news of the official outreach by Trump is likely to infuriate the regional military and economic power.

A spokeswoman for Taiwan in the United States said she could not immediately confirm that the conversation took place, and said she was seeking guidance from Taiwan.

The Taipei Times reported ahead of the call Friday that it was arranged to congratulate Trump on his election victory last month and to express hopes for an expanded relationship with the United States.

The United States has pursued what it calls a "One China" policy since 1972, when then-President Richard Nixon visited China. In 1978, President Jimmy Carter recognized Beijing as the only government of both mainland China and Taiwan, and Washington closed its embassy in Taiwan a year later.

China lodges formal complaint with US over Donald Trump's call with president of Taiwan

Beijing has lodged a protest with the United States over [a call between US President-elect Donald Trump and Taiwanese leader Tsai Ing-wen](#), the foreign ministry said Saturday.

"We have already made solemn representations about it to the relevant US side. It must be pointed out that there is only one China in the world. Taiwan is an inalienable part of China's territory," the statement said

"We urge the relevant parties in the US to abide by the commitment to the one-China policy" and "to handle Taiwan-related issues with caution and care to avoid unnecessarily interfering with the overall situation of Sino-US relations," it said.

Prime Minister Shinzo Abe Will Become First Japanese Leader To Visit Pearl Harbor

Japanese Prime Minister Shinzo Abe will visit Pearl Harbor later this month, becoming the first Japanese head of state to ever visit the site of the surprise attack.

President Obama will accompany Abe on the visit, which is scheduled for Dec. 27. The 75th anniversary of the attack is this Wednesday.

Now, at the USS Arizona Memorial, Abe will honor those killed in the Japanese attack on Pearl Harbor in 1941. Earlier this year, Obama became the first sitting U.S. president to visit Hiroshima Peace Memorial Park, where he laid a wreath at a monument to those killed when the U.S. dropped atomic bombs on Hiroshima and Nagasaki.

"The two leaders' visit will showcase the power of reconciliation that has turned former adversaries into the closest of allies, united by common interests and shared values," the White House said in a statement.

The Associated Press has more:

"Abe, in a brief statement, said he would visit Hawaii on Dec. 26 and 27 to pray for the war dead at Pearl Harbor and to hold a final summit meeting with Obama before his presidency ends.

" 'We must never repeat the tragedy of the war,' he told reporters. 'I would like to send this commitment. At the same time, I would like to send a message of reconciliation between Japan and the U.S.' ...

" 'Our talks in Hawaii will be a chance to show the rest of the world our ever stronger alliance in the future,' Abe said. "

The attack on Pearl Harbor in 1941 killed more than 2,300 American servicemen, pushing the U.S. to enter World War II.

Abe has already visited one U.S. memorial to the victims of World War II, as he said in an address to Congress last year. NPR's Jackie Northam reported at the time:

"Abe told lawmakers that during his visit to Washington, D.C., he went to the National World War II Memorial. He said he stood in silence there for some time.

" 'History is harsh. What is done cannot be undone,' Abe said, adding, 'I offer with profound respect my eternal condolences to the souls of all American people that were lost during World War II.' "

WTO Delivers Knockout Blow to Boeing's Record-breaking Subsidies With Historic Ruling

Today's report from the World Trade Organization (WTO) Panel (DS487) confirms that the United States has ignored international trade rules by permitting illegal subsidies to Boeing, this time targeted at the 777X aircraft. The Panel found Washington State's multi-billion dollar subsidy regime for Boeing to include "prohibited" subsidies, which in the Panel's words belong to "a special category... which Members have deemed to create such trade distortions that they are proscribed," because they are "specifically designed to affect trade."

"The United States and Boeing picked this fight at the WTO, and today's ruling is yet another blow for that strategy," said Tom Enders, Chief Executive Officer, Airbus Group. "Those prohibited subsidies must be withdrawn immediately following today's historic ruling, meaning that Boeing must give up these massive tax subsidies."

This ruling adds to the previous findings by the WTO in 2012 that federal, state, and local governments in the United States are providing huge and WTO-inconsistent subsidies to Boeing (DS353), now mounting up to a total of 26 billion USD of pure grants which Boeing has no plans to repay. "The earlier WTO rulings had already confirmed that B787 was the most highly subsidized aircraft in the history of aviation," said Fabrice Brégier, Airbus President & CEO. "Today's report leaves no doubt that Boeing has gone even further. The 777X will not cost Boeing a single dollar to develop thanks to Washington State's taxpayers. We estimate the damage to Airbus and the European aerospace industry in the region to be \$50 billion so far, and that's only for the 777X. The United States Trade Representative (USTR) should take immediate action. This cannot go on any longer. It is time for the U.S. Trade Representative to insist that Boeing cease its anti-competitive behavior."

Among those subsidies found to be WTO-inconsistent in 2012 – due to the significant competitive harm caused to Airbus – was the very same Washington State tax incentive regime found today to include a "prohibited" subsidy. "Instead of complying with that 2012 ruling, the United States has doubled-down on illegal conduct," explained John Harrison, General Counsel, Airbus Group. "By extending the tax incentives through the year 2040, increasing their value by nearly \$9 billion, making them available to a new Boeing aircraft, and adding an illegal contingency, the United States and Washington State are further defying WTO compliance.

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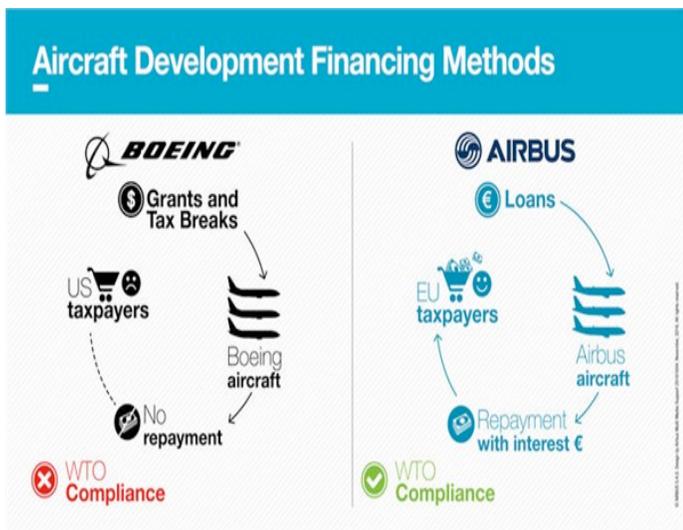
Industry specialists suggest that the nearly \$9 billion in subsidies provided by Washington State is largely sufficient to cover the entire cost of design and production of the 777X, essentially giving Boeing a “free ride” by offsetting entirely the costs of developing and bringing the aircraft to market.

Considering today’s ruling, together with the 2012 ruling in the original dispute, Boeing has caused at least \$95 billion in commercial harm to Airbus, opening the door to trade sanctions against the US in an equivalent amount. As Harrison explains: “The WTO has for the first time in these disputes identified prohibited subsidies to Boeing for the 777X, condemning as the worst form of trade violation a full aircraft development illegally financed by taxpayer money. And that is supposed to be good for American business and workers? Unlike the loans to Airbus – the interest rates of which were considered in the WTO dispute against the European Union – Boeing plans no repayment of any kind.”

Harrison added that: “The United States has no other option than to direct that Washington State repeal the legislation or amend it in a way that makes it WTO-compliant. That would obviously take away any incentive to keep producing the 777X in Washington State and it will certainly not benefit Boeing’s balance sheet.” The Panel has declared that the US must end the prohibited subsidy regime in Washington State within 90 days. This is on top of the ongoing US failure to comply with the original WTO ruling against Boeing subsidies - for which the public panel report is expected in the next several months.

Airbus once again congratulates the European Commission and the Governments of France, Germany, the UK and Spain for their success at the WTO, and is grateful for the years of effort they have invested in setting the record straight.

“We hope this outcome will lead those at Boeing who advocate continuing this trade dispute to reconsider,” Tom Enders concluded.



President-elect Donald Trump wrote a series of tweets early Sunday morning in which he threatened “retribution” in the form of a 35 percent tariff on U.S. companies that move abroad.

“The U.S. is going to substantially (sic) reduce taxes and regulations on businesses, but any business that leaves our country for another country, fires its employees, builds a new factory or plant in the other country, and then thinks it will sell its product back into the U.S. without retribution or consequence, is WRONG!” Trump tweeted.

“There will be a tax on our soon to be strong border of 35% for these companies wanting to sell their product, cars, A.C. units etc., back across the border,” he added. “This tax will make leaving financially difficult, but these companies are able to move between all 50 states, with no tax or tariff being charged. Please be forewarned prior to making a very expensive mistake! THE UNITED STATES IS OPEN FOR BUSINESS.”

Experts have warned that putting up such tariffs would risk opening a trade war with countries Trump repeatedly bashed during his campaign, namely China and Mexico. In September, Trump said he intended to slap a similar 35 percent tariff Ford cars produced in Mexico and sold in the U.S.

Sen. Ben Sasse (R-Neb.), a prominent critic of Trump, said U.S. consumers would likely pay more as a result.

IRAN threatens response if Sanctions Bill Signed.

DUBAI (Reuters) - Iranian President Hassan Rouhani demanded on Sunday that Barack Obama block an extension of sanctions passed by the U.S. Congress, saying Tehran would otherwise “firmly respond”.

In a speech to parliament, Rouhani denounced legislation passed by the U.S. Congress to extend the Iran Sanctions Act (ISA) for 10 years as a violation of Tehran’s nuclear deal with six major powers. The deal curbs Tehran’s nuclear program in return for the lifting of international financial sanctions.

“America’s president is obliged to exercise his authority by preventing its approval and particularly its implementation ... and if this gross violation is carried out we will firmly respond,” Rouhani said in the speech, carried live by state television.

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President Obama is expected to sign the legislation into law, the White House said on Friday.

The U.S. Congress move was a blow to Rouhani, a pragmatist who engineered the diplomatic opening to the West that led to the nuclear deal.

U.S. officials have said the ISA renewal would not infringe the nuclear agreement. U.S. lawmakers have also said the ISA extension would make it easier for sanctions to be quickly reimposed if Iran contravened the nuclear deal.

On Sunday, 264 lawmakers in Iran's 290-seat parliament issued a statement calling on the government to implement counter measures, including relaunching nuclear enrichment halted under the atomic deal, the official news agency IRNA reported.

The diplomatic thaw between Washington and Tehran over the past two years looks in jeopardy with U.S. President-elect Donald Trump taking office next month. He said during his election campaign that he would scrap the nuclear agreement.

Last month, Iran's Supreme Leader Ayatollah Ali Khamenei warned that the extension would be viewed in Tehran as a breach of the nuclear accord and threatened retaliation.

Khamenei and his hardline loyalists have criticized the deal and blamed Rouhani for his government's failure to deliver swift improvements in living standards since sanctions were lifted in January.

Removing Terrorist Content from Social Media

Facebook, Microsoft and Twitter will team up to create a shared database of the digital fingerprints dubbed "hashes," for images and videos that contain terrorist content, Facebook said in a blog post. The database should help the tech firms flag and potentially remove offending content quicker. The database won't contain personally identifiable user information.

"Each company will continue to apply its own policies and definitions of terrorist content when deciding whether to remove content when a match to a shared hash is found," Facebook wrote. "And each company will continue to apply its practice of transparency and review for any government requests as well as retain its own appeal process for removal decisions and grievances. As part of this collaboration we will all focus on how to involve additional companies in the future."

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The companies said they remain committed to protecting users' ability to express themselves freely and safely on the platforms.

"We also seek to engage with the wider community of interested stakeholders in a transparent, thoughtful and responsible way as we further our shared objective to prevent the spread of terrorist content online while respecting human rights," Facebook wrote.

The move comes at the same time that companies face new regulations from the European Commission if they don't do more to police online hate speech.

A study commissioned by the EU justice commissioner and released Monday claimed Facebook, Twitter, Google, YouTube and Microsoft haven't done enough to comply with a voluntary code of conduct on hate speech announced earlier this year, according to the Financial Times. EU justice ministers will meet on Thursday Dec. 8 to go over the report.

Facebook, Google and Twitter agreed back in May to work with European governments to combat terrorist propaganda and hate speech. The companies agreed to review extremist content and educate users about the kind of content not permitted under their rules and community guidelines.

Hate speech and extremist material has become a major issue in Europe following the attacks in Paris and Brussels along with the continuing refugee crisis. Facebook and YouTube recently launched systems to block or quickly remove videos from the Islamic State and similar extremist material. The sites use technology developed to identify and remove copyright-protected content, according to Reuters citing sources familiar with the matter.

USAF C-130 completes 1st flight with Rolls-Royce engine upgrade

The first U.S. Air Force C-130H aircraft to be fully equipped with the Rolls-Royce T56 Series 3.5 engine upgrade has completed its first flight, demonstrating significant improvement in fuel efficiency, lower operating temperatures and improved high-altitude performance.

Preliminary flight data showed fuel efficiency improved by approximately 12 percent and turbine temperatures were more than 100 degrees Celsius lower. Reduced turbine temperatures increase parts life and lower operating costs significantly. The C-130H aircraft flown by the Wyoming Air National Guard (ANG) completed its first flight with four T56 Series 3.5 engines at the 153rd Airlift Wing at Cheyenne, WY, Regional Airport.

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Phil Burkholder, Rolls-Royce, President Defense North America, said: "We congratulate the US Air Force and the Wyoming Air National Guard for achieving this significant milestone – first flight of a C-130H aircraft equipped with the Rolls-Royce T56 Series 3.5 engine upgrade. Rolls-Royce developed the upgrade to enhance mission capability – and by achieving fuel efficiency improvements and lower operating temperatures, the Series 3.5 upgrade delivers as promised."

ANG Director Lt. Gen. L. Scott Rice lauded the engine improvements in performance and reliability.

Gen. Rice said: "The Series 3.5 engine upgrade certainly increased the performance on time and fuel flow and altitude. So it's a great improvement as well for the capability and reliability of the engine from a maintenance standpoint. It was really impressive."

Col. Kevin Campbell, Air National Guard, Director of Plans and Requirements, said: "We're confident right now that we'll see in excess of 12 percent fuel savings and upwards of 25 percent increased time on wing, which will reduce maintenance time. Those are substantial, and would provide a fairly rapid return on investment. This upgrade would pay for itself; the real question is 'how fast?' We're pretty excited about it and think we're going to hit it at about the five-year mark."

The demonstration aircraft, assigned to the Wyoming Air National Guard, will be used in an operational utility evaluation in order to inform the decision to push the Series 3.5 engines to the rest of the ANG's C-130H fleet.

The National Science Foundation/New York State Air National Guard LC-130H "ski bird" fleet will be among the first USAF C-130 aircraft to receive the T56 Series 3.5 engine upgrades in support of Operation Deep Freeze polar operations.

The Series 3.5 technology, which is based on proven advances from other Rolls-Royce engines, can be added during regular overhauls and requires no changes to the aircraft or controls. The 22nd Air Force Central Engine Repair Facility (CERF) at Little Rock Air Force Base completed the Wyoming T56 engine and nacelle build around the Series 3.5-configured engine power sections assembled by Standard Aero San Antonio (SASAI).

The Series 3.5 engine upgrade is already demonstrating success in Hurricane Hunter WP-3D aircraft of the US National Oceanic and Atmospheric Administration (NOAA), having completed more than 3,000 engine flight hours of operation and demonstrating fuel savings and other performance benefits similar to that now being seen by the US Air Force.

The Series 3.5 kit is certified and operating in C-130 and P-3 aircraft. Rolls-Royce operations in Indianapolis have enhanced production capability, and the kit is now available on the global market.

Aerospace-defense sector outlook improving despite global trade risks

Despite some global trade uncertainties created as a result of the U.S. election, Fitch Ratings boosted its overall outlook of the aerospace and defense industry to positive from stable on Monday.

Still, Fitch said there are global trade risks ahead that could hurt commercial aerospace companies. Analysts have suggested that President-elect Donald Trump's talk about tougher trade policies with China, in particular, could impact some aircraft buying overseas.

"Revised trade policies emerging from the recent U.S. election could negatively affect the competitiveness of North American commercial aerospace companies," Fitch said in its 2017 Outlook: Global Aerospace & Defense report. "More restrictive trade policies could also disrupt the global aerospace supply chain."

Overall, the rating agency said it expects the stable outlook is justified given positive trends within aerospace and defense segments "offsets political risks, new aircraft program ramp-ups and business jet sector weakness."

On the large commercial aircraft side, the ratings agency said the number of aircraft from Boeing and Airbus is expected to rise about 8 percent next year and grow by 4 percent in 2018. It also sees global airline passenger traffic trends supporting the positive trends as well as industry forecasts for improved global airline profits due to continued low fuel costs.

Fitch also observed there is additional political risk from the U.S. government's Export-Import Bank, which Boeing's commercial airplanes business and other manufacturers depend on for financing international customers.

"The future of the U.S. Export-Import Bank (Ex-Im) is another development to watch, as shutting the Ex-Im bank could negatively affect the competitiveness of U.S.-based aerospace manufacturers," said Fitch.

Some lawmakers consider the Ex-Im Bank, which provided financing for just over 10 percent of Boeing's aircraft sales in 2015, a form of corporate welfare and would like to eliminate it. That said, backers of the financial institution say if that happens U.S. companies with international sales could potentially find themselves at a disadvantage against foreign competitors.

According to Fitch, Airbus and Boeing combined had 12,345 aircraft on their order books as of October 2016, which it said

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was roughly equivalent to eight years' worth of deliveries. The total value of those orders was as much as \$875 billion.

Although the ratings agency didn't mention it, some industry analysts also have pointed to potential risk from higher interest rates that they believe could result in some airlines slowing their aircraft replacement buying programs.

For 2017 alone, Fitch estimated that around \$120 billion to \$125 billion in global financing would be needed for new commercial aircraft from Boeing, Airbus, Bombardier and Embraer.

Meantime, on the defense side Fitch said it sees 3 percent to 5 percent spending growth on a global basis over the next three years. It projected that the U.S. budget accounts for 45 percent to 50 percent of the total defense market, but added that the growth domestically is less than the international market.

Fitch said it expects the results of the U.S. elections could result in "upside" potential for U.S. military spending and more business for defense companies.

As reported, President-elect Trump has promised to increase the number of U.S. Navy ships and add more aircraft to the military. Also, he has pledged to boost the number of U.S. troops, which has been seen as a positive for both ammunition companies and missile manufacturers.

"Cost overruns or delays on new programs are risks to the outlook in both the commercial and defense sectors," Fitch said. "On the defense side, risks include the budget cap overhang in the U.S., additional continuing resolutions and political disruptions."

Relations with China Can Pivot a Number of Ways

Donald J. Trump's phone call this past weekend with Taiwan president Tsai Ing-wen has caused so much consternation among political analysts and advisors to both governments that the reaction has been dubbed #TaiwanFreakout.

While Trump tweeted about it as if he had just picked up the phone when Tsai rang, casually overturning decades of protocol, the conversation was well planned, according to a Taiwan official. That planning didn't involve contacting the current U.S. State Department, outgoing secretary of state John Kerry said on Sunday—another reminder of how far out on a limb the incoming Trump administration is willing to go on foreign policy.

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"There are serious risks posed by his failure to take briefings by government professionals, and he appears to have little respect for the potential damage of actions taken without understanding long-standing U.S. national security concerns," wrote Jeffrey A. Bader, a senior fellow at the John L. Thornton China Center, echoing the concerns of many.

Making things worse, Trump stirred the pot further by accusing China on Twitter of keeping its currency artificially low (the opposite is happening) and building a military complex in the South China Sea (which is true), thereby indicating that the Tsai call could be the beginning of a radical shift in policy, not a one-off.

Both global human-rights activists and hawkish U.S. Republicans concur—the long-running policy of carefully appeasing Beijing's sensitivities has not had the results the U.S. has desired. But the danger of shifting policy so profoundly is that no one really knows how China, led by a president who has been ruthless in destroying his own political enemies and cracking down on Chinese citizens, will react.

Here's a range of things Beijing could do, from the shrug-worthy to the downright terrifying.

Do nothing. China's foreign ministry has already said that Trump was "tricked" by Taiwan into taking the phone call. Beijing could continue to peddle that line, despite reports to the contrary, in order to downplay the event and avoid having to react to it.

That's not unprecedented. Last year, for example, after the U.S. sent a warship through disputed territory in the South China Sea that Beijing claimed as its own, Beijing did little more than warn the U.S. against "dangerous or provocative acts" in the future, despite dire predictions before the event.

The fact that Trump has not taken office yet gives Beijing an easy out, although ignoring the behavior entirely could make the Xi Jinping government seem uncharacteristically weak at home. On Monday, China's foreign ministry said "President-elect Trump's team, is very clear about China's solemn position on this issue," but nothing further.

Punish Taiwan's government. Since Trump is still not officially president, China can't target him, but it could punish Taiwan to send him a message, said the nationalistic state tabloid Global Times. One way would be to pressure the few nations (including the Vatican City and Panama) that maintain formal diplomatic relations with Taiwan to abandon their ties.

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Punish Taiwan’s businesses. It would be easier for Beijing to impose trade embargoes on Taiwanese goods than start a trade war with the U.S., Lian Qingchuan, a Chinese political commentator, told Quartz. Because China is by far Taiwan’s biggest trade partner, any changes in trade could “deal a huge blow” to the island, he explained. Taiwan exported \$29 billion in electronics to China in 2015, its largest export. That’s more likely than introducing a trade embargo on the U.S., because China and the US are equally dependent on each other economically, Lian said.

Taiwan’s businesses in China could also suffer from the Trump-Tsai call. Speaking at a forum with Taiwanese businessmen after the phone call, Zhang Zhijun, head of China’s Taiwan Affairs Office, warned against supporting Taiwan independence after returning “to the island with money earned from the mainland.”

Taiwan businessmen are already lining up to show their support for Beijing. Seafood restaurant chain Hai Pa Wang bought an ad in a local paper pledging support to the “One China” principle on Dec. 5, while the Taiwan government denounced China’s “political intervention” in Taiwanese businesses.

Punish U.S. companies. Some of the U.S.’s largest companies, and biggest employers, are heavily dependent on the Chinese market, including Apple, Boeing, and General Motors. Lower-end luxury-goods makers like Michael Kors are banking on huge growth in China in the future.

One Chinese state-backed tabloid has already suggested China would stop buying Boeing planes, iPhones, and U.S. agricultural products if Trump put a high tariff on Chinese imports to the U.S. U.S. technology companies are already stymied by new, opaque laws aimed at making it more difficult for them to do business in China. U.S. businesses are forbidden from investing in certain sectors, and are having difficulty getting cash out of China. Any new restrictions or rules could hit their bottom line directly.

Still, “most viable options would hurt China more than the U.S.,” Christopher Balding, a professor of economics at Peking University, told Quartz. “Any trade war would cause much bigger disturbances for Chinese exporters in

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*“If You Change The Way You Look
At Things, The Things You Look At
Will Change.”*

weak economy than the U.S.,” he said, in part because U.S. companies manufacture for China in China, while very few Chinese firms manufacture for the U.S. in the U.S.

Sever relations with the U.S. While the idea that leaders from the world’s two largest economies would stop communicating entirely seems almost unfathomable, that’s what some Chinese political analysts are recommending. “If he continues to call Taiwan a country we [should] sever relations with him,” Shen Dingli, a professor of international relations from Shanghai’s Fudan University, said to the Guardian. “I don’t know what the government would do [but] I know what I would do: I will close our embassy.”

Since the U.S. recognized the Beijing government as the head of China in 1979, that has never happened, although the U.S. embassy in China was evacuated during the Tiananmen Square crackdown of 1989.

Threaten Taiwan militarily. This may sound like an extreme step, but China’s stated policy on Taiwan is that it will use “non-peaceful means” if Taiwan declares independence, despite the fact that Taiwan has held free and independent elections for years. After the U.S. granted a visa to Taiwanese leader Lee Teng-hui in 1995, Beijing retaliated by holding military exercises near Taiwan that included missile tests.

“Another Chinese missile test in the Taiwan Straits is a possibility, so is official neglect of complaints by, or harassment of, Taiwanese in mainland China,” Chung Chien-peng, head of the political science department at Hong Kong’s Lingnan University, told Quartz.

Threaten the U.S. militarily. While no one believes that this is a likely direct outcome of the Tsai-Trump phone call, the potential for a military conflict between China and the US in the future seems to one reason for the “Taiwan freakout.”

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