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How 'Made in China 2025' Frames Trump's Trade Threats

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China's Xi Defuses Trade War Rhetoric

A plan called “[Made in China 2025](https://www.bloomberg.com/news/videos/2018-04-20/why-trump-is-targeting-china-s-big-economic-plan-video)”

[<https://www.bloomberg.com/news/videos/2018-04-20/why-trump-is-targeting-china-s-big-economic-plan-video>](https://www.bloomberg.com/news/videos/2018-04-20/why-trump-is-targeting-china-s-big-economic-plan-video) is generating more attention now than when the Chinese government first announced it in 2015. In short, it’s a blueprint for transforming the country into an advanced manufacturing economy. So, why the sudden interest? Look no further than U.S. President Donald Trump’s threat to impose trade tariffs on Chinese imports.

1. What's the connection with Trump's tariffs?

“Made in China 2025” identified 10 industries that the world’s second-biggest economy wants to become globally competitive in by 2025, and globally dominant in during this century. Trump’s proposed tariffs on \$50 billion of imports takes aim at many of the industries highlighted in the plan. The blueprint envisions warp-speed expansion and domination in the so-called “fourth industrial revolution,” a catch-all term for the rapid technological progress that’s seen transforming services and professions. Before trade talks with the U.S. began in Beijing in May, China said <https://www.bloomberg.com/politics/articles/2018-05-02/china-says-it-won-t-submit-to-u-s-threats-as-trade-talks-near> it wouldn’t accept U.S. preconditions for negotiations including abandoning the 2025 plan.

2. What industries does the plan cover?

Take a deep breath: Robotics, new-energy vehicles, biotechnology, aerospace, high-end shipping, advanced rail equipment, electric power equipment, new materials (such as those used in screens and solar cells) and new generation information technology and software (including integrated circuits and telecommunications devices), as well as agricultural machinery. There’s also a separate development strategy for Artificial Intelligence, published in 2017; China wants to become the world’s primary AI innovation center by 2030 <https://www.bloomberg.com/news/articles/2018-03-28/u-s-targets-made-in-china-2025-in-fight-for-high-tech-economy> .

3. What is China's rationale?

As its economy transitions away from labor-intensive industries -- like clothing and footwear manufacture -- China views its shift into higher-tech manufacturing as a crucial part of its development. Labor costs are surging as the rapidly aging population causes the workforce to shrink, undermining competitiveness in sweatshop industries that underpinned its rise. To thrive, China must shift into industries now dominated by developed economies.

4. What's Trump's rationale?

Targeting “Made in China 2025” directly addresses complaints by American companies doing business in China, more than the earlier tariffs he'd slapped on washing machines, solar panels, steel and aluminum. U.S. companies have long argued that China uses a range of tactics to force them to transfer intellectual property such as industrial designs and patents, and that Chinese entities engage in widespread theft of U.S. trade secrets. Foreign companies fear they won't be able to compete against Chinese companies in advanced manufacturing when they are backed by massive state investment and subsidies. U.S. Trade Representative Robert Lighthizer told a Senate committee in March that “these are things that if China dominates the world, it's bad for America.”

5. Does the U.S. have a point?

Even Chinese President Xi Jinping has acknowledged that China must improve enforcement of intellectual property rights. It's also easy to see why the U.S. is anxious about China's emerging competitive threat in industries where it still has an advantage. China ended Japan's dominance of

Asia's high-technology exports in 2014, according to the Asian Development Bank, accounting for 44 percent of shipments of high-tech goods such as medical instruments, aircraft and telecommunications equipment that year -- up from 9.4 percent in 2000. China is quickly developing as a force in areas from renewable energy to electric cars, and is moving closer to mass-producing its own airliners [<https://www.bloomberg.com/view/quicktake/china-s-jet-challenge>](https://www.bloomberg.com/view/quicktake/china-s-jet-challenge) .

6. What's China's response?

The tariffs are an attack on those emerging industries. As Foreign Ministry spokeswoman Hua Chunying said: "We have good reasons to question the legality and legitimacy of many actions taken by the U.S. on the grounds of national security, like its plan to impose high tariffs on many industries of 'Made in China 2025.' Clearly they're targeting something else." Talks to resolve the spat were said to have broken down [<https://www.bloomberg.com/politics/articles/2018-04-10/u-s-china-talks-said-to-have-stalled-over-high-tech-industry>](https://www.bloomberg.com/politics/articles/2018-04-10/u-s-china-talks-said-to-have-stalled-over-high-tech-industry) after the Trump administration demanded China curtail support for high-technology industries.

7. How else is the U.S. hitting back?

It's targeting Chinese tech companies. The U.S. slapped [<https://www.bloomberg.com/news/articles/2018-04-17/u-s-ban-risks-leaving-china-s-rising-tech-star-half-dead>](https://www.bloomberg.com/news/articles/2018-04-17/u-s-ban-risks-leaving-china-s-rising-tech-star-half-dead) a seven-year ban on ZTE Corp.'s purchase of components from American suppliers in April, threatening the survival of China's No. 2 telecommunications gear-maker. The U.S. said ZTE had ignored its pledges to resolve a sanctions

dispute and then lied about the matter. The U.S. Justice Department is also said to <<https://www.bloomberg.com/news/articles/2018-04-25/fbi-is-said-to-probe-huawei-for-possible-sanctions-violations>> be investigating whether another Chinese tech giant, Huawei Technologies Co., violated sanctions. After the ZTE ban, Xi said China must firmly control major technologies and rely on domestic innovation.

8. What do analysts say?

Rising trade tensions reflect that China is becoming less complementary to the U.S. and more directly competitive, according to David Loevinger, a former China specialist at the U.S. Treasury and now an analyst at fund manager TCW Group Inc. in Los Angeles. “Made in China 2025 is part an effort to leapfrog the U.S. in some industries,” he said.

The Reference Shelf

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- ▶ A Chinese government <<http://english.gov.cn/2016special/madeinchina2025/>> “Made in China 2025” webpage.
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U.S.-China trade talks said to stall over high-tech industry <<https://www.bloomberg.com/politics/articles/2018-04-10/u-s-china-talks-said-to-have-stalled-over-high-tech-industry>> .