

## Preparing for a trade war in China

Written by Taipei Times Editorial  
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China has begun taking action over alleged antitrust violations in the auto industry, raiding or investigating many large foreign companies and applying pressure on them to lower prices or be fined. This is rattling foreign firms in China, and some experts and academics are calling on the international community to launch joint countermeasures. The smell of gunpowder is emanating from what could develop into a trade war between China and the rest of the world.

China's National Development and Reform Commission is investigating a dozen automakers, such as Volkswagen AG-owned Audi, BMW, Daimler AG-owned Mercedes-Benz, Tata Motors-owned Jaguar Land Rover, Fiat-owned Chrysler, Toyota and Honda. Since last month, all these companies have announced car or component price cuts.

In addition, over the past month, the commission has raided the offices of Microsoft Corp, Qualcomm Inc, Caterpillar Inc, Mead Johnson Nutrition Co, and Abbott and Danone, all foreign companies targeted by anti-monopoly investigations.

Add to this the Chinese government's decision to request that government institutions no longer purchase products from Apple and Cisco, that financial institutions should not purchase US information products, including IBM server solutions, electronic databases from Oracle and storage devices from EMC Corp, the world's largest manufacturer of computer storage solutions.

The Chinese government is attacking foreign companies on a wide front, but the legal foundations and the reasons for doing so are general and unspecific, which leaves the impression that China is intentionally attacking foreign companies to create business opportunities for local companies and promote Chinese industry. Although many companies will accept price cuts or fines to be allowed to remain in the Chinese market, many of them are unhappy with the fuzzy laws and regulations, and the opaque and unpredictable business environment. It has even been suggested that international businesses join hands and take legal and political action to demand transparency and protect their rights in response to Beijing's anti-monopoly push.

For international companies, the Chinese market is very important. China's past double-digit growth made foreign businesses salivate, but they are also concerned over risk and uncertainty in the market. During its period of rapid economic growth, China was in great need of foreign

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capital, technology and marketing, but as local Chinese companies have expanded and grown, they are now competing directly with foreign firms. The result is that the relationship between Chinese industry and foreign business is changing from a welcoming and cooperative relationship into one of head-on competition.

The whole thing might just be a storm in a tea cup and once the two sides have made their positions clear and initiated talks to lay down the new rules of the game it might settle down. However, it could also develop into an international trade war with each side boycotting the other's products and services. If the former comes to pass, then it would be a positive development, helping revitalize China's economy. However, if the latter comes to pass, Taiwanese businesspeople in China who hold dual nationality might become the victims of the trade war due to their conflicting roles. However, if they correctly assess the situation and respond to it appropriately, they might be able to take advantage of the possible situation and come out as winners.

In the case of a trade war, the government and Taiwanese businesspeople in China must be alert to and aware of the risks of doing business in that nation and come up with ways to respond to a change in the situation as swiftly as possible.

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