

Trump Asserts He Can Force U.S. Companies to Leave China

By Peter Baker and Keith Bradsher

Aug. 24, 2019

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BIARRITZ, France — President Trump asserted on Saturday that he has the authority to make good on his threat to force all American businesses to leave China, citing a national security law that has been used mainly to target terrorists, drug traffickers and pariah states like Iran, Syria and North Korea.

As he arrived in France for the annual meeting of the Group of 7 powers, Mr. Trump posted a message on Twitter citing the International Emergency Economic Powers Act of 1977, a law originally meant to enable a president to isolate criminal regimes, not sever economic ties with a major trading partner over a tariff dispute.

“For all of the Fake News Reporters that don’t have a clue as to what the law is relative to Presidential powers, China, etc., try looking at the Emergency Economic Powers Act of 1977,” Mr. Trump wrote. “Case closed!”

Donald J. Trump
@realDonaldTrump

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The president’s threat to all but cut off one of America’s most important trading relationships amid a so-far-unsuccessful trade war could disrupt a global economy already on the edge of recession while further unsettling companies in the United States that rely on China in their production of everything from clothing to smartphones.

Mr. Trump has often made drastic threats as a negotiating ploy to extract concessions, as when he vowed to close the border with Mexico or impose tariffs on its goods to compel action to halt illegal immigration. But if he were to follow through in this case, it would be the most significant break with China since President Richard M. Nixon’s diplomatic opening to Beijing in the early 1970s.

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Even if it never comes to that and Mr. Trump ultimately backs down, the threat itself could still have a long-lasting impact on relations with China and perhaps embolden hard-liners in Beijing pressing President Xi Jinping to take a more confrontational approach to the United States.

Mr. Trump’s claim that he can order American companies to pull out of China also represented the latest audacious assertion of power by a president who has repeatedly crossed lines his predecessors did not.

While he took office criticizing President Barack Obama for exceeding his authority, Mr. Trump has gone even further in finding creative ways to take action on his priorities.

“Any invocation of the International Emergency Economic Powers Act in these circumstances and for these purposes would be an abuse,” said Daniel M. Price, who was an international economic adviser to President George W. Bush. “The act is intended to address extraordinary national security threats and true national emergencies, not fits of presidential pique.”

Under the weight of Mr. Trump’s tariff war, China has already fallen from America’s largest trading partner last year to the third largest this year. The United States remains China’s largest trading partner. China said Friday it would raise tariffs on American goods in retaliation for Mr. Trump’s latest levies, and he vowed hours later to increase tariffs even further.

China’s Commerce Ministry issued a statement on Saturday warning the United States to turn back from escalating conflict, but did not promise additional trade measures.

“This unilateral and bullying trade protectionism and extreme pressure violate the consensus of the heads of state of China and the United States, violate the principle of mutual respect, equality and mutual benefit, seriously undermine the multilateral trading system and the normal international trade order,” the statement said.



A Chevrolet dealership in Chongqing, China. American automakers have bet billions of dollars on the Chinese market. Gilles Sabrié for The New York Times

American business leaders warned that forcing companies to leave China would hurt the competitiveness of American industry and cause heavy financial losses.

“It’s difficult to move out of China, and any time they are forced to do so by tariffs, this is a momentous act,” said Ker Gibbs, president of the American Chamber of Commerce in Shanghai. “We are in no position to give up the China market — it’s too large, it’s too important.”

Business leaders said the result could be a flurry of fire sales at greatly reduced prices as companies from other countries snap up American business interests.

Peter Baum of Baum-Essex, a firm that makes products like umbrellas for Costco and cotton bags for Walmart, said he had already moved much of his manufacturing to factories in Vietnam and Cambodia over the last year because of Mr. Trump’s tariffs.

As the trade war shows up in American cash registers, stock markets and retirement account statements, American shoppers and retirees will grow angry, Mr. Baum said.

“Both Trump and Xi have backed themselves into such a corner that this will go on through the U.S. election,” he said. “These two guys don’t realize that this could cause a global depression, not recession.”

In raising the possibility of an American withdrawal on Friday, Mr. Trump framed it not as a request but as a dictate he had already issued.

“Our great American companies are hereby ordered to immediately start looking for an alternative to China, including bringing our companies HOME and making your products in the USA,” he wrote on Twitter.

In fact, aides said, no order has been drawn up nor was it clear one would be. For the moment, they said Mr. Trump was signaling American businesses to begin to disentangle from China on their own.

But it accompanied a radical shift in assessment of Mr. Xi. In the past, Mr. Trump has effusively praised the Chinese leader as a friend, taking him at his word that he would buy American soybeans and stem the flow of fentanyl to the United States. In the last two days, Mr. Trump has accused Mr. Xi of not living up to his promises and called him an “enemy.”

Andy Mok, a trade and geopolitics analyst at the Center for China and Globalization in Beijing, said China was coolly assessing the latest American actions.

“In negotiations, and especially in high-stakes negotiations, the side that reacts emotionally generally is the side that does not do well,” he said. “The U.S. side is approaching this from a more emotional side, while China is more calm and calculating.”

Under the International Emergency Economic Powers Act, a president can declare a “national emergency” in case of “any unusual and extraordinary threat” to “the national security, foreign policy, or economy of the United States” from abroad. This triggers special authority for the president to regulate “any transactions in foreign exchange” by Americans.

A suitcase factory in Shanghai. Under the weight of Mr. Trump's tariff war, China has already fallen in rank as America's largest trading partner last year to the third-largest this year. Lam Yik Fei for The New York Times

The law was passed to define and restrain presidential power, which until then had been interpreted expansively under the Trading with the Enemy Act of 1917. It has served ever since as the main source of authority for presidents to impose sanctions on countries or individuals in response to specific national security threats, such as the Iranian hostage crisis that began in 1979.

As of March 1, presidents had declared 54 emergencies under the law, of which 29 were still active, according to the Congressional Research Service. Presidents have used it to target international terrorists, drug kingpins, human rights abusers, cyber attackers, illegal arms proliferators and multinational criminal organizations.

Presidents invoked the law when Iraq invaded Kuwait in 1990, when Serbia sent troops into Kosovo in 1998 and when Russia annexed Crimea in 2014. Among the countries targeted have been international outliers like North Korea, Sudan, Somalia, Yemen, Syria, Congo and Venezuela.

Using it in a trade dispute with a country like China would be a drastic departure. But Mr. Trump could make the argument that China constitutes a national security threat through the theft of intellectual property or its military buildup in the South China Sea.

The Trump administration previewed this view of Beijing in its national security strategy in 2017, which described China as a “revisionist power” that has “expanded its power at the expense of the sovereignty of others.”

John E. Smith, a partner at the international law firm Morrison & Foerster, said it had never been used for pure economic warfare without a national security nexus and could be challenged in court or by Congress.

“In the 20 years I’ve been doing this, I have not seen anything where there was not a national security threat,” said Mr. Smith, who until last year was director of the Treasury Department’s Office of Foreign Assets Control, which enforces the emergency powers law. “This is a completely different use of a well-utilized tool in going after what appears to be a purely economic dispute.”

But even if an unprecedented stretch of the law, some international trade lawyers said it was written broadly enough that Mr. Trump could prevail.

“The statute gives the president the right to do just about anything if he or she first declares that here’s a national security threat to the United States,” said Judith Alison Lee, a lawyer at Gibson Dunn in Washington. “It would be hugely disruptive but, technically speaking, I think the statute gives him that authority.”

William A. Reinsch, an international business scholar at the Center for Strategic and International Studies, said that he did not think the act would allow Mr. Trump to order American companies to leave China, but that he might be able to block future investments, freeze Chinese assets and exclude Chinese financial institutions from the United States financial system.

With Congress in recess, there was scant response on Saturday to the president’s latest assertion of authority. But congressional Republicans, who consider free-market principles a defining tenet and jealously guard their jurisdiction over trade, have balked in the past at Mr. Trump’s threats to intervene in the economy.

At the same time, given years of dealing with the president’s whipsawing declarations, particularly on trade, many Republicans have concluded that there is no upside to publicly breaking with Mr. Trump, preferring instead to try to influence him privately.

Tension over the global economy was already likely to shadow Mr. Trump’s meetings with leaders in France this weekend. Donald Tusk, president of the European Union, warned Saturday against “senseless disputes” and further economic conflict.

“Trade deals and the reform of the W.T.O. are better than trade wars,” he said, referring to the World Trade Organization. “Trade wars will lead to recession, while trade deals will boost the economy.”

Peter Baker reported from Biarritz, and Keith Bradsher from Shanghai. Reporting was contributed by Michael D. Shear from Biarritz, Martina Stevis-Gridneff from Brussels, Alan Rappeport and Julie Hirschfeld Davis from Washington and Alexandra Stevenson.

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A version of this article appears in print on Aug. 25, 2019, Section A, Page 1 of the New York edition with the headline: Trump Cites Law To Justify Order For China Exodus