

Trump threatens trade war measures against China

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4 August 2017

Amid bitter accusations that China has failed to rein in North Korea, the US administration is undertaking a review of trade policy and threatening to initiate trade war measures against Beijing over alleged theft of intellectual property rights.

News of the White House trade review was leaked to the media following President Donald Trump's tweets on the weekend, in which he declared he was "very disappointed in China" over the latest North Korean long-range missile launch last Friday.

Trump explicitly linked the missile test with trade, tweeting: "Our foolish past leaders have allowed them [China] to make hundreds of billions of dollars a year in trade, yet they do NOTHING for us with North Korea, just talk."

The US president warned: "We will no longer allow this to continue."

During last year's presidential election campaign, Trump repeatedly lambasted China over trade, threatening to name it as a currency manipulator and impose tariffs of up to 45 percent on Chinese goods.

After a much-heralded meeting with Chinese President Xi Jinping in April, Trump toned down his threats in the expectation of bilateral trade talks and tough Chinese measures to force North Korea to abandon its nuclear and ballistic missile programs. Negotiations on July 19 over a series of trade deals abruptly broke up without any news conference.

The *Wall Street Journal* and *New York Times* both reported this week that the Trump administration is considering initiating a formal investigation into whether Chinese intellectual property policies constitute "unfair trade practices" under Section 301 of the Trade Act of 1974. A probe by US trade representative Robert Lighthizer would lay the basis for punitive measures against China.

Such an investigation would greatly heighten tensions between the US and China and could precipitate a trade war as each side retaliates in an effort to protect its markets and industries. Section 301 has been little used since the 1995 creation of the World Trade Organisation (WTO), which has mechanisms for resolving trade disputes.

Lighthizer and US Commerce Secretary Wilbur Ross, however, have accused the WTO of having an anti-American bias and its dispute resolution procedures of being too slow. By threatening to use US legislation and act unilaterally, the Trump administration would significantly undermine the WTO.

The US used section 301 extensively against trade rivals, particularly Japan, in the 1980s and early 1990s under the administrations of Ronald Reagan and George H. Bush. This aggressive US trade policy helped fuel moves for the creation of the WTO as a means for forestalling trade war and opening up new markets.

Lighthizer was deputy trade representative under Reagan.

The Trump administration has seized on intellectual property rights amid concerns by major American corporations that their Chinese counterparts could outpace them in technologies ranging from microchips and robotics to medical devices and electric cars.

As China has become the world's largest manufacturing hub, US companies such as Apple and Microsoft rely on their monopoly over intellectual property to extract super-profits at the expense of Chinese companies that make or assemble their products.

While its more strident critics refer to intellectual property "theft," China, like the US, is exploiting its economic clout within the framework of the capitalist

market to ensure the “competitiveness” of its corporations and a larger share of profits.

The *Wall Street Journal* focused on corporate concerns that Beijing has pushed for technology transfers in return for access to the huge Chinese market, while noting fears that tough US measures could provoke retaliation and destabilise the global trading system.

“There’s no company in this sector that doesn’t think this isn’t a problem,” a corporate lobbyist told the *Journal*. “But there’s a real division with respect to what we want the US government to do about it, if anything.”

The *New York Times* highlighted Chinese government demands that American companies cut their licensing fees for key patents and set up joint ventures with Chinese companies. It also pointed to a recent Chinese requirement that American companies such as Amazon and Microsoft set up China-based data centres—a move prompted by Edward Snowden’s revelations of massive US global electronic spying.

Leading US Democrats have backed any move by Trump to impose penalties on China over intellectual property rights. Senator Ron Wyden sent a letter to Lighthizer on Wednesday urging him “to counter China’s attempts to strong-arm US innovators into giving up their intellectual property and drive US firms further out of the Chinese market.”

The Chinese Commerce Ministry rejected the suggestion that Beijing had not done enough to protect intellectual property. “I would like to emphasise that the Chinese government has always put strong emphasis on the protection of intellectual property rights,” spokesman Geo Feng told reporters yesterday.

Asked about the possible use of Section 301, Gao insisted any disputes should be taken to the WTO. “Any trade measures taken by WTO members should abide by the rules of the WTO,” he said.

An editorial in the state-owned *China Daily* yesterday declared that the course of action being mooted in Washington was “worrying” with the potential to “spark a trade war.” It argued that, depending on what the US does, “China will have no choice but to take retaliatory measures.”

In the US, Chad Bown from the Peterson Institute for International Economics in Washington, told the *Financial Times*: “I don’t think starting a [Section 301]

investigation would be the trigger for a trade war. But if the conclusion of the investigation is a sweeping set of new import restrictions on products from China then I think China is likely to react badly to that and we could see a trade war.”

According to Reuters, Trump is expected to issue a memorandum declaring that Chinese theft of intellectual property is a problem requiring a US response. An announcement was anticipated this week, but appears to have been postponed.

In an opinion piece in the *Wall Street Journal* on Monday, US Commerce Secretary Ross foreshadowed aggressive trade measures not only against China but also the European Union (EU). He attacked China and the EU for continuing tariffs on American goods and took aim at what he claimed were “formidable nontariff trade barriers” against US imports, including “forced technology transfers.”

Ross concluded by warning that the Trump administration “will use every available tool” to force its trade rivals to remove such barriers to American goods.



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