

# Little room for manoeuvre in US-China trade talks

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Two days of talks between Trump administration officials and a Chinese delegation begin in Washington today, as the deadline looms for the imposition of US tariffs on a range of Chinese goods worth up to \$150 billion.

The Chinese delegation is headed by Beijing's top trade negotiator, vice premier Liu He, who arrived in Washington earlier this week. He held discussions yesterday with Kevin Brady, the Republican chair of the House Ways and Means Committee which oversees trade issues, and the Republican chair of the Senate Finance Committee, Orrin Hatch.

Brady said the vice premier had "listened" to US concerns and "recognised" there was a problem in the trade relationship. Hatch struck a more downbeat tone. Asked if he thought the administration would go ahead with tariffs, set to be imposed by the end of the month, he said: "I think they will go into effect."

The major development in the lead-up to the talks has been the move by Trump, announced in a tweet earlier this week, to ease restrictions on the Chinese telecom company ZTE, which had led it to announce that it was ceasing operations. In April, the Commerce Department declared it was banning US firms from selling components to ZTE over its supposed breach of a deal imposed over its evasion of sanctions against North Korea and Iran.

In talks held in Beijing with a top-level US delegation earlier this month, Chinese representatives made clear that lifting or at least easing the ban on ZTE was a key issue for them.

In a surprise move, Trump issued a tweet stating that he was working with Chinese President Xi Jinping to get ZTE back into business. He wrote that "too many jobs in China" had been lost and that the Commerce Department had been instructed to "get it done."

The tweet set-off a storm of opposition from both Democrats and Republicans, with the Democrats leading the way. A letter signed by 32 Democrats, headed by Senate minority leader Charles Schumer, Senator Ron Wyden and Senator Sherrod Brown, declared that "America's national security must not be signed away as a bargaining chip in trade negotiations."

Taking up the strident, bellicose "America First" trade rhetoric of Trump, the letter said: "American workers and companies confront rampant theft of US intellectual property, agricultural policies that disadvantage American farmers, restrictions in market access to US service providers and manufacturers, and mercantilist industrial policies that have cost US workers their jobs. America's policies towards China should put American workers, farmers and businesses first, not China's."

Republican Senator Marco Rubio warned that the administration was making a "terrible deal" and said the US was about to "get out-negotiated by China again."

In remarks to the Senate Foreign Relations Committee on Asia policy, Rubio pointed to the underlying issues in the trade conflict: fear that high-tech development by Beijing under its "Made in China 2025" plan threatens US economic and, ultimately, military supremacy.

"They are basically conducting an all-out assault to steal what we've already developed and use it as the baseline for their development so they can supplant us as the leader in the most important technologies of the 21st century," Rubio said.

As numerous commentators with any knowledge of economic history have drawn out, what China is doing with regard to technology is no different from what the US did in the 19th century. At that time, American

corporations appropriated technologies developed in Europe to advance US industrial capacity, especially in the key industry of steel.

A deal over ZTE could involve the US easing restrictions on its activities in return for China dropping the tariffs it has imposed on US agricultural products. The Chinese action is in retaliation for US tariffs on aluminium and steel enacted under a piece of 1962 legislation to supposedly protect “national security.”

The key tariff measures against China, however, are being brought under section 301 of the 1974 Trade Act. And here there seems little room for manoeuvre.

Responding to the criticism of his possible moves on ZTE, Trump issued a series of tweets yesterday in which he insisted there had been no softening of the US position.

He wrote: “There has been no folding as the media would love people to believe, the meetings [with Chinese officials] haven’t even started yet. Nothing has happened with ZTE except as it pertains to the larger trade deal. Our country has been losing hundreds of billions of dollars a year with China.”

At its meeting in Beijing earlier this month, the high-level US delegation issued a series of impossible-to-meet demands, centring on China reducing its trade surplus with the US by \$200 billion over the next two years and capitulating to US demands on its high-tech development. The US has insisted that China take no retaliatory action against US tariffs or even bring a case against it in the World Trade Organisation.

Speaking on Tuesday at a meeting in Tokyo, the US ambassador to China, Terry Branstad, said Washington and Beijing were “still very far apart” on trade disputes. He said the US wanted to see a “specific timetable” for market opening by China, following the US demands issued at the Beijing talks.

“The Chinese have said ‘we want to see the specifics.’ We gave them all the specifics in terms of trade issues. So, they can’t say they don’t know what we’re asking for,” Branstad said.

The only hint of a possible concession by the US has come with the news that White House trade adviser, Peter Navarro, an anti-China hawk, will not be on the US negotiating team for the Washington discussions.

According to a report in Bloomberg, citing two administration officials, Navarro has been excluded because he was not a “team player” in the discussions

held in Beijing. His absence, however, does not signify any softening of the US position,

Others within the administration, including US Trade Representative Robert Lighthizer, share his view that the development of high-tech products by China constitutes an existential threat to American dominance and must be stopped—a position widely held within the US political establishment.



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