

Inconclusive outcome of US-China trade talks

Nick Beams
21 May 2018

Two days of talks in Washington between high-level US and Chinese delegations at the end of last week did not bring any substantial movement on the trade issues that have divided the two countries. The differences remain so wide that the *Wall Street Journal* reported the discussions ended up “with both sides arguing all night on Friday over what to say in a joint statement.”

The brief communiqué that finally emerged said there had been “constructive consultations” regarding trade and spoke of a “consensus on taking effective measures to substantially reduce the United States trade deficit in goods with China,” without specifying by how much.

“To meet the growing consumption needs of the Chinese people and the need for high-quality economic development, China will significantly increase purchases of United States goods and services. This will help support growth and employment in the United States,” it continued.

The phrasing was in line with the Chinese delegation’s insistence that it not be seen to be capitulating to US demands. In the course of the talks, Larry Kudlow, Trump’s economic adviser, indicated to journalists that China had agreed to US demands that the trade deficit be reduced by \$200 billion. This was seen by the Chinese as a blatant attempt to push them into such a commitment and was denied by Chinese news outlets.

In a television interview, Kudlow yesterday downplayed the significance of the \$200 billion figure, saying, “Maybe I got ahead of the curve,” and that it had been used as a “rough ballpark estimate.”

The statement said both sides had agreed on “meaningful increases” in US agricultural and energy exports and that the US would send a team to China to work out the details. No other measures were specified and, as some commentators pointed out, any increase in energy and agricultural exports would not amount to anywhere near \$200 billion.

On the crucial question of US claims that China has been appropriating US technology through “forced” technology transfers and outright theft, the statement said both sides “attach paramount importance to intellectual property protections,” and that China would “advance relevant amendments to its laws and regulations in this area, including the Patent Law.”

The vagueness of the statement left the way open for both sides to offer their own interpretations on what had been agreed.

According to the Chinese state-run Xinhua news agency, Chinese Vice Premier Liu He said the two sides had pledged not to wage trade war against each other, and a comment published yesterday described the negotiations as a “good example of win-win.”

The US has threatened to impose tariffs on up to \$150 billion worth of Chinese goods at the end of this month under section 301 of the 1974 Trade Act. This follows an investigation into Chinese trade practices in the area of technology. China has threatened a series of measures in retaliation.

With a delegation set to go to China for further discussions, it now appears likely that the US measures will at least be delayed.

Speaking to “Fox News Sunday,” US Treasury Secretary Steven Mnuchin said progress had been made. “We’re putting the trade war on hold,” he said. “So right now, we have agreed to put the tariffs on hold while we try to execute the framework.”

However, there was somewhat different emphasis from Kudlow. Asked on the CBS program “Face the Nation” whether tariffs were off the table, he said: “I don’t think we’re at that stage yet. Tariffs are part of any negotiation, and tariffs have to be part of any enforcement.”

Another interpretation was offered by US Trade Representative Robert Lighthizer. He issued a statement that the US could resort to tariffs unless there

was “real structural change” on the part of China, and that “nothing less than the future of tens of millions of American jobs is at stake.”

Together with White House trade adviser Peter Navarro, Lighthizer represents the view that the main issue is not the trade surplus with the US as such, but that China, through its “Made in China 2025” program, is seeking to develop its capacities in high-tech areas, including communications and robotics, that pose a direct threat to American economic and, ultimately, military supremacy.

This issue was at the centre of the storm of opposition from both Democrats and Republicans over Trump’s move last week, as part of a wider trade deal with China, to ease restrictions that had been imposed on the Chinese telecommunications company ZTE. The Commerce Department imposed a ban in April on sales of vital components by US companies to ZTE over its agreement on sales to North Korea and Iran in defiance of US bans, leading to the company announcing that it was ceasing operations.

Despite China pushing for an easing of restrictions on ZTE, including an intervention by Chinese President Xi Jinping, and Beijing’s insistence that this was a top priority, the ZTE question was not raised in the joint statement.

Leading Democratic Senator Charles Schumer criticised the statement for the lack of specific measures to protect US intellectual property and noted that it did not mention ZTE. “If the administration capitulates on ZTE and allows it to continue to exist, that will signal to President Xi that we are weak negotiators,” he said.

Republican Senator Marco Rubio dismissed the reported commitment of China to help increase US exports. “Why do US officials always fall for China’s trickery?” he tweeted. “If we don’t wake up and start treating this as a national security issue, China is going to win again.”

The “national security” issue also relates to the question of the trade deficit with China, which claims that it could boost US exports if it were allowed to purchase more high-tech products. But according to a report in the *New York Times*, support by Mnuchin for a relaxation of export controls on such goods has “faced stiff opposition from Defense Department officials, who fear such sales could compromise American national security.”

The underlying position of the US was exemplified by an outburst by Trump during a press conference held last week with NATO Secretary-General Jens Stoltenberg as the talks with the Chinese trade delegation were getting underway. Trump made clear that if North Korea did not agree to US demands it would be “decimated” as had Libya and Iraq.

Asked about the discussions with China, Trump launched into a tirade against the trade practices of virtually the rest of the world. “China has been the biggest,” he said. “But trade has been a total one-way street.” Bucket loads of money had been taken out of the United States “whether it’s the European Union... whether it’s Japan or South Korea, or I can name almost every single country in the world.”

Trump said he tended to doubt whether any deal with China would be successful “because China has become very spoiled.” He continued: “The European Union has become very spoiled. Other countries have become very spoiled because they always got 100 percent of what they wanted from the United States. But we can’t allow that to happen anymore.”

The outburst should not be dismissed as simply the product of the fevered brain of Donald Trump. In the final analysis, it is an expression of the drive by the US to counter its long-term economic decline by threatening the rest of the world with “decimation” if it does not agree to its demands, both military and economic.



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