# Wall Street falls as US-China trade tensions rise

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There were major swings on Wall Street yesterday, with the Dow moving in a range of 900 points, in response to a report that US President Donald Trump is planning to impose a tariff on all Chinese goods if he does not receive a satisfactory trade offer from President Xi Jinping.

The two leaders are set to meet on the sidelines of the G20 summit meeting in Buenos Aires, Argentina, at the end of next month, with the US demanding that China present a list of actions it is prepared to carry out to meet its demands.

These demands centre on measures against the alleged theft of intellectual property rights, forced technology transfers and state subsidies to major industries that the US claims distort international markets.

Bloomberg, citing "three people familiar with the matter," reported that the administration was planning to announce tariffs covering all remaining Chinese imports if talks between Trump and Xi failed to "ease the trade war."

The response on Wall Street was to send the Dow plunging after it had opened by more than 300 points up. At one stage, the index was down by more than 550 points before ending the day 245 points lower. The S&P 500 index swung by nearly 4 percent from its high to the low in the trading session, with tech stocks and Boeing particularly hard hit.

According to the Bloomberg report, the new list would cover the $257 billion worth of Chinese goods not already affected by tariffs and would come into effect by February, following a 60-day public comment period.

The US has already levied tariffs of 25 percent on $50 billion worth of Chinese goods, mainly industrial products, plus a tariff of 10 percent on another $200 billion worth of imports imposed in September that is set to rise to 25 percent at the start of next year.

While the proposed new tariffs have yet to be confirmed, the Bloomberg report is in line with a *Wall Street Journal* report last week that the US was refusing to "resume trade negotiations with China until Beijing comes up with a concrete proposal to address Washington's complaints about forced technology transfers and other issues."

The newspaper noted that US businesses had been hoping there would be sufficient progress at the G20 meeting between Trump and Xi to at least bring about a suspension of the planned escalation of the tariff hike on the $200 billion worth of Chinese goods, many of them consumer goods and components for US products, set for January 1.

That prospect now seems highly unlikely. "If China wants [the G20 session] to be a meaningful meeting, we need to do the groundwork," a senior White House official told the newspaper. "And if they don't give us any information, it's just hard to see how that becomes fruitful."

The Chinese are not willing to provide the US with a list, having been badly burned on that score in the past. They fear that Trump would make any offer public and weaken their negotiating position. That took place in 1999 during negotiations for China's entry into the World Trade Organisation. The Clinton administration made public a negotiating offer by the then Chinese Premier Zhu Rongji, which led to him being pilloried at home for offering too many concessions.

The experience has been repeated this year. In May, Chinese negotiators thought they had reached an agreement with the US for China to buy $100 billion worth of additional US goods, a deal which US Treasury Secretary Steven Mnuchin said had put the trade war "on hold." However, Trump overturned the deal a few days later on the grounds that it was not sufficient.

In an interview with the *Wall Street Journal* last week, China's ambassador to the US Cui Tiankai said Beijing wanted more discussions before it would make a specific offer. "People have to sit down together," he said. "Then each side should make its own proposal. You cannot have some tentative agreement one day and reject it the next."

China is seeking assurances from the US that if it does offer a list of concessions, then the US will respond with offers to reduce tariffs. But US officials have given no indication that they are prepared to do that. A "senior White House official" claimed that China will "sort of commit to things that will sound good but aren't meaningful."

The conflict goes far beyond negotiating tactics, however. The basic issue, as set out in a list of initial demands presented last May, is that the US is demanding that China roll back, or at least severely curtail, its program for advanced industrial and technological development under its "Made in China 2025" plan. This would involve Beijing ceasing the acquisition of new technologies, which the US claims involves theft and forced transfers from firms operating in China, and ending "market distorting" subsidies to major industries.

In other words, the US is insisting that China must not pursue the path of economic development that has been taken by other capitalist economies, including the US, Japan and South Korea, in the past. So far as the US is concerned, China should be reduced to a semi-colonial status as a supplier of cheap consumer goods, and must not be allowed to develop industries and technologies that could challenge US economic and military supremacy.

This is a demand that the Chinese regime cannot meet. The issue is often put in terms of the "loss of face" by the Chinese leadership if it backs down—a position advanced by historian Niall Ferguson in an interview on the business channel CNBC yesterday as he pointed to the intractable character of the US-China trade conflict.

But far more is involved. The vast economic expansion of China has seen an explosive growth in the working class that threatens the stability of the Chinese regime if economic growth does not proceed.

Having completely abandoned any claim to promote social equality, let alone bring about an advance to socialism, the Chinese regime is widely regarded as representing an ultra-wealthy capitalist oligarchy. It enjoys any legitimacy in the eyes of the working masses only to the extent that it continues the expansion of the economy. This means it must press ahead with technological and industrial development, a course that has now brought about a direct collision with the US.

For its part, the US is determined that China's economic development cannot be allowed to reach a point where it can challenge American dominance—a position that Washington will seek to maintain by all means, including intensified trade war and ultimately military conflict.