

Limited movement in US-China trade talks

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Talks between US and Chinese officials have brought a very short-term easing of trade tensions. China has agreed to lift the 40 percent tariff on US cars it imposed as a retaliatory measure and given an unspecified commitment to increase purchases of US soybeans and other agricultural products.

US markets responded accordingly with Wall Street up yesterday on the news as the Dow rose by 157 points or 0.64 percent.

The talks between the two sides took place on Monday night in a teleconference involving US Treasury Secretary Steven Mnuchin, US Trade Representative Robert Lighthizer, whom Trump has put in charge of the negotiations, and Chinese vice premier and chief trade negotiator, Liu He.

Liu said the tariff on US autos would be reduced to 15 percent—the general Chinese tariff on cars. The main beneficiary, however, will not be US-owned firms but German car makers BMW and Daimler that manufacture vehicles, particular SUVs, in the US and then export them to China.

The talks were the first to be held following the meeting between US President Trump and China's President Xi Jinping on December 1 and came in the wake of the arrest and detention in Canada, at the request of the US, of Meng Wanzhou, a top executive of the Chinese telecom giant Huawei.

Meng has been released on onerous bail conditions and now awaits what could be lengthy legal proceedings if the US decides to go ahead and seek her extradition to the US to face charges, carrying a possible prison term of 30 years, that she committed fraud to evade US bans on Iran.

Trump's first major public comment on the Meng arrest has blown apart the pretence that this had nothing to do with US the trade and economic warfare measures but was purely a judicial matter. In an interview with Reuters, he said he was prepared to do what was necessary in the Meng case if it assisted in securing a trade deal.

The Justice Department has insisted that it will go ahead. "What we do at the Justice Department is law

enforcement. We don't do trade," John Demers, the head of its national security division, said.

Trump's intervention throws some light on why he appears to have been kept out of the loop on the move against Meng, which was made at the same time as he was meeting with Xi on December 1. The White House has insisted that Trump did not know of the events in Vancouver beforehand. However, his National Security Adviser, John Bolton, told NPR last Thursday that he knew in advance of the request to Canada.

It is extraordinary, to the say least, that Bolton, who was in charge of the discussions with Xi, did not inform Trump of this development. It points to the fact that the push against the Chinese telecom firm is being led by the intelligence and military establishment, which is determined to move against Huawei, having organised an international campaign to have it excluded from the telecommunications systems of US allies.

Earlier this year, Trump intervened against action by the US Commerce Department to ban the sale of components to the Chinese telecommunications firm ZTE on the grounds that it had not taken sufficiently severe measures against executives involved in breaching US bans on Iran—the same issue at the centre of the allegations against Meng. His involvement came after representations from Xi and secured the lifting of the restrictions which, had they continued, would have effectively put ZTE out of business.

Now the same measures initially proposed against ZTE could be invoked against Huawei on national security grounds.

Huawei, which is considered a leader in the development of a 5G phone network, is at the centre of Chinese efforts to develop its technological and industrial base which key sections of the US state regard as a threat to American economic and military dominance.

"Huawei is leading in 5G technology so the US panicked and wanted to suppress Huawei. If you want to condemn someone, you can always trump up a charge," Ding Yifan, a senior researcher at the National Strategic

Institute at Tsinghua University told the *Financial Times*.

He said that while Huawei was better placed than ZTE, if the US issued a ZTE-style “denial order”, where networks cannot order components to upgrade existing software or work with Huawei staff, it would be crippled. “That would be a small nuclear weapon,” he said.

Reports in the *Wall Street Journal* suggest that China is preparing to make some concessions to the US on its demands that alleged theft of intellectual property and forced technology transfers must cease—assertions that China denies.

Wu Handong, an adviser to China’s Supreme People’s Court, told the newspaper that China was speeding up plans to introduce a revised patent law to address US demands. It also reported that Beijing was considering changes to its “Made in China 2025” plan which the US claims is based on state-subsidies to key national industries, giving them an unfair advantage in global markets.

However, any moves on Beijing’s part are unlikely to halt the drive from within the American state apparatus against Chinese economic development.

Further evidence of the strength of that drive came at a Senate Judiciary Committee hearing yesterday when a leading FBI official said Beijing was using American technology to develop its own economy, threatening the position of the US.

“Our prosperity and place in the world are at risk,” Bill Triestap, the FBI’s senior counter-intelligence official told the committee.

“I believe this is the most severe counter-intelligence threat facing our country today,” he said. “Every rock we turn over, every time we looked for it, it’s not only there, it’s worse than we anticipated.”



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