

US-China trade talks extended, amid continuing obstacles

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Trade talks between US and Chinese negotiators in Beijing will continue into a third day as the Trump administration continues to ratchet up its demands on the Chinese government. While Trump tweeted yesterday that the talks were “going very well,” major stumbling blocks are still unresolved.

The bellicose character of the Trump administration’s stance was underscored by its provocative decision to send a US Navy destroyer into the South China Sea on Monday—the day the talks began—to directly infringe on Chinese maritime claims. Trump’s aggressive trade war measures are just one component of a wider strategy, including a military build-up in Asia, to undermine China and subordinate it to US interests.

For its part, the Chinese government pointedly hosted a top-level visit by North Korean leader Kim Jong-un to Beijing yesterday on the second day of the talks. Just as Washington denied any connection between the dispatch of a destroyer to the South China Sea and the negotiations, so Beijing has dismissed any link between the talks and Kim’s trip. Nevertheless, it sent a message that the US needs China’s assistance on North Korea which could be in jeopardy if Washington keeps pressing on trade.

China has already made significant concessions on trade and other US economic demands, including the recommencement of Chinese purchases of American soybeans and a lowering of tariffs on American cars. The restrictions on cars and soybeans were imposed as part of China’s retaliation against Trump’s decision to place tariffs on \$50 billion worth of Chinese goods.

China has also sought to address other issues. Last month it released the draft of a law to prevent local Chinese officials from forcing foreign companies to transfer their technology as the price of doing business

in China. Without substantiating its allegations, the Trump administration has repeatedly accused China of “stealing” American technology, both directly and indirectly.

Chinese officials last month also proposed an amendment to the country’s patent law to strengthen the legal protection of intellectual property. The new law would increase the penalties for willfully infringing on patents.

The US has made no concessions, other than to delay the implementation of the next round of trade war measures so that talks can take place. US negotiators are no doubt using the new deadline of March 1 for raising the level of American tariffs from 10 to 25 percent on \$200 billion worth of Chinese goods to try to bully Beijing into meeting all US demands.

Chinese President Xi Jinping is under considerable pressure to reach an economic deal with the US. Economically the escalating trade war is contributing to a marked slowdown in the Chinese economy. Politically, Xi is being criticised within the Chinese Communist Party (CCP) for failing to be sufficiently conciliatory to Washington and thus exacerbating tensions.

Total Chinese exports to the US have continued to grow, albeit more slowly, after Trump imposed successive rounds of tariffs. However, the year-on-year figures for the goods hit by the tariffs plunged sharply by between 10 and 20 percent, according to US trade statistics. Shipments of industrial robots, for instance, to the US sank by 35 percent, year-on-year, in July after the first round of tariffs, and by 68 percent in October.

US exports to China have also been hit by retaliatory tariffs, slumping by 42 percent in October on the goods affected, according to the US-based consultancy, The Trade Partnership. In June, the US exported 630,000

tonnes of soybeans to China, but that figure fell to zero in November after China imposed an additional 25 percent tariff.

Xi reportedly offered in December to lift China's purchases of US goods by a massive \$1.2 trillion. He also signalled his support for the trade talks when his top economic adviser, Vice President Liu He, made an unscheduled appearance on Monday on the first day of negotiations.

However, US trade representative Robert Lighthizer, who is in charge of US negotiations, has repeatedly insisted that reducing China's trade surplus with the United States is not sufficient. He has demanded "structural changes," including the further opening up of the Chinese economy to American corporations, and an end to the "theft" of US intellectual property.

Commenting on the reaction in the White House to China's concessions, the *New York Times* observed: "The Trump administration's trade hawks are pushing for a lot more, while even the doves fret that the new promises need effective enforcement to make sure that China follows through."

The article noted: "The biggest sticking point in China's package of concessions to the White House may be Made in China 2025, a government plan for developing high-tech industries. The Trump administration has repeatedly criticized the plan, saying it is evidence that China unfairly supports its own companies over foreign competitors in the Chinese market."

Washington's targeting of the "Made in China 2025" program underscores the fundamental obstacles to any resolution of the economic disputes. For China, its efforts to try to boost the competitiveness of its corporations, particularly for lucrative hi-tech products, are essential to ensure its continued economic growth. However, the US, which is desperate to arrest its long-term historic decline, regards China's technological advances as an existential threat, not only to its global economic dominance, but also to its military superiority.

China's efforts to downplay this program are unlikely to satisfy anti-China hawks in the Trump administration such as Lighthizer. Even if a deal is reached by the end of next month, it will only be a temporary truce as it is China's emergence as the world's second largest economy, not its so-called unfair economic practices,

that lies at the core of Washington's bitter opposition.

The trade conflict has been accompanied in the US media by an escalating barrage of anti-China propaganda over everything ranging from "human rights" to allegations of cyber hacking and Chinese inference in American politics. Nothing it appears is too absurd, with the *Washington Post* publishing an article on Monday suggesting that China could use its exported rail cars to eavesdrop on US officials or even to deliberately cause a crash on American rail networks.

The ratcheting up of this propaganda war is a sure sign that the US media and political establishment as a whole regards China as the chief threat to American global dominance. Whatever the immediate outcome of the trade talks, the US confrontation with China is set to intensify across the board and is leading down the path of a catastrophic war between two nuclear-armed powers.



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