

US and China still miles apart as trade talks are set to begin

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Two days of top-level talks between US and Chinese representatives begin in Washington tomorrow that could determine whether the Trump administration goes ahead with increasing tariffs on \$200 billion worth of Chinese goods from 10 percent to 25 percent after March 1. If it does, it will escalate the US trade war with China to new heights.

The discussions, in which the key participants are US Trade Representative (USTR) Robert Lighthizer and China's chief trade negotiator Vice Premier Liu He, take place amid signs that the two sides are no closer to any agreement on key US demands that China take action to halt its alleged theft of intellectual property and wind back its program for industrial and technological development.

In television interviews last week, Commerce Secretary Wilbur Ross made clear the trade imbalance between the two countries was not the main US concern. The US is demanding that China scrap its program for future economic development by implementing so-called "structural" changes.

Speaking to the business channel CNBC last Thursday, Ross said: "We're miles away from getting a resolution. Trade is very complicated and there are lots and lots of issues."

He said the issues were not just about additional Chinese purchases of US commodities such as soybeans and LNG "but even more importantly, structural reforms that we think are needed in the Chinese economy. And then even more important than that, enforcement mechanisms and penalties for failure to adhere to whatever we agree to."

In an interview with Bloomberg, Ross emphasised that the trade imbalance could be adjusted by the reallocation of Chinese imports to take more US goods, but the key issues were the structural changes identified

in the report brought down last year by the office of the USTR, under Section 301 of the 1974 Trade Act which has formed the basis of US action against China.

The US accuses China of carrying out forced technology transfers and intellectual property theft, and using "market-distorting" state subsidies to enhance its position in world markets. These practices are regarded by key sections of the US political, business and national security apparatus as posing an existential threat to American global economic and military dominance.

China has countered that technology transfers are not forced, but form part of commercial deals by US companies to gain greater access to Chinese markets. It has said it is prepared to tighten laws against intellectual property theft. It has also indicated that it is willing to pull back somewhat on its "Made in China" program, at least as far as major state investments are concerned. But Beijing will not abandon its efforts to develop world class production of semi-conductors and other crucial technology, nor carry out major changes in the overall state control of the economy and financial system.

As Ross and others have indicated, the sticking point in any agreement as far as the US is concerned will be enforcement and the establishment of mechanisms to ensure that China is complying with its demands. It will not regard changes in Chinese laws or the formal announcement of a shift in government policies as sufficient.

The clear implication of the remarks by Ross is that the US will only accept an agreement under which it can monitor and intervene directly in the running of Chinese government policy and its legal system, to ensure that "enforcement mechanisms" are put in place.

In other words, so far as its economic policies and

their legal implications are concerned, China must assume the position of a subservient semi-colony in relation to the US—a position which the Xi Jinping regime, or any other government, cannot possibly tolerate.

Knowing that to be the case, the US is stepping up its economic war against China on all fronts, above all through what has been called the “weaponisation” of the criminal justice system.

Yesterday, US prosecutors filed a series of criminal charges against the Chinese telecoms giant Huawei, alleging that it committed bank fraud to evade sanctions against Iran imposed by the US—the basis for the detention of Huawei executive Meng Wanzhou in Canada—and that it had stolen trade secrets from the US firm T-Mobile.

The broader context of the US moves against Huawei and its role in the development of 5G mobile phone technology, which will bring about a qualitative development in the internet, was set out in a major article published in the *New York Times* at the weekend.

It recalled that in July 2018, the US initiated a major push against Huawei at a meeting of the “Five Eyes” intelligence network—the US, Canada, the UK, Australia and New Zealand—at which it was decided to initiate joint action to prevent Huawei building new 5G networks in the West.

According to the *Times*, the US position is that “the world is engaged in a new arms race—one that involves technology rather than conventional weaponry, but poses just as much danger to America’s national security. In an age when the most powerful weapons, short of nuclear weapons are cyber-controlled, whichever country dominates 5G will gain an economic and military edge for much of this century.”

The conviction in the Trump White House it noted—and it should be added throughout the US military and intelligence establishment—is that “there must be a single winner in this arms race, and the loser must be banished.” The article pointed to the preparation of an executive order being drafted by the administration effectively banning all US companies from using Chinese-origin equipment. This goes far beyond the existing bans covering government networks.

The bans on Huawei are being initiated on the

grounds that, as a Chinese company, it is subject to the dictates of the government and the Chinese military—a claim vigorously denied by the firm. Yesterday the Chinese ambassador to the European Union, Zhang Ming, denounced the “slander” and “discrimination” against Huawei and the attempt to “fabricate a security story” surrounding it and Chinese companies.

As the *Times* article acknowledged: “So far, the fear swirling around Huawei is almost entirely theoretical” as current and former US officials “whisper that classified reports implicate the company in possible Chinese espionage but have produced none publicly.”

As far back as 2010, the National Security Agency penetrated Huawei’s headquarters to try to discover evidence that the company was secretly controlled by the Chinese military, but found none.

The connection of the trade talks to the broader drive by the US to take all action it deems necessary to maintain its economic and military supremacy was underscored by Trump National Security Adviser John Bolton, in remarks to the *Washington Times* last Friday.

“President Trump has identified overcoming this economic problem as critical, not simply to right the balance economically, to make China play by the rules everybody else plays by, but to prevent an imbalance in political/military power in the future as well. The two aspects are very closely tied together in his mind,” Bolton said.

“Playing by the rules”—the foundation of the administration’s position to be advanced at tomorrow’s trade talks—means essentially that China must accept the economic supremacy of the US, abandon its program for industrial and technological development and assume the position of an economic semi-colony.



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