No deal reached at US-China trade meeting

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The two days of top-level talks between representatives of the Chinese government and the Trump administration on trade held in Washington this week have led to a commitment to hold further discussions but no concrete agreement.

The new round of discussions will see a US team led by Treasury Secretary Steven Mnuchin and US Trade Representative Robert Lighthizer travel to China in mid-February to engage with Chinese negotiators led by Vice Premier Liu He. The talks will take place just two weeks before the present deadline for an agreement expires on March 1, after which, if no deal is reached, the US has said it will lift tariffs on $200 billion worth of Chinese goods from 10 percent to 25 percent.

During this week's discussions there was some conjecture, in part fuelled by tweets from US President Trump, that the deadline could be extended.

But a statement issued by the White House at the conclusion of the discussions said Trump had reiterated that the 90-day process agreed to in Buenos Aires was a "hard deadline" and the US will increase tariffs unless an outcome is reached.

The main focus of the talks was not on increasing US exports to China but reducing the trade imbalance between the two countries. China has already agreed to undertake measures such as buying five million tons of soybeans from the US.

The key issues concerned US demands for what it calls "structural reform" of the Chinese economy, centring on the protection of intellectual property rights, the cessation of forced technology transfers and the winding back of state subsidies for major industries that Washington claims are "market distorting."

These demands form a major sticking point because their essential content is that China subordinate its economic and technological future to the dictates and demands of the US.

There were smiles all round after this week's discussions, with both sides saying that progress had been made and Liu He floating the possibility of a meeting between Trump and China's president, Xi Jinping. But the underlying tensions were not far from the surface, amid recognition that little change had taken place on the central questions.

The executive vice president of the US Chamber of Commerce, Myron Brilliant, who was briefed on the discussions, said the two sides were far from a deal. Beijing, he said, had not even agreed to list all the subsidies at the central government and local level to domestic firms.

On other key issues, he said: "China hasn't offered up anything tangible to address ongoing concerns around forced transfer of technology."

The Chinese negotiators insist they cannot offer anything on that score because "forced" transfers do not take place and that agreements with US firms to make available their technologies form part of commercial deals to gain greater access to the Chinese market.

Following the discussions, Lighthizer, who, together with White House economic adviser Peter Navarro, is the main anti-China hawk in the administration, offered a relatively upbeat assessment.

"We focused on these core ideas, these core concepts and it's my judgement that we made headway in significant ways," he said but provided no details.

In its account of the talks, Chinese state news agency Xinhua reported that the two sides held "frank and constructive discussion" and had "agreed to further strengthen cooperation" on issues such as technology transfers and intellectual property. But, like the US, it provided no details of any commitments, saying only that the two parties had "clarified the timetable and roadmap for the next consultation."

While the negotiations have produced no results so far as specific commitments are concerned, they have

made clear one of the key demands of the US. It will not accept on its face a signed commitment by the Chinese government or legislative changes regarding issues such as intellectual property. It is insisting that there must be some mechanism established through which the US can directly intervene to assess whether the agreed measures are being carried out.

"If we can get an agreement, it's worth nothing without enforcement," Lighthizer said.

The *South China Morning Post* reported that Lighthizer had summed up one of the crucial components of the talks as "enforcement, enforcement, enforcement."

This raises the crucial question of how such enforcement would be carried out. The US would not hand over that task to an international body such as the World Trade Organization. The Chinese government could not accept the direct intervention of US officials in the operations of its legal system, or scrutiny of government economic decisions—which would amount to an outright violation of its national sovereignty.

Whatever the twists and turns in negotiations over the next month, the underlying issue remains the drive of the US to push back China's economic and above all technological development, which it regards as a threat to both its economic and military hegemony.

As numerous commentators have pointed out, the measures being undertaken by the Chinese state to promote industrial and technological advancement are similar to those undertaken by other countries in an earlier period.

Writing in the *South China Morning Post* this week, Regina Ip, the founder of the pro-Beijing People's Party and a member of the Hong Kong Legislative Assembly, said the conflict with the US could not be blamed on China's "state capitalism" or its national industrial policy. Beijing's measures, she insisted, were not fundamentally different from those undertaken by Japan and South Korea after World War II.

"As is well documented by scholars on Japan's post-war economic miracle, Japan adopted a deliberate strategy of market protection by erecting tariff and non-tariff barriers, grooming 'national champions' in selected industries, targeting US rivals and making copycat production by reverse engineering," Ip wrote.

The same issue was raised by another commentator with a very different political outlook. Henry Ergas, a leading columnist for Rupert Murdoch's flagship newspaper, the *Australian*, noted that China's claim it was following the same road taken by the East Asian tigers in their growth phase was "not unreasonable."

Ergas commented that it was likely Japan's NEC, a key provider of high-tech communications, "received far greater public assistance as it moved towards the technological frontier than [the Chinese telecommunications giant] Huawei has."

But as he went on to draw out, valid as these references to economic history may be, there is a major difference between China's situation and those countries that followed similar policies in the past. Unlike its predecessors, China is much larger in size, with a much greater impact on the world market, and it is regarded by the US as a strategic threat.

It is these geo-economic and political conflicts which, whatever the moves and counter-moves, underlie the trade discussions as they approach the March 1 deadline.