

Trump announces delay in China tariff deadline

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US President Trump has announced that a March 1 deadline for the imposition of additional tariffs of up to 25 percent on \$200 billion worth of Chinese goods has been extended.

Releasing the decision in the form of a tweet yesterday evening, Trump said there had been “substantial progress” in talks with China “on important structural issues including intellectual property protection, technology transfer, agriculture, services, currency, and many other issues.” He provided no specifics.

Trump said that if “additional progress” were made in the negotiations, he would plan a summit meeting with China’s President Xi Jinping to “conclude an agreement.”

No details were provided on how long the extension of the truce would last or when a summit meeting was likely to occur.

Previously, trade officials had ruled out any extension. The leading American negotiator, US Trade Representative Robert Lighthizer, insisted March 1 was a “hard deadline.”

The extension of negotiations will heighten concerns among anti-China hawks, both within the administration and more broadly, about the direction of Trump’s policies. They believe he is too ready to strike a trade deal with China without taking action on the “structural” issues of China’s industrial and technological development, which they regard as a threat to the economic and military dominance of the US.

A key factor in Trump’s decision appears to have been concerns voiced by some of his advisers that failure to reach a deal would have a major impact on financial markets, which fell sharply at the end of last year over fears of the effects of a trade war escalation.

Public divisions were evident in the US side on Friday at a White House press conference involving Trump, Lighthizer and Treasury Secretary Steven Mnuchin. The Chinese delegation in attendance was led by China’s vice-premier and chief trade negotiator Liu He.

Mnuchin said Liu had done a “very good job” at documenting multiple MOUs (Memoranda of

Understanding) that would be “binding and enforceable and cover all different types of industries” and would be very good for US business in finally opening up China.

Trump intervened to criticise his own official, telling Mnuchin: “Why do you bother putting it in a form of a letter of intent, or whatever you want to call it? To me it’s a waste of time.”

The issue erupted again, in response to a question as to whether the MOUs would be a long-term deal and how long they would last.

Trump replied: “I think the MOU is going to be very short term. I don’t like MOUs because they don’t mean anything.”

Lighthizer responded by saying that an MOU was a contract and it was the way trade agreements were generally done. “A memorandum of understanding is a binding agreement between two people,” he said. “It’s detailed; it covers everything in detail.”

Trump then put down his leading trade negotiator. “By the way, I disagree. I think that a memorandum of understanding is not a contract to the extent that we want ... To me it (an MOU) doesn’t mean very much.”

Lighthizer responded that “we’ll never use the term again,” saying there would be a trade agreement adding: “We have major hurdles.”

The immediate cause of the spat appears to have been Trump’s concern about the reaction of his supporters in right-wing sections of the media. The previous evening, Lou Dobbs the Fox Business host, who is regarded as influential among Trump’s inner circle, had said: “An MOU isn’t worth the paper it’s written on.”

According to a Trump adviser, cited by the *Wall Street Journal*: “Trump’s words are coming out of Lou Dobbs’ mouth last night. If you’re 2020 campaign people, you want to protect Trump from an assault from the right.”

The issue previously emerged during manoeuvres over the “Mexican Wall” and the government shutdown, when Trump came under criticism from far-right commentator Ann Coulter for backing down on the issue.

But more is involved than immediate electoral considerations. These issues go to the heart of the conflict with China. The Lighthizer wing within the administration, including White House economic adviser and anti-China hawk, Peter Navarro, insist that trade is not the central issue.

While calling for a reduction of the trade deficit, their focus, reflecting views within the military and intelligence establishment, is directed to what they call “structural reform.” By this they mean enforceable measures directed against China’s industrial and technological development.

Their concern is that following the sharp fall in financial markets in December—when Wall Street experienced its most significant decline for that month since 1931—Trump has become too concerned with market reaction and is too willing to secure a deal that they regard as not addressing the fundamental questions.

This view was reflected in a tweet on Friday by Florida Republican Senator Marco Rubio, who has close connections with the intelligence establishment and is one of the leading anti-China figures within the US Congress.

Responding to reports that China had agreed to increase its purchases of US soybeans, he said: “No matter how many tons of soybeans they buy, if China gets to keep cheating and stealing trade secrets it won’t be a good deal for America, our workers, or our national security.”

According to a report in the *Wall Street Journal*: “China hawks in the business community, the administration and in Congress say they are troubled by what they see as Mr Trump’s growing impatience for a deal, and are urging him to stand firm and insist China make fundamental changes in its industrial policies.”

The article cited Democrat New Jersey House of Representatives member Bill Pascrell who said: “I am encouraged by signs of progress, but remain concerned that the president will accept a quick offer of procurement of US goods rather than fundamental reforms to China’s systemic problems.”

On the other side, Bloomberg reported, citing “people familiar with internal deliberations,” that Mnuchin and National Economic Council Director Larry Kudlow “have been making the case to the president that investors expect a deal, and not getting one would cause US stock markets, which started the year strongly on trade optimism, to stumble again.”

Mnuchin and Kudlow are also reported to have advised Trump not to issue an executive order banning Huawei and other Chinese telecom companies from supplying equipment for US networks as this could jeopardise the trade discussions.

The battle within the administration is increasingly becoming public with reports that the office of the US Trade

Representative is making “thank-you calls” to those who appear on television, or issue statements to the press, calling for the administration to take a tougher stance on China.

The only concrete agreement so far appears to be a commitment by China to maintain the value of the Chinese currency, the yuan, and not to engage in competitive devaluation. During his election campaign Trump denounced China as a currency manipulator. But the US Treasury has refused to name China as such. Moreover, Chinese financial authorities have taken action to maintain the value of the yuan, fearing that any significant fall will lead to an outflow of capital from China.

Announcing the agreement, without providing any details, Mnuchin said it was the strongest deal on currency yet. However, it appears to have already run into difficulties. To this point, no decision has been reached on how it would be enforced, underscoring a point emphasised by Lighthizer, following an earlier round of discussions, that the key issue in any agreement was “enforcement, enforcement, enforcement.”

Whatever the course of the negotiations over the next, as yet unspecified, time frame, the two sides remain far apart on the key US demands. These were set out in a document presented to China last May that amount to nothing less than a diktat that China’s economic advancement must never be allowed to significantly challenge the US.

Writing in the *South China Morning Post* last week, Minxin Pei, professor of government at Claremont McKenna College and the inaugural Library of Congress Chair in US-China relations, noted that “the trade war is not fundamentally about trade at all; rather, it is manifestation of the escalating strategic competition between the two powers.”

He concluded that even if a comprehensive trade deal were reached in a few months from now, the conflict would continue. The only way it could be avoided would be if “China steps up credibly to assuage America’s security concerns.” This could only be done, Pei opined, if instead of purchasing more American soybeans, China took action such as dismantling facilities it has built on “artificial islands” in the South China Sea.

In other words, unless Beijing demonstrates that it is prepared to accept a subservient position with regard to the US and drop its key economic and strategic objectives, the confrontation will escalate.



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