

Enforcement and technology key issues in China trade deal, Lighthizer tells US Congress

Nick Beams
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The Trump administration has dropped, at least for now, its threat to increase to 25 percent a tariff on \$200 billion worth of Chinese goods, presently at 10 percent.

The formal decision, following President Donald Trump's lifting of a March 1 deadline, came after US Trade Representative Robert Lighthizer had appeared before the US House of Representatives Ways and Means Committee on Wednesday to report on the US-China trade negotiations.

The dropping of the threatened tariff hike is a further indication that Trump is anxious to make a deal of some sort with China. But if an agreement is reached, the question remains what exactly it will contain and whether it will be opposed by anti-China hawks, both within the administration and the political establishment more broadly.

In both his written opening statement and in response to questions, Lighthizer made it clear the fundamental question is not to secure increased Chinese purchases of US goods to run down the trade imbalance, but "structural reforms" in the Chinese economy.

"I agree with those who see our large and growing trade deficit and their unfair trade practices—including technology transfer issues, failure to protect intellectual property, large subsidies, cyber theft of commercial secrets and other problems—as major threats to our economy," he said.

In his opening statement, Lighthizer was at pains to emphasise the bipartisan character of the trade war measures. After referring to Trump's long-standing recognition of what he called an "existential problem," he said "prescience has been bipartisan." He praised Democrat House of Representatives Speaker Nancy Pelosi as an "early, forceful, and foresighted leader on

this issue."

Lighthizer cited a Pelosi speech made in 2000, in the lead up to China's admission to the World Trade Organisation in 2001, in which she called for Congress to review US-China trade annually even if it entered the WTO. He concluded his opening remarks by thanking "all members for your bipartisan approach," adding: "I want to say that if this was not a bipartisan view we would not be having the success that we are having."

Lighthizer gave few details of what had been agreed in the US-China discussions, saying "much more still needs to be done both before an agreement is reached and, more importantly after it is reached, if one is reached."

In response to questions, he insisted that any agreement had to have strong enforcement mechanisms and provided some information as to how they would operate. Complaints of violations would be discussed monthly by staffers, quarterly by vice ministers and twice-yearly by ministers of the two countries. The consultations would look at individual complaints—on occasions brought anonymously by companies—and problems that appeared to be part of a pattern.

After that, if no agreement were reached, the US would unilaterally impose tariff sanctions. "Without that sort of thing then to me we don't have any real commitments," Lighthizer said.

This means, in effect, that if any agreement were reached, China would operate under the perpetual threat of punitive sanctions being reimposed within a six-month deadline, a "snapback" mechanism.

The Democrats have insisted that no deal should be made which involves only a Chinese agreement to purchase more US products. Richard Neal, the

Massachusetts Democrat who chairs the Ways and Means Committee, laid out their basic position.

“The Trump administration tariffs have been sweeping, disruptive, controversial and painful,” he said. “The administration’s promise is that its high-risk approach will yield high rewards. My concern is that we are about to see the administration use the same ineffective playbook it used in the past.”

Earl Blumenauer, a Democrat from Oregon, echoed these views. “I am concerned that we have some sort of agreement that results just in purchasing soybeans and airplanes,” he said. “That’s not sustainable.”

Lighthizer said he would not accept any “soybean solution.” He stated: “This administration is pressing for significant structural changes that would allow for a more level playing field. We need new rules.”

The Senate Democratic Minority leader Chuck Schumer also weighed in. “President Trump has already started promoting a ‘signing summit’ at Mar-a-Lago before an agreement has even been inked,” he said. “I say to President Trump, it would be a momentous failure if you relent now and don’t receive meaningful, enforceable and verifiable commitments on structural reforms to China’s unfair trade policy.”

What the US deems to be “unfair policies” are state subsidies to boost key national industries and the use and then adaptation of technologies developed elsewhere. These are nothing more than the measures employed by other capitalist powers, including Japan, Korea and in an earlier period, the US, as they sought to advance their industrial development.

However, in the present situation, in which the US no longer has the vast industrial and technological advantages it once commanded and is in relative decline vis à vis its rivals, the economic and technological rise of China, the world’s second largest economy, is viewed as an existential threat.

These issues form the foundation of the “bipartisan” approach to the economic war against China, with the Democrats, in some cases even more openly and belligerent than the Republicans, articulating the views of the military and intelligence establishment.

During his testimony, Lighthizer made reference to these over-arching geo-economic and geo-strategic issues.

Speaking on the need for the “enforceability” of any agreement, he said the US had to have the capacity to

take unilateral action. Tariffs he said were a “blunt instrument” but “we don’t have any other instrument.”

Lighthizer emphasised: “Technology is what’s going to determine who rules the future. It is the key.”

Asked about the longer term, as opposed to any short-term deal, he said: “We have to be number one. We have to stay number one.”

At present this policy of “America First” or “America Number One” is being carried out through trade and economic warfare. But under conditions where the stakes are nothing less than the maintenance of US dominance, this policy, as has been demonstrated in history, has an inexorable logic, leading to military conflict.



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