

A tirade against China at US Senate committee hearing

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The deepening bipartisan hostility to China was on open display at a hearing of the US Senate Finance Committee on Tuesday called to discuss the future of the World Trade Organisation (WTO) as the 25th anniversary of its founding approaches.

The hearing centred on testimony delivered by US Trade Representative Robert Lighthizer. He confined his opening remarks to express US dissatisfaction with the running of the international trade organisation, reflected in its refusal to back new appointments to its appellate body that threatens to bring dispute-settling procedures to a halt.

The subsequent questioning of Lighthizer, however, centred almost exclusively on China and the progress and content of the current trade negotiations.

The tone for the hearing was set in the opening remarks by the chairman Republican Chuck Grassley and the ranking Democrat Ron Wyden.

Grassley, who is somewhat critical of the use of tariffs and is more inclined to free trade, began by noting that the US had overall been a beneficiary of the WTO's dispute-settling procedures. However, the appellate body was in need of reform and this was a bipartisan position.

This was not the only area where changes had to be made. The WTO, Grassley said, had to address the treatment of state-owned enterprises (SOEs) that were becoming more prevalent in the global economy. "China is notorious for using SOEs to buy private companies around the world and has used SOEs as a conduit for subsidizing its industries."

The committee could not have a hearing on the WTO without discussing China, he said. "The fact of the matter is that China has simply not lived up to the commitments it made when it joined the WTO."

His criticisms, however, paled in comparison to the

denunciations of China launched by Wyden in his opening remarks, reflecting the position of all sections of the Democratic Party. The Democrats are preparing to attack Trump for selling out US interests if a trade deal does not include measures that meet their demands.

Wyden lost no time in getting to his central theme. He said it was long past time to fix what was wrong with the WTO "and that process begins with China."

He then began a tirade, declaring that much of China's economic growth to now become the world's second largest economy "has come at our direct expense" in violation of WTO rules and commitments it made when joining.

Wyden listed a series of alleged economic malpractices including: subsidised state-owned enterprises; intellectual property theft; forced technology transfers and "government-led shakedowns of foreign investors."

"China used those schemes and entities to strong-arm American businesses, steal American innovations and rip-off American jobs," he said. Under President Xi the government had tightened its grip on power. It had identified weaknesses in the WTO system and "seizes on them to further its economy's explosive growth."

Having set out his "case," Wyden tried several times to tie Lighthizer down to a pledge that there would be no removal of the tariffs already imposed by the Trump administration until China has shown "evidence of real change" in carrying out its commitments under any deal.

Lighthizer refused to be drawn, saying the removal of tariffs—an issue that has been advanced by Chinese negotiators—was part of the talks with Beijing without providing any details.

However, he did indicate, in contrast to various

comments from members of the Trump administration that a deal is close, that the talks were at risk of failing. There were “major, major issues” that needed to be resolved before any agreement could be reached and he could not “predict success at this point.”

Lighthizer repeated the US position that it had to have the unilateral right to raise tariffs “in situations where there’s violations of the agreement. If we don’t do that then none of it makes any difference.”

The key issue is how “violations” would be determined? Lighthizer indicated there would be meetings between officials and junior ministers on the working of any agreement. If no resolution on disputed matters were obtained, they would go to a half-yearly meeting between the chief negotiators. If the top-level meeting failed to reach agreement, the US would have the right to impose tariffs, with no retaliation from the Chinese side.

Pressure is mounting to complete the negotiations because of the uncertainty hanging over US companies as they make investment decisions which affect their global supply lines. US agriculture also continues to be impacted by a drop in sales due to retaliatory Chinese measures.

Pressed to indicate a timeframe, Lighthizer said the talks had probably entered their “final weeks.”

“We’re either going to have a good result or we’re going to have a bad result before too long, but I’m, not setting a specific timeframe and it’s not up to me.” He said either the president “will tell me when the time is up, or the Chinese will.”

China is not the only issue in the trade war policies of the Trump administration. Last July, under the threat that tariffs as high as 25 percent could be imposed on auto imports, hitting the German car industry in particular, European Commission president Jean-Claude Juncker agreed to trade negotiations with the US.

However, the agreement immediately became a source of conflict. The US insisted that agriculture had to be on the table, while the EU has maintained it was not covered by the deal.

Lighthizer, who met with his EU counterpart, the trade commissioner Cecilia Malmström last week, told the Senate committee negotiations with the EU over a free trade deal were “at a complete standstill” because of the disagreement over agriculture.



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