

US-China trade deal pushed back

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The signing of a possible trade deal between the US and China has been pushed back following the failure of top-level negotiators to reach agreement in talks held in Washington this week.

There was speculation that a meeting between US President Trump and China's chief trade negotiator Vice Premier Liu He held at the White House on Thursday could have resulted in the announcement of a meeting between Trump and China's President Xi Jinping to sign off on a deal.

But Trump emerged from the meeting to tell reporters that it would take at least four weeks to reach an agreement as he declined to set a date for a summit with Xi. With one eye firmly on the stock market, which has risen in recent weeks on the prospect of a deal, Trump continued to express optimism saying though there was "some way to go" the two sides remained "very close."

But he indicated that the main sticking points remained intellectual property rights, tariffs and the enforcement mechanisms for any agreement. From the outset these issues have been at the heart of the negotiations.

There has been little comment from the Chinese aside from a statement by Liu through the official Chinese news agency Xinhua that he hoped the negotiations would be completed as quickly as possible and that trade relations between the two countries would develop in a healthy and stable way. According to the report, he said the two sides had "reached a new consensus in such important issues as the text."

US Trade Representative Robert Lighthizer, who heads the US side, said there were "major, major issues left." But then, in keeping with Trump's upbeat tone, he added: "We're certainly making more progress than we would have thought when we started."

Eswar Prasad, a former IMF China expert and now senior professor of trade at Cornell University, told the

Financial Times: "The optimism about the prospect for a deal has run into the harsher reality that a gulf still exists between the two sides on a range of key issues."

The question of tariffs is bound up with the enforcement of any agreement. The US position is that the tariffs on \$250 billion worth of Chinese goods should be retained, at least in part, and then only rolled back as it determines that China is abiding by the deal. Furthermore, Washington should have the right to impose new tariffs if it deems China is not acting in accordance with the agreement and that China not impose any tariffs in response to US measures.

The Chinese position is that any enforcement mechanisms must be determined on a two-way basis. According to some reports on the discussions, China may go as far as accepting the right of the US to reimpose tariffs if it feels it is not satisfied but it is not prepared to accept a position where Beijing is banned from any retaliation.

The widely held view in Chinese ruling circles, and more broadly, is that this would be tantamount to a 21st century version of the unequal treaties imposed by the imperialist powers in the 19th and 20th centuries.

"The issues range from whether or not existing tariffs will be rolled back to whether enforcement mechanisms will be mutual and reciprocal. China is clearly not willing to condone a deal in which review and enforcement mechanisms, alone with potential retaliatory measures, are mostly one-sided and not reciprocal," Prasad said.

Trump is under pressure from two sides. On the one hand, he wants to announce an agreement in order to boost his prospects for the 2020 election. And in the shorter term he is aware that having stoked the markets with talk of prospects for a great deal, any failure could lead to financial turbulence.

At the same time he is under pressure from forces within the Republican Party who are ready to denounce

any agreement that does not represent a major push against China's economic advancement which they regard as a threat to American economic and even military dominance.

In a tweet on Thursday, Florida Senator Mario Rubio tweeted that agreement must have "real enforcement mechanisms."

Rubio, one of the main anti-China hawks within the Republican party, has called for the US to retain tariffs that are aimed at China's plan for industrial and technical development under its "Made in China 2025" program.

"Irrespective of any deal, all of those industries should be the subject either of tariffs or flat-out prohibitions," he said.

The Democrats are ready to denounce any deal with China that does not meet their demands for action aimed at enforcing far-reaching changes in the Chinese economy.

Commenting on the latest round of talks, Ohio Senator Sherrod Brown, who sits on the Finance Committee said: "I want to see the details of any agreement and how we are going to enforce it to make sure there are long-lasting structural changes that will really stop China's cheating."

His remarks were echoed by Oregon Senator Ron Wyden, the top Democrat on the Finance Committee, who said Trump should not settle for a "short-term political deal that doesn't include real, enforceable ways to hold China accountable." Any deal that did not address the "core trade-cheating by China—theft of intellectual property, forced tech transfer and state-owned enterprises" would be a loser.

In an interview with the business channel CNBC, the chief economist at the Organisation for Economic Co-operation and Development, Laurence Boone, said that even if a deal were made the tension between the US and China would continue and the conflict over intellectual property and technology transfers was not going to be solved in a couple of months.

And after the US had finished with China the US would turn to Europe, she said. The US is insisting that an agreement struck between European Commission President Jean-Claude Juncker and Trump last July to negotiate a trade agreement includes agriculture, while the Europeans have maintained from the outset that agriculture is off the table.

Boone said that with the US "undermining the multilateral rules-based system on trade, we have just injected a massive dose of uncertainty in the world that will stay with us for a long time."



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