

New round of US-China trade talks

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The US and China are reported to have agreed to two more face-to-face meetings between their top-level trade negotiators in the hope that their respective presidents, Donald Trump and Xi Jinping, may sign a deal, possibly by the end of May.

Citing people familiar with the situation, the *Wall Street Journal* reported that under the so-far tentative schedule Robert Lighthizer, the US trade representative, would go to Beijing in the week starting April 29. The chief Chinese negotiator and vice-premier, Liu He, would come to Washington in the week starting May 6.

The hopes of an agreement could be dashed, however, with reports that many issues still remain unresolved. Then there is a question whether any deal would satisfy anti-China hawks in both the Republican and Democratic parties. They are insisting that the issues go far beyond trade and concern the very functioning of the Chinese economy and the role of its state institutions.

Among the most contentious issues that remain unresolved are the establishment of an enforcement mechanism and the related question of which tariffs imposed by the US on \$250 billion worth of Chinese goods would remain in force.

Various proposals have been floated regarding enforcement, including one foreshadowed by Lighthizer earlier this year that would involve meetings between trade officials, leading to top-level meetings between the two sides to examine whether the terms of any agreement were being adhered to.

The baseline position of the US, set out in a wide-ranging document presented to the Chinese side last May, is that the US would retain the right to unilaterally impose tariffs without any retaliation from China, either directly or by taking action against the US in the World Trade Organisation.

Chinese negotiators have continually rejected such a

one-sided arrangement, which has been widely condemned in China as a version of the unequal treaties imposed by the imperialist powers on China during the 19th and 20th centuries.

Earlier this month, US Treasury Secretary Steven Mnuchin caused some eyebrows to be raised when he said in an interview with the business channel CNBC that an agreement had “pretty much” been reached on an “enforcement mechanism.” He said: “We’ve agreed that both sides will establish enforcement offices that deal with the ongoing matters. This is something both sides are taking very seriously.”

Mnuchin followed this up last weekend with remarks at the International Monetary Fund’s spring meeting in Washington, indicating that the US had agreed to measures being enacted by China if Beijing felt that the agreement was not being honoured.

“I would expect that the enforcement mechanism works in both directions, that we expect to honour our commitments, and if we don’t, there should be certain repercussions, and the same way in the other direction,” Mnuchin said.

These comments appear to be a concession to Chinese Vice Minister of Commerce Wang Shouwen who said last month that any enforcement mechanism had to be “two-way, fair and equal.”

However, it was significant that after both sets of comments by Mnuchin, the office of the US Trade Representative refused to respond to a request for comment. Lighthizer, who heads the US negotiating team—being appointed to that position by Trump over Mnuchin—is regarded as more hardline on China. He is among those who insist that the key questions are “structural reforms” in the Chinese economy, including the protection of intellectual property rights and state subsidies to key industries, especially in the high-tech areas.

Speaking after Mnuchin had indicated that some

progress had been made on enforcement, Republican Senator Chuck Grassley, who heads the Senate Finance Committee that oversees trade, hailed the news but noted there was “one caveat.” It was Mnuchin, not Lighthizer who made the statement.

In an interview with the *Wall Street Journal* last week Myron Brilliant, the US Chamber of Commerce executive vice-president who is in regular touch with both sides of the talks, welcomed Mnuchin’s “encouraging comments” but pointed to the key sticking points.

“In my view, enforcement and tariffs are critical issues that are linked,” Brilliant said. “At the end of the day, the Chinese will not agree to a final package without tariffs being removed and the US in return must have assurances that the enforcement mechanism has teeth.”

The US side wants to keep tariffs in place and only begin to remove them as it deems China complies with any agreement. It is unclear how such a procedure would take place. The tariffs comprise two components. The US initially imposed tariffs of 25 percent on \$50 billion worth of goods and then raised a levy of 10 percent on \$200 billion worth of products.

The first package saw China respond with tariffs on agricultural products, which have had had a significant impact on US producers. Bloomberg has reported that some US producers have said “economic pressure is the most severe since the farm crisis of the 1980s” and profits are half what they were in 2013. There is concern that any lifting of tariffs by China may only involve a limited range of goods, such as soybeans and pork.

Both sides face pressure not to make concessions. Xi will come under criticism, if not publicly then at least within the regime, if it appears that he has capitulated to the US.

On other side, Trump, who is anxious to secure what he continually touts as a “great deal” in order to boost financial markets and his electoral stocks, will come under fire if he is seen to be conceding too much to the Chinese.

Florida Senator Marco Rubio, one of the main anti-China hawks in the Republican Party, has indicated some of the forms that opposition might take. “Beyond the field of trade, we have to deal with what’s a relentless onslaught” of pressure from China, he said.

This included cyber-attacks and Chinese “soft power”—a reference to what he considers Chinese efforts to promote support within US. “All these things have to be taken into account,” Rubio said.

One-time Trump adviser, the ultra-right-winger Steve Bannon, an anti-China hawk, noted in recent comments that opposition to any deal could come from both sides of the political establishment.

So far no one had “gotten to the right of Trump on China,” Bannon said. But once the details of a deal emerged, criticism could emerge from figures such as Rubio, Democrat Senate leader Charles Schumer and AFL-CIO President Richard Trumka, saying the agreement was not “tough enough.”



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