

No agreement at US-China trade talks as positions harden

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Talks between US and Chinese trade negotiators in Washington broke up yesterday without any agreement following the imposition of additional tariffs by the Trump administration on \$200 billion worth of Chinese goods. No date has been set for further discussions.

The most immediate concern of both sides as they emerged from the meeting was to issue assurances that negotiations had not completely broken down in order to calm jittery financial markets.

The *Financial Times*, citing a “person familiar with the talks,” said China had failed to give much meaningful ground on key sticking points, but both sides “felt the need to manage market expectations and avoid the perception of a full breakdown.”

A week ago, the discussions had been expected to arrive at a deal ready to be signed off by President Trump and China’s President Xi Jinping. But that scenario was blown up when the Trump administration accused Beijing of backtracking on commitments to write changes in its economic policies into law, as demanded by the US.

The new tariffs, lifting rates from 10 percent to 25 percent, were imposed on Friday. Trump also announced he had initiated the “paperwork” for the imposition of a 25 percent tariff on a further \$325 billion worth of Chinese goods not covered so far.

The tariffs will not come into effect until ships that left China yesterday arrive in the US—a period of three to four weeks. Cargoes presently in transit will not be taxed at the higher rates. This provides a small window of opportunity for further discussions.

Trump held out that prospect in a series of tweets on the outcome of the meeting.

“Over the course of the past two days, the United States and China have held candid and constructive conversations on the status of the trade relationship

between both countries,” he said.

“The relationship between President Xi and myself remains a very strong one, and conversations into the future will continue. In the meantime, the United States has imposed tariffs on China, which may or may not be removed, depending on what happens with respect to future negotiations.”

China also tried to offer assurances that the negotiations had not completely broken down. In a statement issued shortly after the new tariffs were imposed, the Commerce Ministry said it “deeply regretted” Trump’s actions and warned that China would “take necessary countermeasures.”

However, it also sought to soften the tone, expressing the hope that a settlement could be reached and that the two sides “will meet each other half way.”

China’s vice premier and chief trade negotiator, Liu He, told China Central Television that he had travelled to the US “under pressure” and his decision to do so was a sign of China’s “sincerity.” “I think there is hope,” he said.

The combined efforts to massage the markets were successful, at least in the very short term. Wall Street finished up by more than 100 points for the day after falling sharply on the opening, recording an overall swing of more than 500 points.

There was never going to be an agreement at this week’s negotiations after the tariff hike because Liu had not been given the designation of special envoy to the president. As a result, he could only report back and not make any commitments.

While attempting to calm the markets, Trump also issued a series of aggressive tweets. “I am different than a lot people. I happen to think tariffs for our country are very powerful,” he said.

In another. Trump said that while the US would

continue to negotiate, there was “absolutely no need to rush. Tariffs will make our country much stronger, not weaker. Just sit back and watch!”

The rhetoric is also being stepped up in Beijing. While Lui and even Xi, to some extent, may be prepared to make concessions to the US, there are powerful forces in the Chinese regime opposed to what they regard as any capitulation to the US.

These were on display at a forum held this week in Beijing, reported on by the *Financial Times*, involving representatives of state-owned military companies.

Dai Xu, a retired air force colonel and now a professor at China’s National Defence University, said, “I very much hope that the negotiations will break down.” In a mirror image of Trump’s outbursts, he continued, “Once the negotiations are over, the United States will be finished, for sure... we kick out all the American companies and bring all of ours back.”

Dai said he was opposed to traditional concepts that “no matter how much others have hurt China, we are educated to forget... what’s the meaning of remembering the history without the hatred? It’s meaningless.”

History was very much to the fore in the remarks of Wu Qiang, a commentator and former politics lecturer at Tsinghua University. “Xi is very concerned about his authority, as he doesn’t want to be seen like Yuan Shikai,” he said.

Yuan was president of China during World War I when Japan, after seizing a German enclave, issued a series of 21 demands for extra-territorial rights and other sweeping concessions. Yuan’s eventual agreement to most of the demands provoked a groundswell of opposition to his government.

Tan Yungang, an air force colonel, told the forum: “The US openly sees us as their biggest enemy. The United States will block China more than they did the former Soviet Union.”

Washington has been carrying out a series of “technological blockades” against China to maintain its own dominance, he said.

Official Chinese policy is still to continue negotiations, holding out the prospect of a win-win deal. But there are clear indications that the continued and deepening belligerence of the Trump administration is producing a backlash in ruling circles.

An article published on the blog *Taoran Notes*, which

appears to enjoy semi-official backing, was headlined, “If you want to talk, we can talk, if you want to fight, we will fight as well.”

The article, which was quickly reposted by both the *People’s Daily* and the Xinhua news agency, both state media, referred to the Korean War, saying that “for two years, [the sides] were fighting while negotiating at the same time.”

Such comments point to the underlying objective logic of the trade war—the eruption of a military conflict, far more devastating than the Korean War, as the US strives to maintain its dominance in the face of the economic expansion of China.



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