As economic conflicts intensify

One year since the start of US trade war against China

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Last Saturday marked the first anniversary of the initiation of the US trade war against China when Washington imposed a 25 percent tariff on $34 billion worth of Chinese goods.

In the year since, amid on-again, off-again negotiations and talks, the underlying trend has been clear. Not only have the US trade-war measures against China steadily intensified, the post-war international trading order is in the process of being overturned.

Since July 6 last year, the tariffs against China have been escalated. Some $250 billion worth of Chinese goods are now subject to a 25 percent tariff and the US has threatened to impose the same levy on an additional $300 billion worth, which would mean virtually all Chinese imports to the US were covered.

Hearings conducted by the administration on the new tariffs have been completed and they are set to be enacted as soon as President Trump gives the order to do so. They have only been held in abeyance as a result of the agreement by Trump and China's president Xi Jinping, at a meeting at the G20 summit last month, to resume negotiations after they broke down at the beginning of May.

Throughout the past year, there have been predictions and speculation from media pundits and commentators, often fuelled by comments from administration officials, that a deal is in the offing. When the talks broke down in May, it was widely predicted that an agreement was on the point of being signed.

But what has emerged from the back-and-forth negotiations is that the US is adhering to the essential content of demands set out in a document handed to Beijing in May 2018.

This position paper made clear that, while the US demanded China take action to reduce the trade imbalance by purchasing more American goods, this was not the central issue. It laid out a series of demands regarding China's industrial and technological development which, if adhered to, would make it a virtual economic semi-colony.

In fact, last May an agreement was reached between Treasury Secretary Steven Mnuchin and China's vice premier and chief trade negotiator Liu He for increased purchases of US goods by China. However, this deal was scotched within 10 days by Trump, acting on advice from anti-China hawks within his administration, principally Trade Representative Robert Lighthizer and White House trade advisor Peter Navarro.

Since then, the focus of US demands has shifted more and more openly to China's industrial and technological development, with strident accusations that Beijing is engaged in forced technology transfers, stealing intellectual property and using state subsidies to enhance the position of its companies against their US rivals.

No doubt such practices take place. But they are no more than the application of the same methods employed by other countries in the past—the US itself, and then Japan, Korea and others—to enhance their industrial development.

But under conditions of its relative economic decline, the US regards such development by China as intolerable, as it constitutes an existential threat to its global economic and military dominance, and it is prepared to use all methods considered necessary to prevent it.

This is why over the past year there has been a steadily rising drumbeat of denunciations from the US political and military establishment of China's technological development as a "national security" threat to the US. The chief focus of the US attack, so far, has been the Chinese telecommunications giant Huawei.

The company's chief financial officer Meng Wanzhou remains on bail in Canada as the US seeks her extradition to face charges in the US. The company has been placed on the Commerce Department's Entity List, meaning that US companies must obtain government approval before they can supply it with components.

The restrictions on Huawei were relaxed somewhat following the Trump-Xi meeting, but its placing on the Entity List has yet to be finally determined. If it is continued, it will have a major impact on Huawei's global operations.

The Huawei issue has underscored the bipartisan support for Trump's trade war measures, with key sections of the Democratic Party, spearheaded by Senate Minority leader Charles Schumer, attacking Trump from the right and denouncing any concessions to the company as selling out US interests.

Trade negotiations between Washington and Beijing are set to resume this week via telephone calls, but little progress is expected because all the key issues that led to the breakdown remain.

At his regular press briefing last Thursday, the first since the latest Trump-Xi discussions at the end of last month, China's Ministry of Commerce spokesman, Gao Feng said that as the US tariffs on Chinese products were the trigger for the conflict they had to be scrapped once a deal was made.

Consultations, he said, had to be based on the "principles of mutual respect, equality and mutual benefit" and China's core concerns "must be addressed." However, there is no prospect of agreement from the US side on these issues.

Last March, Trump declared the US tariffs would remain in place for a "substantial period of time," even after an agreement was reached, to ensure that China was complying with the deal. However, the issue of compliance will not be determined by any independent body but by Washington—in other words that China must be placed in a completely subservient position. Lighthizer and others have insisted that the capacity of the US to determine unilaterally if and when tariffs are lifted has to be part of any "enforcement" mechanism.

Commenting on the prospects for an agreement, the Hong Kong-based *South China Morning Post* noted that "it is difficult to see what China can do to placate a seemingly unappeasable White House, short of tearing up its entire economic model."

Furthermore, the actions of the US over the past 12 months in expanding its trade war measures into areas other than economic policy—particularly the threat by Trump to impose tariffs against Mexico over the demand that it take action to halt the movement of immigrants and refugees to the US—have called into question the stability of any agreement.

Speaking to a forum in Hong Kong on Thursday, Tao Dong, Credit Suisse Private Banking's vice chairman for the Great China region, said if a deal were reached it would be of "no avail."

"Trump had threatened to impose tariffs on Mexico when the ink on the [United States-Mexico-Canada Agreement] was not dry yet."

The US action against Mexico has already set a precedent.

Last week Japan imposed limits on the export of hi-tech materials to South Korea in a conflict between the two countries over the use of forced labour during World War II, prompting the Koreans to threaten retaliation.

Henry Gao, a professor of law at Singapore Management University, told the *South China Morning Post* that the US had "really opened a Pandora's box by using trade tariffs as a weapon to achieve other goals, that is really a worry.

"And you can see that Japan and other countries might have learned from the US in seeking to adopt the same sort of modus operandi, and that is really toxic for the world trading system."

The US economic warfare is not only directed against China. Both the European Union and Japan have hanging over their heads the threat of a 25 percent auto tariff to be imposed on "national security" grounds unless they comply with US demands to open up their markets, particularly for American agricultural products.

One year after the Trump administration began its trade war against China, the world has advanced far down the road towards the kind of economic conflict which characterised the 1930s and which led to the outbreak of World War II in 1939.