

# US-China trade deal leaves basic conflict festering

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In a somewhat bizarre and deranged political extravaganza at the White House yesterday, US President Donald Trump signed a supposed “phase one” trade agreement with China, claiming it to be “the biggest deal there is anywhere in the world, by far.” Clearly, Trump was desperate to proclaim some kind of “victory” in the US economic war against China.

For almost an hour, Trump rambled through a long list of congratulations aimed at his closest advisers, cabinet members and dozens of the business leaders gathered at his feet. The assembly included the CEOs of some of the world’s biggest financial, industrial and technology companies, such as News Ltd, Boeing, Honeywell, Citibank, UPS, AIG, JPMorgan Chase, Dow Chemical and ConocoPhillips, Blackstone and Citadel, a prominent hedge fund.

“Most of you, I can say, you’re doing fantastically well,” Trump told the business leaders. “Thank you Mr President,” he said, as if on their behalf. He nervously noted that while the confrontation with China had triggered stock market falls—more than \$US1 trillion in one day in August—since his arrival in the White House there had been “141 days where we had all-time” highs.

For all the bombast, the interim deal—arrived at after two years of aggressive “America First” trade-war measures against China, disrupting and reducing global trade, triggering financial market meltdowns and fuelling a worldwide slump—resolves none of the fundamental issues at stake.

Not only does it leave most of the punitive US tariffs and Chinese counter-tariffs in place. It does not address the core demands issued by Washington, which have been for the wholesale restructuring of the Chinese economy to prevent it from overtaking that of the US, particularly in high-tech industries. This underlying offensive has been set aside, for now, for a so-called phase two deal, for which no timetable has yet been set.

Trump said he would remove tariffs on more than \$US300 billion of Chinese goods only “if we do phase two.” He added: “Otherwise we have no cards to negotiate with.” While expressed in the gangster language of a billionaire speculator, this epitomises the drive by the US ruling elite to escalate the confrontation with China in order to shore up the global supremacy that it secured by victory in World War II.

As China’s delegation, led by Vice Premier Liu He, stood in stony-faced silence, America’s TV networks gradually tired of the spectacle, switching their coverage away to moves in the House of Representatives to send articles of impeachment to the Senate.

After nearly an hour, the Chinese vice premier was invited to read out a message from President Xi Jinping, in which he applauded the negotiations. “It also shows that our two countries have the ability to act on ... equality and mutual respect,” Xi’s letter stated. To make “even greater progress,” Xi wrote, “I hope the US side will treat fairly Chinese companies and their regular trade and investment activities.”

Whatever hopes the capitalist regime in China has for a mutually-profitable and power-sharing settlement with US imperialism, the underlying conflict will only intensify. Just two days before the White House ceremony, US Secretary of State Mike Pompeo provocatively threatened China.

In a speech at Stanford University’s Hoover Institute in California, he said Iranian leader Qassem Suleimani was killed as part of a broader strategy of deterring challenges by US foes that also applies to China and Russia—exposing the assertion that the Suleimani was assassinated because he was plotting imminent attacks on US targets.

“The importance of deterrence isn’t confined to Iran,” Pompeo said. “That’s the whole point of President Trump’s work to make our military the strongest it’s ever

been.” He cited the imposition of tariffs on Chinese imports as an aspect of the administration’s strategy. “We’re restoring credibility to deterrence,” he said.

Even in the short-term, many aspects of the “phase one” deal remain unclear. US officials said the agreement would reduce some tariffs and allow Beijing to avoid additional taxes on almost \$160 billion of the country’s goods. The Trump administration also said it received commitments from China to purchase billions worth of goods and crack down on alleged intellectual property theft.

The administration refused to make public all details of the agreed Chinese purchases, but listed specific targets for four industries in 2020 and 2021. These included \$75 billion in manufactured goods, \$50 billion in energy, \$40 billion in agriculture and as much as \$40 billion in services.

About two-thirds of all US imports from China—roughly \$370 billion worth—would still be covered by tariffs after the deal is signed, according to a December analysis from the Peterson Institute for International Economics. And more than half of US exports to China would still be subject to retaliatory tariffs, the institute said.

“Steep tariffs are the new normal,” wrote Chad Brown, a senior fellow at the institute and former economist at the World Bank, pointing to the wider use of trade war measure by the US, including against Japan and the European powers.

The US ruling class remains intent on reversing China’s rapidly-gained ascendancy in developing artificial intelligence, 5G mobile networks and other technology that will be critical for economic and military activity this century. China and the US are already locked in a fight over US demands for bans on Chinese tech company Huawei, a leading global provider of telecoms equipment used to build 5G networks.

Trump has vowed that the phase one pact will be followed up with phase two negotiations, despite widespread scepticism that anything will happen before the US election in November, if at all.

Zhu Feng, dean of the School of International Relations at Nanjing University, said this week he did not expect Beijing and Washington to reach a phase two deal in 2020. “The US will still try and force China to change its economic structure,” he said. “China will make some concessions in this area, but the US should also make a similar level of concession.”

Significantly, US Democrats condemned Trump for not going far enough to beat China down. They sought to

whip up nationalist and protectionist sentiment, claiming to be wanting to protect American workers and farmers, while aligning themselves with the most aggressive elements within the military and intelligence apparatus.

“President Trump’s ‘phase-one’ trade deal with China is an extreme disappointment,” Senate Minority Leader Chuck Schumer, who represents New York, wrote in a twitter post, sharing a clip of himself criticising the agreement from the Senate floor before it was signed. “He’s conceding our leverage for vague, unenforceable ‘promises’ China never intends to fulfill.”

Schumer echoed the official statement issued by the Democratic National Committee (DNC) in December, shortly after Trump announced the pending deal. “Trump got rolled by the Chinese,” the DNC said. “Trump agreed to major concessions to China without addressing the major structural issues he promised to fix or even undoing all the damage that’s been done since he promised to take on China.”

Democratic presidential candidate Bernie Sanders was among the most vociferous critics. “Trump’s deal with China won’t fix a failed trade policy that has destroyed 3.7 million US jobs,” he tweeted yesterday. In effect, Sanders, like the other presidential contenders, is blaming Chinese and other overseas workers for the ruthless job destruction, cost-cutting and profit-gouging of the US corporate oligarchy.

This reactionary bid to split increasingly poverty-stricken and angry American workers from their global counterparts serves to heighten the danger of a catastrophic military war with China.



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