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European Languages

زبانهای اروپایی

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21.05.2019

Trump manoeuvres in economic war against China

The Trump administration has reached an agreement with Canada and Mexico for the removal of tariffs on steel and aluminium and decided to put on hold a decision on whether to impose a 25 percent tariff on European and Japanese autos, and auto parts for at least six months.

These decisions, however, do not represent any lessening of Trump's nationalist "American First" trade war agenda. Rather they are an attempt to win allies for a deepening economic confrontation against China.

The announcements were in response to criticism from sections of the US political establishment that, in targeting US allies, Trump was weakening his hand against China. So the moves were broadly welcomed.

A *Washington Post* editorial entitled "A united front on China?" declared that reducing trade tensions with Europe and Asia and in the Western hemisphere would allow the administration to focus attention on China "where it has the strongest argument for playing hardball." It could see "traditional US friends" swing to "Trump's side in that contest, even at this late date and despite the gratuitous fights he has picked with them."

However, the conflict over auto tariffs, which would be invoked under "national security" provisions, is far from over. Trump has indicated that at the end of the six-month suspension he will be looking for both the European Union and Japan to reduce their car exports to the US, possibly through quotas or some other restraints.

Such a move is certain to bring opposition.

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“We completely reject the notion that our car exports are a national security threat,” the EU trade commissioner Cecilia Malmstrom tweeted. “The EU is prepared to negotiate a limited trade agreement [including] cars,” she wrote, but not “managed trade” which is illegal under the regulations of the World Trade Organisation.

The auto tariff question is a matter in its own right, but it is also being used by the Trump administration to pressure the EU to open up its markets to US agricultural products. However, Brussels has continually insisted agriculture is not on the table—a position underscored by Malmstrom’s reference in her tweet to a “limited” trade deal.

Meanwhile, the US economic war against China is being stepped up, above all on the telecommunication and technology front.

Last week Trump signed an executive order which virtually bans the Chinese communications giant Huawei from selling its products to US networks. Even more significant was a simultaneous move by the Commerce Department to place restrictions on the sale of components to Chinese firms, such as Huawei, which are dependent on US computer chips to manufacture their products.

These moves are part of the escalating US confrontation with China.

The *Financial Times* has reported that US intelligence chiefs have been holding meetings with major American companies, providing them with classified information, to warn of the dangers of doing business in China.

The meetings, which have involved Dan Coats, the director of national intelligence, along with officials from the FBI and the National Counterintelligence and Security Center, have taken place across the country. They have involved large tech firms, venture capitalists and educational institutions, according to the report.

The meetings have been facilitated by Democrat and Republican senators, including Democrat Mark Warner from the Senate intelligence committee and Florida Republican senator, Marco Rubio.

Emphasising the broad scope of the anti-China campaign, Warner told the *Financial Times*: “We have to increase awareness among US companies, investors, and universities about the tactics China is now using to undermine US competitiveness, security, and influence.”

Rubio took up the same themes. “The Chinese government and the Communist party pose the greatest long-term threat to US economic and national security. It’s important that US companies, universities and trade organisations understand fully that threat,” he said.

While it intensifies the confrontation against China, the Trump administration is still holding out the prospect of continued negotiations, and even of a trade deal. It has not ruled out a meeting between Trump and China’s president Xi Jinping at next month’s summit meeting of the G20 in Japan. To a great degree, these possibilities are being talked up by US officials in a bid to prevent a sharp fall on financial markets if talks were completely ended.

The official Chinese position is that negotiations are continuing and that it hopes to meet its American “colleagues” at least half way. Behind the official front, however, there is a rising tide of nationalist opposition that is being given vent.

The *South China Morning Post* has reported on a commentary published by the semi-official blog Taoran Notes, a social media account linked to the official state media. It said China should suspend the talks unless the US showed sincerity.

The blog stated if there was no “real concrete action by the United States” then it would be “meaningless” for US Treasury Secretary Steven Mnuchin to undertake another visit to Beijing.

“It is better to suspend the consultation completely and return to the normal working track. ... The US does not show any sincerity in continuing the talks. ... Instead, it is extending its pressure tactics. The US, on the one hand, says it engaged in talks. But on the other hand keeps using petty tricks to destroy the atmosphere for the talks.”

And that atmosphere is becoming ever-more toxic.

As *Financial Times* columnist Philip Stephens noted, while the Trump administration was imposing new measures directed against Huawei, “six thousand miles away, US warships were steaming through the South China Sea.”

The trade narrative, he continued, was “now being subsumed into a much more alarming one.”

National Security Strategy and the National Defence Strategy documents produced by the Pentagon foreshadowed the danger of war, labelling China a “strategic competitor” and warning it was seeking to “challenge American power influence and interests” and erode “American security and prosperity.”

“Economics has merged with geopolitics,” Stephens wrote. “China, you can hear on almost every corner in sight of the White House and Congress, is not just a dangerous economic competitor but a looming existential threat ... It needs for more than a level playing field for trade to confront this challenge.”

He warned that treating China as an enemy is the “sure way to persuade Beijing that it should behave as such.” Demonising everything it does “simply opens up the path from trade war to something much rougher.”

Unless there were “common rules of the road” to avoid escalation, Stephens warned, “we are heading towards an altogether hotter war.”

But the prospect of any agreement on “common rules” is fading further and further as the US steps up its confrontation against China in all areas.

20 May 2019