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By Nick Beams
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Trump rules out rollback of China tariffs

Doubts continue to grow over whether the purported “phase one” trade agreement between the US and China will actually be enacted, with President Trump declaring on Friday that he would not roll back tariffs on Chinese goods.

“I haven’t agreed to anything,” Trump told reporters. “But we’re getting along very well with China. They want to make a deal. Frankly, they want to make a deal a lot more than I do.”

He added, “China would like to get somewhat of a rollback, not a complete rollback because they know I won’t do it.”

Trump’s remarks were in response to a statement by Chinese Ministry of Commerce spokesman Gao Feng on Thursday that the two sides had agreed to reduce tariffs on each other’s goods as part of any agreement. “In the past two weeks, top negotiators had serious, constructive discussions and agreed to remove the additional tariffs in phases as progress is made on the agreement,” he said.

He continued: “If China, US reach a phase one deal, both sides should roll back existing additional tariffs in the same proportion simultaneously based on the content of the agreement, which is an important condition for reaching the agreement.”

Gao’s comments were a restatement of China’s long-standing position that the US must start to reduce tariffs on the \$360 billion worth of Chinese goods it has already targeted and scrap plans for additional levies. The key word in his comments is “existing.” It is doubtful whether the Chinese leadership will be able to accept an agreement that simply

removes the threat of further measures without at least some commitment to start rolling back those already imposed.

However, the US position, which has been continuously advanced by US Trade Representative Robert Lighthizer, is that existing tariffs, particularly those imposed on \$250 billion worth of Chinese industrial goods, must remain in place as part of the “enforcement” mechanism for any agreement.

White House economic adviser Larry Kudlow, who has no direct part in the trade talks and whose role is largely confined to giving reassurances to the stock market, said that “if there is a phase one trade deal, there are going to be tariff agreements and concessions.” However, he gave no details as to what they might be.

The hard line anti-China White House trade adviser Peter Navarro poured cold water on the claims by Gao, saying that they “came right out of the ministry of propaganda in Beijing.”

“There is no agreement to remove any of the existing tariffs as a condition of signing a phase one deal,” he said in an interview on National Public Radio. “We would be willing... to postpone [new] tariffs, but not roll back any existing tariffs, that’s the fine distinction here.”

It appears from Navarro’s remarks that the most the US is prepared to offer at this stage is a commitment not to go ahead with the imposition of a 10 percent tariff on around \$156 billion worth of Chinese consumer goods set to come into effect from the middle of next month.

Navarro accused the Chinese side of trying to “negotiate in public” and said if Washington agreed to reduce existing tariffs it would not have any leverage in the further phases of trade negotiations.

These phases will deal with the issues that lie at the core of the conflict. They do not concern the trade balance between the two countries, but centre on US demands aimed at constricting China’s technological development, which is regarded as a threat to American economic and military hegemony.

Whatever may or may not be agreed to in any phase one deal, this conflict is intensifying. Earlier this month, the *Financial Times* reported that Washington was pushing Taiwan to ensure that its biggest chipmaker did not produce semi-conductors for Huawei as part of the global drive by the US to cripple the Chinese telecom giant.

Emphasising the military component of the high-tech war, the newspaper reported that a US official had told Taiwanese diplomats in Washington last month that chips made by the Taiwan Semiconductor Manufacturing Company were going straight into missiles pointed at Taiwan.

The increasing bellicosity of Washington was also on display in two recent speeches from leading members of the Trump administration. In a speech delivered at a Wilson Center event on October 24, Vice President Mike Pence continued the anti-China rhetoric of a major speech he delivered in October of last year.

“America will continue to seek a fundamental restructuring of our relationship with China,” he said. What this means is that the US will press ahead with its demand that Beijing abandon its plans for technological development and remain subservient to Washington’s dictates.

In a speech delivered at the Hudson Institute last week, Secretary of State Mike Pompeo was even more specific. “It is no longer realistic to ignore the fundamental differences between our two systems and the impact... those systems have on American national security. China’s leaders belong to a Marxist-Leninist party focused on struggle and international domination.”

Reporting on the trade talks, the *Washington Post* held out the prospect of a “preliminary truce,” but pointed to what it called the “deeper danger” of a Sino-US technology war, citing an interim report delivered by the National Security Commission on Artificial Intelligence. The commission, under the chairmanship of former Google CEO Eric Schmidt, was set up by Congress last year.

Under the headline “The Challenge Before Us,” the report states that China, “our most serious competitor,” has declared its intention to become a world leader in Artificial Intelligence by 2030 “as part of a broader strategy that will challenge America’s military and economic position in Asia and beyond.”

The report continues: “The magnitude of the technological change at a moment of strategic risk demands that our government and society find common purpose and face these challenges with the same imagination, decisive action, and national will summoned at other critical junctures in our history.”

In other words, the whole of American society must be placed on what amounts to a war footing to combat what is viewed as the existential threat to US economic and military hegemony posed by the technological development of China. Whatever the immediate

outcome of the phase one trade negotiations—and there is the distinct possibility that not even an interim agreement will be reached—this is the underlying driver of the US agenda.

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