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Trump trade deal comes under anti-China fire

Even before an American delegation departs for Beijing to flesh out the details, this week's agreement between the US and China on trade, which led to the suspension of tariffs on up to \$150 billion worth of Chinese goods, appears to be coming apart.

In a tweet posted yesterday, President Donald Trump seemed to cast doubt on the prospects for the agreement. "Our trade deal with China is moving along nicely, but in the end we will probably have to use a different structure in that this will be too hard to get done and verify after completion," he said.

Asked by reporters if he was happy with the direction of the negotiations with China, Trump said "no, not really" and then added later "they're a start."

Since Monday's announcement that the threatened tariffs would be put on hold while negotiations take place on increased Chinese imports from the US, the deal has come under fire from critics on both sides of the US Congress on the basis that, in search of a quick deal, the administration has given in to Beijing.

These criticisms are linked to Trump's decision to search for some way of penalising the Chinese telecommunications firm ZTE other than the Commerce Department's decision to ban the sales of US components to the firm, effectively putting it out of business. The ban was imposed after ZTE was found to have breached a deal struck over its trading with Iran and North Korea in defiance of US sanctions.

Trump has been searching for an alternative after Chinese President Xi Jinping indicated that action to restore ZTE's capacity to operate must be part of a broader trade agreement with the US.

On Tuesday, 27 Democrat and Republican senators issued a letter to the Trump administration, insisting there must be no easing of controls on the export of technology to China as a means of reducing the US trade deficit. The letter, signed by Senate majority whip John Cornyn and Florida Republican Marco Rubio, along with leading Democrats Charles Schumer and Sherrod Brown, also attacked any deal on ZTE.

“We strongly urge you to reject any proposal by China to loosen existing restrictions on the export or other transfer of sensitive US technologies,” the letter said. “Any such move would bolster China’s aggressive military modernization and significantly underline long-term US national security interests.”

Beijing has proposed that in order to increase the flow of US exports to China, Washington allow the sale of goods to China that are not subject to restrictions if exported to Western countries. But this has been vigorously opposed by the military and national security establishment.

The letter said the administration should not “compromise lawful US enforcement actions against serial and premeditated violators of US law, such as ZTE” and “export control and sanctions laws should not be negotiable.”

Invoking the rhetoric of the Cold War, it said “fidelity to the rule of law” distinguished the US “from a country like China that is ruled by a Communist dictatorship.”

Schumer earlier said that if the administration allowed ZTE to survive it would be a “signal to President Xi that we are weak negotiators.” Schumer criticised the agreement for failing to deal with the issue of intellectual property rights.

“China’s trade negotiators must be laughing themselves all the way back to Beijing,” Schumer told Congress on Monday. “The United States cannot let China continue to steal America’s lifeblood, our intellectual property and flout international trade laws.”

Rubio has threatened to take action in Congress to prevent any deal on ZTE. In tweets earlier this week, he said: “China is out-negotiating the administration and winning the trade talks right now. They have avoided tariffs and got a ZTE deal without giving up anything meaningful in return by using N. Korea talks and agriculture issues as leverage.”

Republican Senator Steve Daines of Montana took Treasury Secretary Steven Mnuchin to task during a hearing on Tuesday. “It is very important as we engage in these negotiations, we can’t just see this is a standard trade dispute with China,” he said. “We must keep in mind China’s long-term strategic approach and their long-term goal of becoming the world’s superpower, militarily and economically.”

These remarks reflect concern among administration critics that Mnuchin is too prepared to secure a deal to reduce the US trade deficit at the expense of the more fundamental issue of Beijing's "Made in China 2025" program to boost its high-tech industries—a process regarded as an existential threat to US economic and military dominance.

A prominent supporter of the Trump election campaign also criticised Mnuchin. In an interview with Bloomberg, Dan DiMicco, the former chief executive of the steel company, Nucor, said it did not "make sense" to have the treasury secretary negotiating trade policy, as this was the US trade representative's job.

DiMicco now sits on an advisory committee for the trade representative, Robert Lighthizer, who is seen as more hawkish over China than Mnuchin. Lighthizer issued a statement earlier this week on the trade deal, saying that while getting more exports to China was important, the more important issues were around technology. "Real structural change is necessary [there]," he said.

Wall Street Journal writer Grep Ip summed up the position of the administration's China trade critics. Of all the fights Trump had picked over trade, he wrote, his hand against China appeared to be the strongest. Yet, "incredibly," China appeared at this point to be winning, having thus far escaped the bulk of US tariffs while giving up almost nothing in return.

"Mr Trump," Ip wrote, "initially seemed to have more stomach for confrontation with China than his predecessors. Instead, China has shrewdly exploited his weak points: his hope for a breakthrough with North Korea, a Chinese client; a low threshold for political pain, especially in Republican farm states; and a readiness to play China's game of using legal proceedings as a commercial bargaining chip."

It may be still early days in the US-China trade conflict. No doubt there will be many twists and turns ahead.

But one important political issue has been clarified already. The bipartisan criticism of the administration over the China trade issue has blown away the illusion that Trump's bellicose economic and trade agenda is the outcome of the proclivities of the present occupant of the White House and that "normality" would return were he to depart.

So far as key sections of the ruling class are concerned, the trade issue is part of a life-and-death struggle to maintain US hegemony by whatever means necessary, both against old rivals and potential new ones.