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China threatens tariffs on \$60 billion of US goods

China has announced that it will impose tariffs on an additional \$60 billion of US exports if the Trump administration goes ahead with its threat to strike a 25 percent levy on \$200 billion worth of Chinese imports.

The measures were decided at a meeting of China's State Council on Friday. The Commerce Ministry said the implementation and date of the tariffs depended on US actions. Coming on top of the tariff already imposed on \$34 billion of US goods, the new measures would mean that around 85 percent of US exports to China would be affected.

The proposed tariffs cover more than 5,000 goods from the US and the duties range from 5 to 25 percent. Among the most critical targets are aircraft and liquefied natural gas (LNG). China is the world's second-largest importer of LNG and the third largest market for US LNG exports, with expectation that it will be the most significant source of additional demand in the future.

The State Council said that in addition to the tariffs "China reserves the right to introduce other counter-measures." It did not specify what they might be, but could include increased checks on US products, delays in approvals for US firms seeking licenses and other business requirements. The most significant counter-measure so far, though it was not labelled as such by China, was the blocking of the \$44 billion Qualcomm takeover of the Dutch semiconductor firm NXP.

The intensification of the trade conflict has been accompanied by an escalation in the aggressive rhetoric emanating from the Trump administration.

Speaking after China had announced its new tariff move, White House economic adviser Larry Kudlow warned that Beijing should not underestimate the determination of Trump. The administration is drawing strength from a rise in the US growth rate and signs of a slowdown in China's growth as the value of the yuan continues to fall.

"Their economy's weak, their currency is weak, people are leaving the country. Don't underestimate President Trump's determination to follow through," Kudlow said in a Bloomberg Television interview.

In another television interview, Kudlow laid emphasis on the agreement between Trump and European Commission president Jean-Claude Juncker for joint action in the World Trade Organisation over China's alleged technology theft and the subsidising of key industries. The "best news," he said, was that "we are coming together with the European Union to make a deal with them. So we'll have a united front against China."

Kudlow has said while talks have stalled in recent days there had been some communication at the highest level between the US and China. But there are major obstacles in the way of further negotiations.

Officials in Beijing are reported to be unwilling to commit to any further discussions unless the White House can decide on who is the point person in charge. Last May, when talks were held in Washington, China agreed to increase its imports from the US by up to \$100 billion in return for at least a suspension of hostilities. Treasury Secretary Steven Mnuchin duly declared that the trade war had been "put on hold," but this was overturned in a matter of a few days.

The issue of who is to take charge of US policy if negotiations do take place is bound up the question of what are the central objectives of the trade war. Mnuchin is more in favour of coming to an agreement that would bring about a reduction in the US deficit.

Others, including the US Trade Representative Robert Lighthizer and White House trade adviser Peter Navarro, insist that the reduction in the US trade deficit while necessary is by no means sufficient. For them, the central objective is to block China's economic and technological development under its "Made in China 2025," plan which they regard as the most significant threat to the economic, and ultimately military, supremacy of the US.

Therefore, the US needs to continue escalating tariffs against China in order to secure concessions. This outlook was reflected in the statement issued by White House spokeswoman Lindsay Walters who said that "instead of retaliating, China should address the longstanding concerns about its trading practices."

Those “longstanding concerns” centre on two key issues: the acquisition and development by China of advanced technology in the fields of communications, robotics and artificial intelligence; and the state subsidies provided to companies.

But for the Chinese regime, Washington’s demands mean that it should cease its efforts to move up the industrial and hi-tech ladder and take a subservient position in relation to the US, something which it regards as intolerable.

The essential objective foundations of the trade war are now emerging more clearly into the open. As the *Financial Times* noted, the fight has “become about the two countries’ economic futures, with US officials portraying their aggressive approach to Beijing as a way to protect America’s economic future from a China that is intent on leading the world in areas such as artificial intelligence and robotics.”

On the other side, it said, “Chinese policymakers had arrived at the conclusion that... Trump’s trade challenge was aimed at thwarting China’s technological development.”

The irresolvable nature of these positions means that whatever talks, negotiations and manoeuvres may take place, the objective logic of events is towards intensification of the trade war and ultimately military conflict.