

Trump sets out timetable for anti-China tariffs

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The Trump administration has set out a detailed timetable for the imposition of tariffs on Chinese imports and restrictions on Chinese investments in the US, less than two weeks after Treasury Secretary Steven Mnuchin declared the trade war was “on hold.”

The measures were announced on Tuesday as a delegation, led by Commerce Secretary Wilbur Ross, was preparing to visit Beijing over the weekend to discuss measures to increase US exports of energy and agricultural products to China.

A White House statement said it would “impose a 25 percent tariff on \$50 billion of goods imported from China containing industrially significant technology, including those related to ‘Made in China 2025.’”

As this makes clear, the central target of the tariff measures, introduced under section 301 of the 1974 Trade Act, is not the Chinese trade surplus as such. Rather, they are aimed at China’s efforts to develop high-tech industries—a program regarded as a threat to the economic and military dominance of the US.

This was underscored by a further passage in the White House statement. “To protect our national security, the United States will implement specific investment restrictions and enhanced export controls for Chinese persons and entities related to the acquisition of industrially significant technology,” it said.

The list of goods targeted for tariffs will be made public on June 15, with the measures to be imposed “shortly” thereafter. The restrictions on investment and export controls will be announced on June 30.

The statement said the measures were part of “multiple steps to protect domestic technology and intellectual property from certain discriminatory and burdensome trade practices by China.”

China responded with a Commerce Ministry

statement saying it would defend its “core national interests” and the US move “clearly contradicts the consensus reached by China and the US in Washington recently.”

China’s statement said the US action was both “unexpected” and “within expectations.” By this, it meant the move came contrary to Mnuchin’s statement that tariffs were “on hold” but Beijing had expected the US would try to increase pressure in advance of the weekend’s trade discussions.

While there may be a tactical component in the latest US moves, this is not the central motivating factor. The off-again, on-again tariff moves are the outcome of a struggle within the administration.

The most strident anti-China hawks, led by US Trade Representative Robert Lighthizer and White House trade adviser Peter Navarro, regard the key issue to be Beijing’s bid to promote technological development. They accuse China of appropriating US technology through forced technology transfers, company takeovers and outright theft.

They regard Mnuchin and others in the administration as too narrowly focused on the trade deficit at the expense of the high-tech issue, which they see as threatening the economic, and ultimately, military supremacy of the US.

The conflict came into the open yesterday. In a radio interview, Navarro criticised Mnuchin for saying the trade war was “on hold.” Mnuchin made his remarks following negotiations between US and Chinese representatives in Washington, where there was a “consensus” in “taking effective measures” to reduce the trade imbalance and an agreement to hold further discussions this weekend to achieve that objective.

Mnuchin’s comment was an “unfortunate sound bite,” Navarro told National Public Radio. “It’s a trade

dispute, first of all. And the second thing, as the president said, we lost the trade war long ago.”

The *Financial Times* said the “unusual public repudiation of a senior cabinet member by a White House staffer” lifted the lid on a “bitter tussle” in the White House, following a clash between Mnuchin and Navarro during negotiations in Beijing at the beginning of May.

White House press secretary Sarah Huckabee Sanders tried to paper over the conflict at her daily briefing yesterday, saying Mnuchin did not say “it was on hold indefinitely.” But the fact that Navarro chose to make his remarks on the eve of trade talks in Beijing underscores the tensions.

They also came to the surface during a World Trade Organisation (WTO) hearing on Monday. The US ambassador to the WTO, Dennis Shea, attacked China for “forced technology transfer”—agreements in which US companies make technology available to Chinese joint venture partners in order to gain access to Chinese markets.

Shea made clear the US opposed the entire Chinese economic framework.

“Fundamentally, China has made the decision to engage in a systematic, state-directed, and non-market pursuit of other [WTO] members’ cutting-edge technology in service of China’s industrial policy,” he said.

In fact, as a number of economic commentators have pointed out, what China is doing is not fundamentally different from what the US, and then Japan, did in earlier periods to facilitate their industrial and technological advancement.

In reply, China’s WTO ambassador denied any forced technology transfer. The US argument proceeded from a “presumption of guilt” and failed to produce a single piece of evidence, with some claims amounting to “pure speculation.”

Sections of the US Congress are supporting the administration’s anti-China hawks. Former presidential candidate, Florida Senator Marco Rubio, is playing a leading role, along with Democrat leaders.

Rubio said the decision to go ahead on tariffs and investment was “100 percent right” but continued to oppose any agreement to lift the ban on sales of US components to the Chinese telecom firm ZTE. China has made lifting the ban a key condition for moves on

the trade deficit.

“Why should we allow any Chinese telecom to operate in or buy sensitive technology from US when [the Pentagon] says Huawei [another Chinese corporation] and ZTE devices ‘pose an unacceptable risk’ to military and [US intelligence agencies] openly say they are a potential security risk to the American people?” Rubio tweeted.

A leading Democrat, Senator Charles Schumer, welcomed the latest announcement, saying the president had to be “strong, tough and consistent.” He said the tariffs plan “represents the kind of actions we have needed to take for a long time. But the president must stick with it and not bargain it away.”

New York Times economic columnist Paul Krugman made a significant intervention in a column published on Monday entitled, “Trump’s Manchurian Trade Policy.” This was a reference to the 1962 film *The Manchurian Candidate* which involved a plot to install a Communist agent as US president.

Krugman focused on Trump’s proposal to ease restrictions on ZTE. On the one hand, Trump, under the banner of “Make America Great Again” was pursuing protectionist policies in the name of “national security” that would “alienate many of our democratic allies.” At the same time, Trump “seems weirdly determined to prevent action against genuine national security threats posed by foreign dictatorships—in this case China.”

Krugman played a key role in launching the Democrats’ anti-Russia campaign, describing Trump in July 2016 as the “Siberian Candidate.” His intervention indicates that the anti-China “national security” campaign will be intensified.



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