

US Issues Trade Ultimatum to China

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US representatives issued a series of demands in Beijing during talks on May 4, ranging from an insistence that China take no action against US measures undermining its development of high-tech industries to the impossible ultimatum that it cut its trade surplus with the US by \$200 billion within two years. These demands are not intended as the basis for negotiations, but to escalate economic conflict and military tensions.

“The US demands amount to a call for unilateral Chinese disarmament ahead of a potential trade war and for Beijing to abandon key elements of its industrial policy, which have led Washington to grow increasingly wary of China as a long-term economic rival,” the Financial Times commented.

China economy expert Eswar Prasad, a senior fellow at the Brookings Institution, told the newspaper:

“These meetings could end up going into the books as a formalisation of hostilities rather than as a basis for a negotiated settlement.”

The US delegation included Treasury Secretary Steven Mnuchin, Commerce Secretary Wilbur Ross and anti-China trade hawks, US trade representative Robert Lighthizer and White House trade policy adviser Peter Narvarro. The demands were set out in a four-page document entitled “Balancing the Trade Relationship.”

The Trump administration claimed it sought to “facilitate candid and constructive exchanges between the two sides.” In fact, the US document resembles the ultimatum handed to Serbia by Austria in July 1914, which led to the outbreak of World War I.

The US had previously demanded that China take immediate action to reduce its \$375 billion goods trade surplus with the US by \$100 billion. This has been doubled to \$200 billion—a reduction of \$100 billion in the 12 months beginning June 2018, and a further \$100 billion reduction beginning June 2019.

The rest of the document consisted of equally imperious and impossible-to-fulfill demands that China cease its moves toward high-tech development and take no action, nor even issue complaints through the World Trade Organization (WTO), against US measures targeting it.

“China will immediately cease providing market-distorting subsidies and other types of government support that can contribute to the creation or maintenance of excess capacity in industries targeted by the Made in China

2025 plan," it stated.

In effect, this means China must scrap its industrial program and become completely subservient to the demands of the US.

The document demanded that China take "immediate, verifiable steps" to ensure the cessation of Chinese government-conducted, sponsored or tolerated measures targeting US trade secrets and confidential business information, in line with US claims that China is stealing intellectual property.

China has denied that such theft is taking place and insisted that what the US calls "forced technology transfers" are part of agreements made by US firms wanting to do business in China through joint-venture operations.

The document stipulated that China take no retaliatory action "whether in the form of tariffs on imports of US products or in any other form" against US agricultural products and "cease all retaliatory actions currently being pursued."

China has threatened tariffs against US agricultural products if the US goes ahead with a 25 percent tariff against Chinese goods, due to come into effect by the end of this month under section 301 of the 1974 US Trade Act.

The US further demanded that China withdraw its current WTO challenge to the US measures and "take no further action related to this matter" under WTO rules and procedures.

In sum, the US is demanding complete subservience by China in its industrial and economic policies. Above all, Washington is focusing on high-tech development, which it regards as a threat to its economic and military supremacy, as made clear in the following paragraph of the document:

"In light of China's prevailing investment restrictions and state-directed investment in sensitive US technology sectors, including industrial plans such as 'Made in China 2025,' China confirms that it will not oppose, challenge, or otherwise retaliate against the United States' imposition of restriction in investments from China in sensitive US technology sectors critical to US national security."

On US investment in China, the document said Beijing must list by July 1 any restrictions it had imposed. The US would then identify restrictions that "deny US investors fair, effective and non-discriminatory market access and treatment." Following such identification, "China is to act expeditiously to remove all identified investment restrictions on a timetable to be decided by the United States and China."

The delegation demanded that Beijing give Washington *carte blanche* to impose measures against China. The document stated:

"China also recognizes that the United States may impose import restrictions and tariffs on products in critical sectors, including sectors identified in the 'Made in China 2025' industrial plan."

If China failed to implement US demands,

“China acknowledges the likelihood that the United States will impose additional tariffs or other import restrictions on Chinese products, or on Chinese supply of services to such extent as the United States deems appropriate.”

Moreover, “China understands” that it “will not oppose, challenge or take any form of action against the United States’ imposition additional tariffs,” including action through the WTO.

China must also give up its opposition to US objections to it being declared a “market economy” under WTO regulations. The granting of full WTO market status to a country makes it more difficult for rivals to impose restrictions on it.

Chinese counter-demands included the lifting of the proposed 25 percent tariffs on Chinese exports to the US; open access for Chinese goods in US government procurement; equal treatment for Chinese companies in any national security review; an adjustment on the ban imposed on the Chinese technology company ZTE; and a commitment by the US not to initiate any section 301 investigation into China in the future.

As the US document itself indicated, there will be no concessions by Washington on any of these issues.

No doubt there will be conjecture over the coming weeks as to what concessions both sides could make in future talks—if any take place—now that they have set out their basic positions.

While there may be some moves in this direction, any assessment that regards the conflict as simply a “trade” dispute would completely misread it. The US trade war measures are part of a much broader agenda aimed at turning China into nothing less than a semi-colony, if necessary by military means.

The US National Security Strategy, issued last December, labelled China a “strategic competitor” practising “economic aggression” against the US. In January’s National Defense Strategy (NDS), Defense Secretary James Mattis declared that “great power competition,” rather than terrorism, was “now the primary focus of US national security.” The NDS designated China, along with Russia, as a “revisionist power” seeking to create a world consistent with its “authoritarian model.”

In July 1914, the crumbling and decaying Austrian regime issued an impossible-to-meet ultimatum to Serbia, following the assassination of Austrian archduke Ferdinand in Sarajevo. Austria knew its demands would provoke war, but made a desperate attempt to maintain its threatened European empire.

Today, US imperialism, considering itself threatened on all sides by rivals, old and new, regards China’s economic expansion—above all, in the critical area of high-tech development—as an existential threat to its global economic and military dominance. In issuing its ultimatums to China, Washington has made clear that it is no less prepared to plunge the world into war.

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