US-China Trade Talks

Why in News?

Senior US and Chinese officials are meeting in Washington in an attempt to settle their ongoing trade war.

What is the need for a meeting?

- There are lot of issues to address like tariffs on specific products, Intellectual Property (IP) theft, global supply chains etc
- Since trade negotiations between them broke down in May 2019, both the countries have added tariffs on the each others' goods.
- This is compounded by broken good faith promises, and by trading public insults.
- The trade war has hardened into a political and ideological battle that runs far deeper than tariffs and could take years to resolve.

Why tariffs are at stake?

- The Trump administration has rolled out stiff tariffs on Chinese imports since 2018, believing it gives White House officials leverage in talks.
- Chinese officials want these wiped out before they agree to any deal.
- The US has put 25% tariffs on some $250 billion of Chinese products, and China has retaliated with tariffs on $110 billion of US imports.
- The US is scheduled to raise existing tariffs to 30% on October 2019 and tax another $156 billion in products in December.
- Both sides made some concessions ahead of this week's talks by suspending some planned tariffs, in a sign of goodwill.

What blacklists and bans are at stake?

- Beijing is smarting from Trump's decision to **blacklist Huawei**, the telecommunications equipment maker, which effectively banned US firms from doing business with the company.
- It has prompted many non US-based companies to cut their own ties to the firm.
- China wants the US to lift those restrictions but US is lobbying other countries to reduce dealings with Huawei.
- Legislation in the US Congress would **prevent Chinese rail company**

CRRC and drone-maker DJI from bidding on US contracts that involve federal money.

- China has said it would draft its own list of foreign companies that it deems had harmed Chinese companies.
- China has indicated it may strike back through **limiting rare earth supplies** to the United States.
- Rare earth, are minerals important to manufacturers of high-tech consumer goods and China is the dominant supplier.
- Trump has called on US companies to pull manufacturing facilities out of China.

Why intellectual property (IP) and technology transfer are at stake?

- Before the talks broke down in May 2019, US officials had said the two sides made progress on IP protection and that China made proposals on a range of issues that went further than Beijing had gone before.
- They also added that China for the first time discussed forced technology transfer as a widespread problem.
- US companies complain they are pressured to hand over their competitive secrets as a condition for doing business in China.
- US officials also cited progress on cyber theft, services, currency, agriculture, and non-tariff barriers to trade.
- After the deal fell apart, China had backtracked on commitments on digital trade issues, including the US access to cloud computing services in China.
- China isn't willing to negotiate on the fundamental way that it manages the country's economy, including support for state-owned enterprises and subsidies.

What is the backdrop?

- China is determined to upgrade its industrial base in 10 strategic sectors by 2025, including aerospace, robotics, semiconductors, artificial intelligence and new-energy vehicles.
- One of the biggest US complaints is that China has used coercion and outright theft to systematically obtain American IP and trade secrets and advance its standing in many high-technology industries.
- China's subsidies to state enterprises have led to a build up in Chinese industries like steel that has depressed global prices and hurt producers in the US and elsewhere.
- **US officials** argue that makes it hard for US companies to compete on a market-driven basis.
- **Chinese officials** generally view the US actions as a broad effort to thwart the Asian country's rise in the global economy.

- They previously denied China required or coerced technology transfers, saying that any such actions are commercial transactions between American and Chinese firms.
- The Trump administration has aggressively stepped up prosecutions of IP cases, and scaled back visas for Chinese students and researchers.
- US lawmakers are writing bills that limit visas, banning students with ties to the Chinese military. Chinese authorities reject such accusations.
- In June 2019, Beijing warned students and academics about risks in the US, pointing to limits on the duration of visas and visa refusals.
- It warned companies operating in the US they could face harassment from US law enforcement, gun violence, robberies and thefts.

Source: The Indian Express

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