

Answer to Question

The U.S.-China Trade Deal

(Translated)

Question:

The United States President said: "The Phase One Trade Deal with China could be signed" shortly thereafter" January 15, the date that he announced last month to be the date of signing. Trump added: I would like to complete phase 2 deal with China after the presidential elections in the context of efforts to end the ongoing trade war between the two largest economies in the world for months, which led to market turmoil and affected global growth ..." (Bawabit Al-Ain, 10/01/2020). And the Chinese Ministry of Commerce has officially confirmed "Vice Premier Liu He will go to Washington to sign the first phase of the trade agreement. This is the first official confirmation statement issued by China on the signing, which Trump previously said he will visit Beijing after signing the agreement to start talks on Phase Two..." (Trade Captain, 10/01/2020). Does this mean that the trade tension between America and China is over?

Answer:

In order to clarify the answer to the above questions and to understand the origin of the U.S.-China trade war, we will review the following:

First: Background of the issue:

1- A follower of America's policy towards China believes that America sought superiority in Eurasia (Europe and Asia), and does not allow China to advance ahead of it, because Eurasia is a vital region towards which the United States has developed a strong foreign policy to ensure its hegemony over it, which continues to serve the interests of American institutions to date. Since the collapse of the Soviet Union in 1991, the political milieu in America has been divided into two main parts with regard to the design of American policy toward China:

The first: involves engaging or cooperating with China to become a stakeholder and responsible in the US-led international system.

The second: affirms that China's intentions cannot be trusted, and that it is ultimately a competing force that stands against the Western international order led by America.

In the mid-1990s, the U.S. foreign policy establishment settled on the classification of China as a rival force and adopted policies to restrict China's rise. In the era of Clinton and Obama's political administration, the containment policy of China was adopted, and in the era of Republican administrations of Bush Jr. and Trump, it took a more aggressive policy of containing China. Trump has mobilized for an open trade war on China. (Financial Times)

2- The U.S. containment policy had two main goals: first, to avoid China's emergence as a regional power, and second, to prevent it from changing any aspect of the Western-based international order. To achieve these goals, the United States has adopted a number of measures, including [raising Chinese human rights violations in Tibet, East Turkestan, and Hong Kong ... keeping China preoccupied with the North Korean nuclear crisis and regional conflicts in the South China Sea ... using India, Japan, and Australia to restrict China's military ambition and growth in the Asia-Pacific region ... obstructing China's access to the latest technologies ... and withdrawing from the Chinese Belt Initiative]. The US political establishment has adhered to the containment policy with minor changes in some measures to curb China's power ambitions. However, after the 2008 global financial crisis and the American catastrophic wars in Afghanistan and Iraq, the United States realized that the policy of containment of China was not enough and decided to reinforce it. The goal of Obama's strategy in what is known as the (Asia strategy) was to transfer military equipment and soldiers from Europe to Asia and the Pacific, and to confront the Chinese military capabilities. Then Trump began targeting the Chinese economy directly, and his administration

named China as a "currency manipulator" and started a trade war with Beijing, and this advanced the efforts to contain China in the system based on international rules ([BBC](#)).

Second: The Trade War between America and China:

1- As we mentioned earlier, America started a trade war with China in order to limit the rise of China, and the trade war between the two economic powers accelerated due to trade deficit, as America imports 558 billion dollars of goods and services from China, and in return, China imports 179 billion dollars of goods and services from the United States ([Office of the United States Trade Representative](#)). However, a convergence was recently observed between them in order to achieve their respective interests first!

2- The United States and China have reached a partial trade agreement in recent months, "that would put an end to the escalating trade war between the two largest economies in the world since last year. Trump previously said that phase one of the trade agreement would cover about 60% of the comprehensive agreement, and from it is assumed that it will include China's commitment to buy more American agricultural products, in exchange for the United States lowering its tariffs imposed on Chinese goods ..." (Al-Arabi Al-Jadeed, 05/01/2020 CE). Al Arabia Net had published on 15/12/2019 the following: "21 months after the start of the trade war between the two largest economies in the world, the United States reached a phase 1 agreement with China but will not be inked before next January. Under the agreement, the United States confirmed that it will reduce tariffs of 15% to half on \$120 billion worth of Chinese imports, but it will maintain the tariffs that amount to 25% on \$250 billion worth of Chinese imports. And the United States dropped plans to impose new tariffs of 15% on \$160 billion worth of Chinese products that were scheduled to come into effect today, which include toys and smartphones. Beijing also agreed to import additional US goods and services worth at least \$ 200 billion over the next two years. China will also suspend the application of additional tariffs on some American imports scheduled to start today as they will suspend the imposition of additional customs duties of 25% on cars and 5% on American spare parts. China has made clear that it will continue to suspend customs duties on about \$ 126 billion of American products, in addition to its pledge to increase the purchase of US agricultural products by up to \$ 50 billion annually". Trump has been keen to find a growing market for agricultural exports because he is running general elections this year 2020 and does not want to lose the votes of heavily indebted farmers because there are not enough export markets. Prior to that, Al Bayan News website published: "The Chinese Ministry of Commerce said - in a statement Friday evening - that the agreement was based the principle of equality and mutual respect, and it includes nine chapters: the preface, intellectual property rights, technology transfer, food and agricultural products, financial services, exchange rate and transparency, trade expansion, bilateral assessment and dispute settlement, and the final terms." (Al-Bayan News, 13/12/2019).

3- However, this does not mean that these agreements on trade war will end the state of economic tension between the two sides, because the trade war is not the real motive for controlling China, but there is something behind it that is deeper and more dangerous for the U.S. economy and its international priority. China is the leader in fifth-generation technology, the next generation of wireless communications, and most importantly, the gateway to artificial intelligence. The US Defence Innovation Board that includes former Alphabet chairman Eric Schmidt, LinkedIn founder Reid Hoffman and Walter Isaacson, the author and a former chief executive of the Aspen Institute wrote: "The leader of 5G stands to gain hundreds of billions of dollars in revenue over the next decade, with widespread job creation across the wireless technology sector... The country that owns 5G will own many of these innovations and set the standards for the rest of the world. For the reasons that follow, that country is currently not likely to be the United States." ([ZDNet](#)).

4- For the information, the fifth generation "G5" is superfast, as (researchers announced that tests on the speed of communication via G5 technology achieved record speeds, 1 terabyte per second, knowing that this speed is 200 times faster than its current counterpart. According to the tests conducted by a research team from the 5G Innovation Centre at the University of Surrey in Britain, a file around 100 times larger than a full movie can be downloaded in just 3 seconds. The new speed is faster by about 65 thousand times than the average download speed in the G4 networks. The number of devices connected to the Internet is expected to range from 50 to 100

billion devices this year, so there is a need for new and different frequency bands to meet this wide demand for Internet connectivity. As for how G5 works technically, a technology known as "MIMO" which stands for "multiple-input multiple-output" will play a role key in the operation efficiency standards of 5G networks, MIMO technology uses several small antennas to serve data flow individually. Samsung has relied on this technology to provide amazing data download speeds, and G5 networks are likely to use more broadcast stations". (Al-Arab 13/08/2017).

5- In 2017, Schmidt revealed at the World Economic Forum that "it won't be long before China overtakes the United States in the development of advanced artificial intelligence (AI)" (World Economic Forum). Artificial intelligence manifests itself in:

- The use of artificial intelligence chatbots to understand customer problems faster and provide more efficient answers.
- The use of artificial intelligence assistants to parse critical information from large free-text datasets to improve scheduling.

Experts point to the great interest and investments in artificial intelligence over the next few years, and Deloitte estimates that \$ 57.6 billion will be spent on artificial intelligence and machine learning by 2021, five times higher than in 2017.

6- It was not surprising that Trump publicly opposed Huawei, which produces the G5, and has stated on several occasions the threat posed by the Chinese company. Trump said at the last NATO meeting, "I do think it's a security risk, it's a security danger". (Business Insider) For this reason, the United States pressed many Western countries (Italy, the United Kingdom, Germany, etc.) to exclude Huawei from bidding or activating G5 in their countries, all under a false pretext of security violations. The United States also asked Canada to arrest Meng Wanzhou, Huawei's chief financial officer for allegedly violating US sanctions against Iran. America is interested in banning the Chinese G5 network, and Trump has also blocked sales of silicone chips to China.

7- The Chinese have long worked to become independent in technology under the China 2025 plan, but the way Americans have interacted with Huawei and other Chinese companies has accelerated China's efforts to gain full independence in key technologies. The Chinese had announced plans to create their own operating system by 2022, and this door was closed to IBM, Microsoft, Dell and other US companies. Moreover, China plans to build its own silicone chips. It has doubled the salaries of thousands of Taiwanese chip engineers and moving to China over the past few years. American analysts expect that within five to seven years, China will achieve independence in the chip industry. By following these measures, Beijing will make huge revenues from the new economy of artificial intelligence.

8- America is doing its best to restrict China's ability to take the lead in the "G5" system and artificial intelligence, because this technology is just as important as the steam engine, electricity and silicon chip. These technologies are the engines of production and economic growth. Thus, the current trade war is more than just a trade war to confront the trade balance between America and China, but on top of that, it is a technology war, especially the G5, and it is likely, according to the current data, that the world will have a bipolar technological system: the West led by America, and the rest of the world led by China. And if the Chinese technological system dominates Eurasia, the possibility of China threatening US priorities in this area will increase.

Therefore, the U.S.-China trade agreement, even if it was concluded and then signed in all its phases a year later, as Trump said: "His administration will start negotiating the Phase 2 U.S.-China trade agreement soon but that he might wait to complete any agreement until after November's U.S. presidential election... (Bawabat Al-Ain 10/01/2020). So, even if it was signed in its final stages, it is expected that it will not be more than a warrior's break, especially in the field of fifth generation technology because America does not accept to be a compeer of China; even if China accepts, America's arrogance prevents it from accepting!!

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12/01/2020 CE