

How the USA blew up China trade talks

After nearly a year of intense negotiations to reach a trade deal between the world's two largest economies, a sudden turn of events has left those US-Chinese negotiations on the brink of collapse. The consequences of a failure to reach a final agreement are potentially cataclysmic.

Chief economics commentator for the London *Financial Times* Martin Wolf, fresh from attending the annual Bilderberg Meeting of Western oligarchical elites, in Montreux, Switzerland, warned in a 4 June column that the breakdown of the USA-China trade talks heralds a potential "100-year conflict" that will engulf the world in a senseless zero-sum game with no winners. Wolf speaks for the City of London faction of the British oligarchy that fears an all-out trade war will jeopardise their power and wealth.

Wolf's takeaway is that the Trump Administration is approaching China as a "civilisational enemy" (to paraphrase State Department Director of Policy Planning Kiron Skinner). Washington is choosing between two equally disastrous courses of action: attempt to dominate China and retain the existing unipolar world order, or isolate China from as much of the world as possible.

Wolf noted that after America's Cold War-era superpower adversary, the Soviet Union, collapsed, the Global War on Terrorism failed to provide a frightening enough enemy image to preserve a "unipolar" world system. Only China fits the bill for a new enemy image.

This is not to say that resolution of the trade conflict is impossible. Presidents Donald Trump and Xi Jinping are still scheduled to meet in Osaka, Japan at the end of June, during the Group of 20 heads of government meeting. While China has not yet proposed an agenda for those talks, the meeting is still on the calendars of both leaders. In December 2018 Trump and Xi met in Buenos Aires, Argentina during last year's G-20 summit, at which time they revived the trade negotiations through their personal engagement. It could happen again. But this time, the challenges are greater. Tensions have built quickly during the past two months.

On 4 May the Chinese government sent a revised draft agreement to the Trump Administration. The 105-page document removed some details from the earlier 150-page draft, negotiated by US Trade Representative Robert Lighthizer and Secretary of the Treasury Steve Mnuchin with China's Vice Premier Liu He.

The changes in the draft were largely procedural. China proposed to implement some of the enforcement mechanisms through changes in regulations and by executive orders, rather than changes in Chinese law. But one set of issues crossed Chinese red lines: the Chinese rejected the idea of opening their internet, social media, cloud storage, and cloud computing to American companies. The Trump Administration "changed the goalposts", by introducing new demands into the trade talks, going far beyond trade issues. Washington sought to insert itself into Chinese domestic affairs, by demanding that Chinese authorities surrender control over their social media, computerised data collection and storage, to the likes of Facebook, Amazon and Google.

Days after the proposed revisions, Trump and Lighthizer accused Beijing of "backtracking" on a deal that had been 90 per cent completed. Trump then increased tariffs on US\$200

billion in Chinese imports from 10 per cent to 25 per cent. In response, China imposed tariffs on US\$60 billion in additional American imports.

On 13 May Xi Jinping convened a meeting of the Politburo of the Communist Party of China. The 25 members of the Politburo unanimously rejected the 150-page version of the draft agreement, and gave the President authority to proceed with negotiations based on the revisions his team had proposed. On 2 June the Chinese government issued a White Paper, spelling out terms for resuming the negotiations with the USA. China denied "backtracking", but re-stated the areas where it would not compromise, and where the United States was attempting to interfere in Chinese internal security.

There have been virtually no high-level negotiations between the Trump Administration and China over trade since early May. Mnuchin did meet with Yi Gang, head of the People's Bank of China (PBOC), during the 25-26 May meeting of G-20 central bankers and finance ministers in Japan. The bilateral meeting was described by both as "cordial", but no narrowing of differences on trade occurred.

China hawks in and around the Trump Administration have been pressing the President to take a provocative hard line against China. Peter Navarro, director of trade and manufacturing policy at the White House, argues that China can never be trusted to abide by trade agreements. On 19 June 2018, Navarro's office released a study under the provocative title "How China's Economic Aggression Threatens the Technologies and Intellectual Properties of the United States and the World". It asserted that nothing short of an intrusive intervention to change the nature of the Chinese economy and governing system would address the threat. Navarro's shallow and provocative approach is backed by National Security Advisor John Bolton and Presidential strategic advisor and speechwriter Stephen Miller. Despite Trump's stated desire to "get along" with China and reach "a good deal" on trade, his own overly simplistic view of world trade, financial and investment relationships, and therefore what "a good deal" would look like on the international level, makes him susceptible to pressure from these

advisors.

Navarro and his group pounced on China's proposed revisions—which had emerged from the full-leadership review of the draft negotiated by Liu He—as “proof” that the Chinese were negotiating in bad faith.

From the outset, both negotiating teams had agreed that nothing would be considered final until the Presidents of both countries approved a final draft. Tough negotiating is not backtracking, and China made clear that it still wants to negotiate an agreement. Since the breakdown, both governments have been recalibrating the next steps. China plans to leave some difficult details to Trump and Xi to work out, face-to-face.

Much more than a trade pact is riding on the planned Trump-Xi meeting in Osaka at the end of June. A new Cold War between the United States and China would have dire consequences for the planet, over decades and generations.

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