

China-US Trade Negotiations Post-Osaka G20: Why No Deal on the Horizon

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The recently passed G20 meeting in Osaka, Japan witnessed the return to 'happy talk' by Trump, promising the US and China would again get together and continue negotiating on trade. The Osaka G20 sounds almost a repeat of the December 2018 G20 in Buenos Aires. The outcome post-Buenos Aires, however, was a blow up of US-China negotiations this past May 2019. Following Osaka this past June, once again Trump promises a return to negotiations and a deal. Will the 'post-Osaka' events be a repeat of post-Buenos Aires? Both negotiating teams reportedly will meet again. But it appears China won't be playing the same game. Read my analysis of events and why there'll be no agreement in 2019, and only possibly in 2020.

G20 Buenos Aires Meeting and After

Immediately after the November 2018 elections, Trump renewed efforts to meet with Xi. They did so at the end of 2018 at the G20 in Buenos Aires. Lots of fanfare and typical Trump hyperbole followed: President Xi was such a good buddy. A great deal was in the works and would soon be announced. In the interim, Trump suspended raising tariffs to 25% on existing \$200 billion of China imports as negotiations resumed February 2019. Lots of happy talk about all the progress being made at the G20, as the US stock markets recovered nicely in the first quarter of 2019.

But negotiations broke down once again, a second time, in May 2019 (as they had a year previous in May 2018). The official US line fed to the media was that the Chinese had reneged at the last minute, and added new demands and proposals—when in fact it was the US that introduced last minute demands it knew the Chinese could not accept, in the week before the China delegation was to come to Washington to finalize the deal.

This time the Lighthizer-Navarro-Bolton team not only demanded stronger limits on tech transfer from US corporations in China. Now the demand was China would have to sever all its companies' relations with US tech companies in the US —and not just Huawei. A new US offensive was launched to intimidate US researchers doing joint tech research work with Chinese counterparts in US universities to end their joint cooperation; US tech companies in China were quietly told to start planning to move their supply chains out of China in the medium to long run; and the Chinese were told the US would not stop its proceedings against Huawei; moreover, it would escalate its pressure on US allies to sever 5G investment plans with Huawei as well. And that was not all. As the China delegation made final plans to come to Washington, the US team signaled publicly that the US would retain tariffs even if there were a deal. The excuse was the US needed to retain tariffs as a threat if China didn't fully implement its concessions to the US. And then there was the especially

insulting demand by the US: China would have to share even its independent technology development in 5G, cyber, and AI with the US as part of a deal.

The China delegation came over anyway, but obviously no deal was concluded. Perhaps it was to verify whether Trump really agreed with these onerous terms thrown up at the last minute by the Lighthizer-Bolton neocons. They left empty-handed. Apparently it was true.

How Trump and the US Now Negotiates

The Trump approach was predictable. This is how he did business before becoming President. And it is how he now runs the US government: Make public declarations about what a great person his negotiating partner is. Make public statements how a trade deal is imminent. Then at the last minute throw up unacceptable demands, threats, and intimidating statements. Allow negotiations to break off. When the other side does so, blame them for failing to make a deal. Then wait and see if the other side makes concessions and signals it wants to return to the bargaining table. When they do, privately or publicly, return to negotiations with more demands for concessions. If necessary, play this same game over again.

China and Xi were burned once by these maneuvers back in May 2018. Now they met again at the recent G20 in Japan and the negotiations will once again resume. Trump adviser Larry Kudlow has noted 'phone calls' are occurring back and forth between the US and China negotiating teams. But there's no indication of any meetings in the works between Trump and Xi. Nor will there likely be soon. It is not likely the Chinese will be burned again. In fact, they have publicly declared no deal unless Trump at minimum withdraws his May 2019 trade team threat to retain tariffs whether a deal is reached or not. That's likely a 'non-starter' until Trump takes it off the table. Positions may be hardening, not softening.

In the interim, as during the days following Buenos Aires, following the most recent Osaka G20, Trump is again repeating platitudes and praise for Xi. He's publicly announced that China has made great concessions to buy record levels of US farm goods. But China had conceded that and put it on the bargaining table almost a year ago! It had promised to buy \$1 trillion more in US goods over the next five years. So Trump's just repeating what has already been agreed to some time ago. Nevertheless, for Trump 'spin is in' once again post-Osaka.

That should hold US business and farm criticisms at bay for several more months—along with the \$20 billion more in farm subsidies announced by Trump—likely paid for by cuts to US food stamps, housing subsidies, education funding, etc. Should another, third round of farm subsidies follow in 2020 if no trade deal is concluded, total direct Trump farm subsidies will exceed \$50 billion.

What's Next: More Déjà vu? Or a Deal?

It should be clear that as of July 2019 there's no imminent China-US trade deal. Trump is just buying time. No additional tariffs—i.e. \$325 billion on remaining China imports—will likely be imposed in the interim. A hiatus has occurred at least for the remainder of 2019. US business pressure and growing criticism of Trump's trade policy, and growing farm sector discontent, will prevent Trump from raising more tariffs—at least for now.

But US pressure to drive China tech companies out of the US economy and, if possible, from

the economies of US allies in Europe and elsewhere, will no doubt continue. So too will continue US pressure to isolate China company and University researchers in the US and force them to leave. And longer term, the US will continue to press US corporations to relocate their supply chains from China to elsewhere in Asia (Vietnam? South Korea?) or even Mexico.

Trade Deal in 2019?

When will a China-US trade deal then be concluded? Not likely this year. Trump probably now wants to wait until closer to the 2020 election. And the neocons still have his ear and are still driving US trade policy (indeed, US foreign policy on a number of fronts as well). And they don't want a deal...ever! Unless of course China agrees to capitulate on the central issue of nextgeneration technology development.

For the remainder of 2019, US policy will be to squeeze China tech corporations, to make operations so uncomfortable for them they will have to leave the US, as well as US allied economies. Trump will continue to collect tariffs from China imports, which he sees as a plus, while increasing his public threats that China not to allow its currency, the Yuan-Reminbi, to devalue which would negate the hikes in US tariffs. Meanwhile, domestically Trump policy 'spin' will try to publicly make it appear (to Trump's farm base and US business in general) that the US and China are working in good faith toward an agreement.

Longer term, into 2020, if the US neocons retain control of negotiations and Trump's ear, they will continue to insist the US retain tariffs, insist on China capitulating on the tech issue, and continue to go after China tech companies in the US and worldwide. That means there will be no agreement even in 2020.

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Dr. Jack Rasmus is a frequent contributor to Global Research.

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