

Trump's Trade Threats Are Really Cold War 2.0

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President Trump has threatened China's President Xi that if they don't meet and talk at the upcoming G20 meetings in Japan, June 29-30, the United States will not soften its tariff war and economic sanctions against Chinese exports and technology.

Some meeting between Chinese and U.S. leaders will indeed take place, but it cannot be anything like a real negotiation. Such meetings normally are planned in advance, by specialized officials working together to prepare an agreement to be announced by their heads of state. No such preparation has taken place, or can take place. Mr. Trump doesn't delegate authority.

Trump opens negotiations with a threat. That costs nothing, and you never know (or at least, he never knows) whether he can get a freebee. His threat is that the U.S. can hurt its adversary unless that country agrees to abide by America's wish-list. But in this case the list is so unrealistic that the media are embarrassed to talk about it. The US is making impossible demands for economic surrender – that no country could accept. What appears on the surface to be only a trade war is really a full-fledged Cold War 2.0.

America's wish list: other countries' neoliberal subservience

At stake is whether China will agree to do what Russia did in the 1990s: put a Yeltsin-like puppet of neoliberal planners in place to shift control of its economy from its government to the U.S. financial sector and its planners. So the fight really is over what kind of planning China and the rest of the world should have: by governments to raise prosperity, or by the financial sector to extract revenue and impose austerity.

U.S. diplomacy aims to make other countries dependent on its agricultural exports, its oil (or oil in countries that U.S. majors and allies control), information and military technology. This trade dependency will enable U.S. strategists to impose sanctions that would deprive economies of basic food, energy, communications and replacement parts if they resist U.S. demands.

The objective is to gain financial control of global resources and make trade "partners" pay interest, licensing fees and high prices for products in which the United States enjoys monopoly pricing "rights" for intellectual property. A trade war thus aims to make other countries dependent on U.S.-controlled food, oil, banking and finance, or high-technology goods whose disruption will cause austerity and suffering until the trade "partner" surrenders.

China's willingness to give Trump a "win"

Threats are cheap, but Mr. Trump can't really follow through without turning farmers, Wall Street and the stock market, Walmart and much of the IT sector against him at election time if his tariffs on China increase the cost of living and doing business. His diplomatic threat is really that the US will cut its own economic throat, imposing sanctions on its own importers and investors if China does not acquiesce.

It is easy to see what China's answer will be. It will stand aside and let the US self-destruct. Its negotiators are quite happy to "offer" whatever China has planned to do anyway, and let Trump brag that this is a "concession" he has won.

China has a great sweetener that I think President Xi Jinping should offer: It can nominate Donald Trump for the Nobel Peace Prize. We know that he wants what his predecessor Barack Obama got. And doesn't he deserve it more? After all, he is helping to bring Eurasia together, driving China and Russia into an alliance with neighboring countries, reaching out to Europe.

Trump may be too narcissistic to realize the irony here. Catalyzing Asian and European trade independence, financial independence, food independence and IT independence from the threat of U.S. sanctions will leave the U.S. isolated in the emerging multilateralism.

America's wish for a neoliberal Chinese Yeltsin (and another Russian Yeltsin for that matter)

A good diplomat does not make demands to which the only answer can be "No." There is no way that China will dismantle its mixed economy and turn it over to U.S. and other global investors. It is no secret that the United States achieved world industrial supremacy in the late 19th and early 20th century by heavy public-sector subsidy of education, roads, communication and other basic infrastructure. Today's privatized, financialized and "Thatcherized" economies are high-cost and inefficient.

Yet U.S. officials persist in their dream of promoting some neoliberal Chinese leader or "free market" party to wreak the damage that Yeltsin and his American advisors wrought on Russia. The U.S. idea of a "win-win" agreement is one in which China will be "permitted" to grow as long as it agrees to become a U.S. financial and trade satellite, not an independent competitor.

Trump's trade tantrum is that other countries are simply following the same economic strategy that once made America great, but which neoliberals have destroyed here and in much of Europe. U.S. negotiators are unwilling to acknowledge that the United States has lost its competitive industrial advantage and become a high-cost *rentier* economy. Its GDP is "empty," consisting mainly of the Finance, Insurance and Real Estate (FIRE) rents, profits and capital gains while the nation's infrastructure decays and its labor is reduced to a part-time "gig" economy. Under these conditions the effect of trade threats can only be to speed up the drive by other countries to become economically self-reliant.

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