

US-China Trade War, Kim-Trump Summit Collapse, Factional Splits Within America's Elites

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In previous print articles I argued there were three groups contending for control of US trade negotiations with China: big bankers and multinational corporations in the US primarily concerned with obtaining deeper access and penetration of China markets; the US defense-war faction concerned with China technology transfer involving nextgen technologies (5G, AI, cybersecurity) that have deep military implications; and Trump who is concerned mostly with pandering to his US domestic political base and getting some kind of China-US trade deficit reduction (preferably big increase in China purchase of US goods) that he can then exaggerate and pump up politically to show his domestic political base in the red states that his 'economic nationalist' theme (America First) is alive. Trump is looking at trade gains to boost his support in his base, for the upcoming midterm elections and as a potential bulwark against the Mueller decision soon forthcoming.

After the US trade team went to Beijing in early May, it was clear that the US negotiations leadership had defaulted to the US bankers and multinationals, as **Steve Mnuchin**, US Treasury Secretary (and former CEO of Goldman Sachs investment bank) assumed formal leadership and direction of the US team and US-China trade negotiations. Further substantiating this internal power shift, anti-China hardliner and representative of the US war-defense faction on the team, **Peter Navarro**, was dropped from the US trade team. Subsequent trade negotiations shifted to discussions between Mnuchin and his China counterpart, **Liu He**, in private formats and one-one communications between Mnuchin-He. The shift meant that getting more access to China markets (the big bankers primary goal), and a little something for Trump to boast about to his base, had now clearly taken precedence over the tech transfer issue of primary concern to the US war establishment.

Since early May, however, the defense-war faction has struck back. The US military and their Congressional allies have upped their anti-China rhetoric and moves. Efforts to scuttle the June 12 meeting with No. Korea were launched, and the US military most recently acted to remove China from the pacific naval joint maneuvers. Their Congressional allies also opposed Trump's unilateral decision to restore China telecom company, ZTE, business in the US. Having made concessions, lifting blockages on US agricultural imports and merger deals involving US-China companies in China, China responded by retreating as well.

In typical Trump flip-flop, opportunist fashion, the US president then reversed himself on ZTE, and joined in with anti-China rhetoric, blaming China for the likely failure of talks with No. Korea on June 12. As this writer predicted, it was unlikely from the outset that talks with No. Korea would actually occur and, if they did, would have no positive outcome. It's mostly Trump seeking publicity for his base and opportunistically manipulating the possibility of a peace deal with No. Korea. The US war-defense establishment does not want a resolution of

differences with No. Korea; nor does it want a deal with China on trade unless it involves a rollback of China tech transfer and tech development. China will not accede on that, but will increase US banker access to its markets and even increase its purchase of US exports. But for now, the US war faction has blunted both the progress of trade negotiations with China as well as possible negotiations with No. Korea.

The splits within the US trade team and the three factions will continue contending with each other, reducing the likelihood of any trade deal with China. Meanwhile, China continues its trade negotiation efforts with Europe, and in particular Germany, which the Trump administration and Congress are intent on increasingly alienating.

Even in defense of its own interests, US capitalists appear intent on shooting themselves in the foot, as they say. The quality of US capitalist leadership, and even more so of its political representatives, has deteriorated badly in the 21st century. Like Trump, their arrogance over-estimates their power to bully and push around allies and adversaries alike. Trump's pursuit of his ultra right economic nationalist policies, combined with the aggressiveness of US war-defense faction, will have the long run effect of reducing US hegemony in the global economy and not re-establishing it in a new Neoliberal structure in the 21st century.

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