

All eyes at G20 summit on Trump-Xi meeting

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While it is not on the official agenda, the key issue at the two-day G20 summit meeting starting in Osaka, Japan, today will be the outcome of talks between US President Donald Trump and China's President Xi Jinping.

The sideline meeting is widely viewed as the last chance to restart trade negotiations that broke down in early May. Trump accused the Chinese side of backtracking on previous commitments and threatened the imposition of tariffs of 25 percent on an additional \$300 billion worth of Chinese goods. Together with previous tariffs, the new measures would cover virtually all Chinese imports into the US.

The one-and-a-half hour Trump-Xi meeting, scheduled for Saturday morning, will not announce a trade deal. There are still wide divergences between the two sides on essential issues. But there may be an agreement to resume top-level discussions between officials.

That possibility was raised on Monday when the chief Chinese trade negotiator, Vice Premier Liu He, and his American counterpart, US Trade Representative Robert Lighthizer, held a telephone conversation.

No details of the conversation have emerged. China's Ministry of Commerce issued a brief statement saying it was at the request of the US and involved an "exchange of opinions on economic and trade issues."

The prospect of any agreement has significantly lessened since the talks broke down. The issue of an "enforcement mechanism" remains. The US is demanding that it must be allowed to retain tariffs until it determines that China is complying with any agreement. China insists that all punitive tariffs have to be removed.

Another sticking point will be the bans imposed by the US that prevent Chinese technology company Huawei from purchasing components and software from US suppliers—a move designed to cripple its global operations.

A *Wall Street Journal* report, citing a Chinese official, said China was insisting that the US lift the ban on Huawei as part of any agreement. In a briefing yesterday,

a Chinese Commerce Ministry spokesman called on the US to "immediately rescind the suppression and sanction measures against Huawei and other Chinese enterprises."

Any move in that direction is extremely unlikely. Key sections of the US military and intelligence agencies, as well as their spokesmen in both the Democratic and Republican parties, regard the bans as essential, on "national security" grounds, to maintain US supremacy in high-tech.

One leading Democratic anti-China hawk, Senate Minority Leader Chuck Schumer, demanded that Trump not give in to Chinese demands. He said the president "cannot go soft now and accept a bad deal that falls short of reforming China's rapacious economic policies—cyber espionage, forced technology transfers, and worst of all, denial of market access."

On the Republican side, Senator Marco Rubio, said Commerce Department officials had told him that Trump would not alter the US stance on Huawei as part of any trade agreement. He told the *Wall Street Journal*: "It's not really a trade issue as much as it is, first, a national-security issue and, second, a wake-up call to the US about how we need to have a counter to Chinese industrial policy."

The most likely, but by no means certain, outcome of the Trump-Xi meeting is an agreement to resume negotiations while Trump holds back on the additional tariff measures and possibly reduces the threatened new imposts to 10 percent.

However, to use the rhetoric employed by Trump regarding military threats against Iran, the additional trade war measures against China are "cocked and loaded." US hearings over the threatened new tariffs, involving submissions from affected companies, have been completed and the new measures can be imposed rapidly.

While China is a primary focus of the "America First" agenda, it is by no means the only target. In the days leading up to the summit, Trump lashed out at supposed US allies.

The president told Fox Business this week the US-Japan

defence alliance was lopsided. If Japan were attacked, the US would go in and “fight World War Three” but “if we are attacked, Japan doesn’t have to help us at all. They can watch on a Sony television.”

The attack on Japan is connected to a recent intervention by Japanese Prime Minister Shinzo Abe to try to ease tensions over Iran. Trump is seeking to use the G20 to press for international support for stepped-up actions and increased sanctions against Iran following the US abrogation of the 2015 nuclear treaty.

Signs of Washington’s pressure on Japan were also evident in a draft communiqué from the summit, which is being drawn up by Japan as the host nation. According to a report in the *Financial Times*, the draft omitted references to “global warming” and “decarbonisation,” and downplayed the Paris climate accord, from which the US has withdrawn. The report said the omissions were “an attempt to placate” the US.

The US is demanding that Japan make major concessions on trade, backed by a threat to impose a 25 percent tariff on cars and auto parts on “national security” grounds.

That threat also hangs over the European Union. It was pressured into bilateral trade negotiations last July when Trump boasted that the possibility of the tariff measures saw European Commission President Jean-Claude Juncker fly to Washington and agree to talks. But the negotiations have made little progress because of US insistence that agriculture must be included, an issue that the EU maintains is off the table.

In the lead-up to the G20, Trump blasted Europe on two fronts—competition policy and currency valuations.

This week he denounced EU antitrust commissioner Margrethe Vestager. That followed the launching of an antitrust case against the US chipmaker Broadcom, accusing it of using “contractual restrictions” with the makers of TV set-top boxes to exclude rivals.

Vestager has also moved against Amazon, Apple and Google for abuse of their market dominance and tax avoidance. Trump told Fox Business that she “hates the United States perhaps worse than any person I’ve ever met.” Trump declared: “What she does to our country! She’s suing all our companies.”

Earlier this month, Trump took aim at European Central Bank President Mario Draghi, accusing him of currency manipulation. That was after Draghi foreshadowed a further easing of monetary policy, sending the euro lower against the dollar.

Trump returned to the currency issue in his Fox

interview. He again hit out at the US Federal Reserve, calling its monetary policy “insane.” Fed chairman Jerome Powell was doing a “bad job.” Trump declared: “He has to lower interest rates for us to compete with China. If they devalue and we can’t, we are no longer on a level playing field.”

Trump has claimed that if the Fed lowered interest rates and resumed quantitative easing, Wall Street’s Dow index would be 10,000 points higher.

Trump’s turn to currency issues indicates that the economic warfare being waged against China and the rest of the world is broadening. Since the 2008 global financial crisis, the G20 has emphasised that currency devaluations must be avoided at all costs. Now they are being revived by the US president.

Significantly, as on the issue of China, Trump is receiving support from within the Democratic Party.

Earlier this month, Democratic presidential candidate Elizabeth Warren called for a policy of “actively managing” the US dollar. Echoing Trump, she said managing the US currency would “promote exports and domestic manufacturing” and blamed foreign investors and central banks for having “driven up the value of our currency for their own benefit.”

The impact of the intensifying global trade war was highlighted by Denmark’s A.P. Moller-Maersk, which owns around 20 percent of all container capacity. It said the conflict between the US and China may reduce the growth in global container volumes by a third this year.

One shipping container analyst told the *Wall Street Journal*: “The optimism we had just a few weeks ago when we thought a trade deal would be signed between the US and China has evaporated.”

The ongoing breakdown of the post-World War II international economic order was underscored by a report prepared by the World Trade Organisation for the G20 summit. It said the number of trade-restricting measures imposed between October 2018 and May 2019 was three and a half times the average since it started to monitor trade policy in 2012.



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