US and China in talks on tariff war

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Top government economic officials from the US and China are meeting this weekend in Geneva to discuss the trade war launched by the US, which has seen 145 percent tariffs imposed on Chinese goods, in what is virtually an economic blockade.

The US representatives are Treasury Secretary Scott Bessent and US Trade Representative Jamieson Greer. China will be represented by He Lifeng, Vice Premier for Economic Policy and the country's chief trade negotiator.

To bolster their position, both sides have sought to present the other as pushing for the talks.

In remarks on Tuesday, during a visit by Canadian Prime Minister Mark Carney, President Trump claimed the Chinese were eager for the meeting. "They want to meet, and they're doing no business right now."

A spokesperson for the Chinese Commerce Ministry said the US had continually leaked information about adjusting the tariff measures and that it was hoping for talks with China.

"China has carefully evaluated the US information. Based on fully considering global expectations and the calls of US industry and consumers, China has decided to agree to engage with the US."

Earlier, Trump had indicated that he wanted a discussion with Chinese President Xi Jinping. But Xi made it clear he was not prepared for a meeting until some concrete measures were on the table. He may also have had in mind the treatment of Ukrainian President Zelensky at the Oval Office meeting with Trump in February.

Remarks by Bessent on the discussions this week indicate the basic position of the US.

"I look forward to productive talks as we work towards rebalancing the international economic system towards better serving the interests of the United States," he said.

Here Bessent was advancing the position put forward in Trump's executive order of April 2—so-called "liberation day"—which laid out the global tariff war.

That order maintained that the entire post-war international system—that the US had largely constructed—was based on "incorrect assumptions" which led to the US acquiring persistent annual goods trade deficits.

The conclusion flowing from this assessment is that it must be totally destroyed and a new order established.

That is what is being carried out even as Trump hints that the tariffs against China may come down.

Speaking to reporters after reaching a limited agreement with the UK, Trump predicted Beijing would make concessions and there could be "substantive" cuts in the US tariff. The figure of 50 percent has been mentioned, but even this would represent a major impost on Chinese goods.

In line with Beijing's efforts to present China as the defender of the existing international trading system and win support from other countries in its battle with the US, the Commerce Ministry statement took a globalist approach.

"If the United States wants to resolve the issue through negotiations, it must face up to the serious negative impact of unilateral tariff measures on itself and the world, face up to international trade rules, fairness and justice, and rational voices from all works of life, show sincerity in talks, correct its wrong practices, meet China halfway, and resolve the concerns of both sides through equal consultations," it said.

But judging from Trump's utterances on the US approach to negotiations with countries hit by the reciprocal tariffs, there appears little chance of those criteria being met.

Earlier this week, he all but rejected any back-and-forth negotiations in which the US would offer concessions.

"We're going to put very fair numbers down, and we're going to say, 'Here's what we want.' And they'll say either 'great,' and they'll start shopping, or they'll say, 'not good,'" he said.

Media coverage of the tariff war often refers to it as a tit-for-tat conflict. The US imposes tariffs, China responds, the US escalates, etc. The implication of this assessment is that if only these measures could be wound back, then some order could be restored.

But such an analysis obscures the fundamental objective driving forces of the war, operating outside the fevered brain of Trump and his supporters.

It is rooted in the long-term economic decline of the US going back more than 50 years. In 1971, President Nixon removed the gold backing from the US dollar and scrapped the Bretton Woods Agreement of 1944, because the growth of US balance of payments and balance of trade deficits meant it could no longer meet its obligations.

In the aftermath of the scrapping of Bretton Woods, a new international financial and economic order developed. It had two essential components, both of which have now posed an existential threat to US hegemony.

After 1971, the dollar remained the international currency. It was no longer backed by gold but was based on the financial power of the US.

The rise of financial parasitism and speculation, which this promoted, has meant that the entire financial system based on the US dollar has become increasingly unstable, as can be seen in the recurring financial crises—the global financial crisis of 2008, the crisis of the Treasury bond market in March 2020, and the collapse of three significant American banks in March 2023.

The second component of the new order which emerged after 1971 was the globalization of production, the consequent economic rise of China and the threat to US hegemony this now poses.

All sections of the US economic, financial, political, and military establishments, whatever the conflicts which may arise within different sections, are agreed on one thing: the rise of China poses an existential threat to US dominance and must be crushed by all means necessary. If possible, using economic measures, but if that fails, by military means.

The issues in the economic war are no less profound on the Chinese side. The transformation of China from a backward economy 40 years ago to the world's chief manufacturing center and the number two economy has raised fundamental issues before the Chinese capitalist oligarchy represented by the Xi Jinping regime.

The integration of China into the framework of globalized production has created a powerful working class in a country where only a relatively short time ago, the mass of the population consisted of peasants.

The working class and sections of the middle class, which has also grown, tolerate the autocratic regime so long as it can promote growth and provide economic opportunity. If that starts to falter, then the regime is under threat, reflected in the assertion made some years back by the leadership of the Chinese Communist Party that a growth rate of 8 percent was necessary to maintain "social stability."

Economic growth is already below that level at barely 5 percent, the lowest in more than three decades, and threatening to fall even lower.

For a time, especially after the global financial crisis of 2008, economic growth was sustained by a massive property development and infrastructure construction program financed by debt. That has come to an end, expressed above all in the collapse of the real estate and property bubble, while the Xi regime has maintained that China's economic future depends on the development of "new productive forces" based on high-tech.

This has brought it into a head-on conflict with the US.

The US is going into the talks with the belief that China needs the American market and Beijing will buckle once the consequences of its exclusion start to take effect in closures and major job losses.

On the other side, Beijing maintains it will be able to weather the storm, not least because the US economy is dependent on supply chains, many of which have their origins in China, and that the economic and financial turbulence that has already resulted in the US will intensify, forcing a backdown.

Beijing considers that it will be able to counter the loss of markets in the US, at least to some extent, by providing a boost to the domestic economy. This assessment was expressed in the decision this week by the Chinese Central Bank, on the eve of the Geneva talks, to loosen credit, which is expected to inject around $139 billion into the financial system.

It is not possible to forecast the outcome of the Geneva talks. There may be an agreement for more discussions, possibly some outlines of where they may move forward, a cut in US tariffs, or even a meeting between Trump and Xi.

But whatever the outcome, the basic issues at the root of the conflict will not be resolved, for they are rooted neither in the head of Trump nor in the policies of the Xi regime, but in the deepening crisis of the global capitalist economy.