

Patrick Lawrence

Between Beijing and Washington, tariffs and 21st century realities

Now that American and Chinese officials will at last face one another to consider the near-collapse of the two nations' trade ties, the mind inevitably goes back to the first months of the Biden regime, when Washington's latest contingent of ideologues and amateurs made a shocking mess of bilateral relations in the course of two days of talks. As alert readers will recall, this was in March 2021, when Antony Blinken and Jake Sullivan, respectively President Biden's secretary of state and national security adviser, met counterparts from Beijing at an hotel in Anchorage, Alaska.

The matters to hand then had to do with national security. Chief among these were China's (legitimate) presence in the South China Sea and its (legitimate) claim to sovereignty over Taiwan. Utterly incapable of addressing these questions seriously, or altogether addressing the Chinese as equals, Blinken and Sullivan resorted to lecturing their counterparts as if they were professors chastising poor students.

In the course of a weekend the trans-Pacific relationship froze. For the next four years, the Biden regime's highest aspiration was simply to get the Chinese to resume talking to them. They rarely got further than talking about the possibility of talks. And when they got that far they would return from Beijing as if in triumph: *Yes, success! They will still speak to us.*

And here we are again. When Scott Bessent and various of his adjutants meet in Geneva this weekend, the question to hand concerns trade—and above all the extravagant tariffs President Trump imposed on the People’s Republic in March. No one, not even the Treasury secretary and certainly not Beijing, anticipates anything coming of this encounter. There is no expectation of “a deal” of the kind Trump often boasts of but rather less often makes. The objective once again will be to negotiate about future negotiations.

If one could make a chronological chart to illustrate when and why Sino–American relations began to deteriorate, I have a good idea what it would look like.

Washington has been ever less able to sustain productive ties with Beijing precisely as China has emerged as a global economic and geopolitical power. My chart would have an ascendant line showing China’s rise and a descending line showing the steady degeneration of the bilateral relationship. The symmetry would be near to perfect.

And so it is likely to remain, in my read, after this weekend’s talks about talks in Geneva.

Scott Bessent is another amateur of the kind Trump, in his deep distrust of expertise, especially of the technocratic kind, evidently favors. Bessent is a hedge-fund manager by profession and a former partner in George Soros’s investment operations. He has no experience of statecraft and, so far as the record indicates, no knowledge of China or anywhere else in East Asia. He is the Treasury Department’s version of Steven Witkoff, the New York landlord Trump has appointed his “special envoy” to Moscow and Tel Aviv to no evident effect to date.

Bessent goes to Geneva to see if there is a way back from the heavy-going tariff war Trump started—with China, but also the rest of the world—two months ago. Import levies of 145 per cent on most U.S. imports from the mainland, China's counter of 125 per cent levies on many imports from the U.S.: Maybe Bessent will find a path forward from what amounts to a bilateral trade embargo. His very presence in Geneva—and the Trump administration, not the Chinese, requested these talks—is a tacit but obvious admission of failure already producing self-inflicted damage. But I don't see an imminent success, not even a modest one. Bessent should go home relieved if nothing at all gets done. There is risk here, however: Geneva this weekend could turn into yet another disaster—not as messy as Anchorage four years ago but just as conclusive in the long line of America's trans-Pacific diplomatic failures.

Trump and Bessent are indulging in a lot of pretending at this fraught moment. The latter told *The Washington Post* that his meetings with He Lifeng, vice-premier at China's Commerce Ministry, are a matter of sheer coincidence, both officials finding themselves in proximity at the same time. This is nonsense. The White House simply refuses to admit that it blinked first, as the saying goes.

Trump and Bessent advertise their strategy as an expression of America's enduring might: "The world has been coming to the U.S.," Bessent boasted on social media this week, "and China has been the missing piece." More nonsense. And the Chinese, we are to understand, are as urgently in need of a way back from the brink as the Americans. Still more. The U.S. economy is already contracting; another quarter of this and Trump will have sent America into a full-blown recession. The Chinese economy, meantime, is growing at a rate of 5.4 per cent.

This is the enduring problem with the Americans in their relations with the Chinese: They, the Americans, simply cannot accept that we live amid a world-

historical shift in power, the West and non–West changing their relative positions and China’s rise the most self-evident case.

Neither can Americans let themselves admit that China’s strength as the world’s manufacturer is the consequence of short-sightedness on the part of U.S. policy planners that has a history going back many decades. This concerns what I call the Cold War contract.

Beginning with the Japanese in the late 1940s, the U.S. determined to counter the postwar socialist alternative by encouraging an export-led growth model intended to deliver very rapid economic growth in East Asia while the U.S. served as the primary market for the region’s surplus production. This succeeded, certainly, especially in Japan and Southeast Asia. There were no “miracles” during the Cold War, however much the accelerated pace of export-led growth may have looked like one. And America should have learned this lesson from the Japanese in the 1970s and 1980s, when they began to overtake the U.S. in electronics, steel, shipbuilding, automobiles, and so on.

But they learned nothing, as is the policy planners’ wont. Instead, they encouraged the same export-led economic strategy when, during the Deng Xiaoping years, China decided it was time to move away from purely socialist modes of production. The results are in the trade statistics: The merchandise imbalance has been fixed in China’s favor for so long now it is difficult to recall when it wasn’t.

Now the policy cliques in Washington and the major think tanks—another bit of pretending here—routinely cast China as an economic predator, as if it somehow forces made-in-mainland products into the shopping carts Americans push down the aisles—as if, indeed, of the order of a third of China’s exports (depending on how one counts) are not shipped from Chinese factories with U.S. interest in them.

It was evident, by the time Joe Biden took office, that America simply could no longer keep up with China on the manufacturing side. And it was just as plain that the mainland was swiftly making its way up the same development ladder the rest of East Asia has climbed over the postwar decades. The Biden regime's disgraceful response was to begin blocking exports to China of U.S. technologies important to the mainland's moves into high-technology fields—notably but not only advanced semiconductor chips. Jake Sullivan and Gina Raimondo, Biden's commerce secretary, were the principal authors of this shameless attempt to sabotage the economy of a nation with which the U.S. can no longer compete.

Trump's innovation—it does not seem quite the word but I will leave it—is to shift from blocking exports to China to a bare-knuckle policy of blocking imports. Let us not miss what is going on here, even if our mainstream media want us to do so. Trump's tariff regime is a confession of weakness in all but words. Is there another way to interpret this? Protectionism of this kind is historically the resort of developing nations that can't navigate in world markets against more powerful and capable competitors. The last time America indulged in tariffs of this kind was in the 19th century.

Trump dresses up his strategy with the argument high tariffs will encourage domestic and foreign investment in the U.S. and so restore the manufacturing base. This is a dream that will never come true, and it would be well if more economists were responsible enough to say so. A lot of damage will be done before the U.S. wakes up to this reality, the first quarter's contraction merely an early sign of what is to come.

“The current tariffs and trade barriers are unsustainable,” Bessent said at midweek. “We will meet Saturday and Sunday to discuss our shared interests.” It is difficult to square this with Trump's most recent pronouncements. Asked, just as Bessent

made these statements, whether he planned to relax any portion of the tariffs as a gesture prior to the talks, Trump said monosyllabically, “No.” On Thursday Trump sent out a highly pertinent zinger on his Truth Social media site:

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All purchases of Iranian oil, or petrochemical products must stop, NOW!
Any country who buys ANY AMOUNT of OIL or PETROCHEMICALS
from Iran will be subject to, immediately, Secondary Sanctions.

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This outburst is almost certainly related to Trump’s recent efforts to negotiate a new nuclear accord with Tehran, but it is also understood widely as another salvo directed at China in anticipation of Bessent’s talks in Geneva. Any nation that continues to purchase Iranian petroleum, Trump added lest anyone miss his point, “will not be allowed to do business with the United States in any way, shape, or form.” China, to complete the thought, imports roughly 1.5 million barrels of Iranian oil daily—85 per cent to 90 percent of the Islamic Republic’s output.

Beijing has made it bluntly plain that it is in no mood for either more incoherence from the Americans or for the U.S. to use the Geneva encounter as another occasion to strike the sort of aggressive poses for which Trump is well-known. “China’s determination to safeguard its own development interests will not change, nor will its position and goal of defending international fairness and justice,” the Commerce Ministry said in a statement it put out this week. “If the United States wants to solve the problem through negotiation, it must face up to the serious negative impact of unilateral tariff measures on itself and the rest of the world.”

This is asking a lot of the Washington over which Donald Trump presides, as I am sure Beijing understands. Facing up in matters to do with China and the changing balance in the relationship is simply not in the policy cliques' repertoire. This was so long before Trump started the war that has the whole world watching. And having watched closely since those disastrous two days in Alaska four years ago, it seems to me the Chinese have effectively made acceptance of 21st century realities a precondition of its dealings with the U.S.

The Trump regime is no closer to accepting these realities than any of its predecessors. Bessent's Geneva encounter will make this painfully, embarrassingly plain. The best he can hope for this weekend is if the two sides get nothing done.

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