

Obama's China Junket: "We're Opening Doors for Wall Street and Nothing More"

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Barack Obama took Hu Jintao to task this morning, scolding the dejected-looking Chinese leader at a press conference held in Beijing. Obama delivered one ferocious jab after another, claiming that China's dollar-peg has cost the US millions of high-paying manufacturing jobs while creating gigantic trade imbalances which have destabilized the global economy and thrust the world into severe economic contraction. Obama demanded that the Chinese government convert to market-oriented exchange rates immediately to preserve jobs in America and to end the de facto tariff that China applies to US goods through its persistent currency manipulation. Obama's sharply-worded prepared statement left the Chinese President gasping for air while the assembled members of the western media snapped to their feet in raucous applause.

Hard to believe, isn't it? Hard to believe that an American president would stand up for his own people and act in the national interest.

The aforementioned press conference never took place. It's a fairy tale. Barack Obama made a few innocuous comments about repricing the renimbi, but it was all just meaningless blather concocted for the American audience. US policymakers have no intention of rocking-the-boat and upsetting their Chinese benefactors. The system works just fine as it is...for the Big money guys, that is.

Do you know the real reason that Obama is in China?

Obama is carrying on the work of George W. Bush and Henry Paulson. He's trying to pry open Chinese markets to US financial services. That's right, the lavish executive junket doesn't have anything to do with human rights, climate change, or dollar/yuan rebalancing. That's all just public relations mumbo-jumbo. 100% bunkum.

True, China's dollar-peg creates an unfair advantage for China's manufactured goods, but so what? The Congress could change that in a minute by applying trade sanctions. But they won't. Because Congress is owned by Wall Street, and Wall Street thrives on the current system. Here's how it works: China sells the US cheap lead-based widgets, and then recycles the dollars into US Treasuries and "complex and utterly worthless" financial products. This provides the gargantuan investment banks with an endless flow of cheap capital to goose stocks and fatten the bottom line. Of course, the process does have its shortcomings, like the fact that it crushes the domestic work-force, but that's how it was designed to work anyway. What economists call "unsustainable imbalances" are praised at the big brokerage houses as "windfall profits". The total destruction of the US labor

movement is just an added perk for these well-heeled, flag-waving, uber-patriots.

And here's another item that might be of interest curious readers. This is an excerpt from an interview with Morgan Stanley's Stephen Roach:

Question: How big are China-based multinational corporations now and how do they factor into this issue of global imbalances?

Stephen Roach: "They're a big deal. Over 60 percent of export growth over the past twelve years has come from growth by Chinese subsidiaries of Western multinationals, but again the problem I have is that too many in the United States, especially the Congress but also Washington, focus on the bilateral trade imbalance between the United States and China. That's just a fundamental economic mistake that's being made."
http://www.cfr.org/publication/20486/avoiding_a_uschina_trade_showdown.html
peter Roach

Hmmm. So, a large portion of China's industrial capacity is actually "China-based multinational corporations". Now that's interesting. So US workers are actually competing with US industries that are using sweatshop labor to enrich themselves while savaging the American middle class. Great. I wonder how many of these "industry leaders" affix the stars-and-stripes to their lapel each morning before they trundle off to work?

This just proves that the outsourcing of jobs, the off-shoring of businesses, and the "free trade" laws are mainly the work of cutthroat American corporatists not the "rascally Chinese" as the media would like everyone to believe. China is not destroying America; blue-blooded, brandy-guzzling, Harvard-educated Americans are. It's just good-old-fashioned class warfare....and our class is losing.

For those who want to know what Obama's trip is really all about; ignore Obama altogether and read Treasury Secretary Timothy Geithner's article in the Wall Street Journal, "The Road Ahead for Asia's Economies." It tells the whole story. Geithner candidly admits that US markets will remain stagnant for years to come and that other emerging nations (ie China) will have to develop their own domestic markets so that Wall Street speculators can attach themselves parasitically to a more succulent host.

Timothy Geithner: "As U.S. households save more and the U.S. reduces its fiscal deficit, others must spur greater growth of private demand in their own economies.....We also must keep our sights on maximizing the potential of global markets. Both exports and imports remain critical stimulate the flow of knowledge and innovation that is enabling emerging economies to catch up with developed-world living standards....To achieve durable growth, all of our economies must have flexible labor markets."

In other words, more lowering of trade barriers, more lost jobs at home, more unemployment.

Geithner again: "Each of us has recognized the importance of strong financial regulation and fiscal balance, and is pursuing these goals in ways that reflect our own circumstances but complement each others' efforts."

Check.

The article concludes with a spirited appeal from Geithner to China to open its markets to the gaggle of financial pirates and bank-vermin who just blew up the global system and are looking for new prey.

Geithner again: "Among other things, emerging economies must strengthen their social safety nets through sustainable health and retirement-benefit schemes,(re: Wall Street) thus reducing the need for high precautionary saving that contributes to global imbalances. Regulatory frameworks conducive to competitive markets will support private enterprise, investment and innovation. (re: MBS, CDOs, CDS and other debt-backed exotica) In the emerging economies, deeper and more efficient financial markets will enable better intermediation of savings and enhance investment productivity.(re: "Please, let G-Sax and JPM hang their shingles in Tienanmen Square. We promise we won't blow up your financial system like we did ours.")

Reforms are also necessary to promote cross-border private investments, while ensuring an institutional capacity and prudent regulatory framework to enable markets to absorb capital flows ... finance ministers of our respective countries, we are keenly aware that our future prosperity will be founded on a continued commitment to globalization." (Timothy Geithner, Wall Street Journal, "The Road Ahead for Asia's Economies")

Summary: Geithner and Co. see the US economy languishing in a low-grade Depression for the foreseeable future, therefore, Wall Street must progressively move its base-of-operations eastward.

This is the real reason behind Obama's trip to China. There's no truth to the rumor that US policymakers care about "currency manipulation" or the ongoing looting of the American middle class. That's rubbish. China's "dollar-peg" essentially serves the interests of the giant multinational corporations and Wall Street speculators who own the media, the courts, the congress, the White House and most of the country.

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