

US-China rivalry intensifies

John Chan
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Last year, it was fashionable to talk of an emerging “G2”. The US, the world’s largest economy, and China, its rising rival, would come together to resolve global problems—in particular, the international economic crisis wracking capitalism.

Those illusions have rapidly evaporated this year, as the Obama administration signals a far harder line toward China with a series of provocative moves, including the sale of advanced weapons to Taiwan and a planned meeting with the Dalai Lama. These significant symbolic steps follow the imposition of hefty US tariffs on a range of Chinese goods, from steel pipes and steel-grate to tyres.

Beijing has already protested over the Taiwan arms sale and will certainly do the same if Obama meets the Dalai Lama. US officials expect that Chinese President Hu Jintao will not attend Obama’s nuclear security summit in April and may end bilateral military dialogue with the US. Relations are likely to deteriorate further as the US pushes ahead with new sanctions against Iran over its nuclear programs—a move that Beijing has publicly opposed.

Washington is no doubt driven by a growing sense that its economic and strategic interests are being increasingly blocked by Beijing. Obama’s much-vaunted trip to China last November was widely regarded as a failure: his call for an appreciation of the yuan against the dollar was ignored and in return he received a lecture on the need for financial rectitude to ensure China’s continued purchase of US bonds. At the Copenhagen climate summit, the US was opposed by a bloc led by China that pointedly snubbed Obama when he arrived to pull together a deal.

These tensions are rooted in the rapidly changing relations between the major economic powers, driven by the globalisation of production. The US remains the world’s no. 1 economy but is confronted by a dynamic rival. At the beginning of the twenty-first century, US GDP was eight times that of China; a decade later the

figure was down to four times. This year China is likely to overtake Japan to become the world’s second largest economy. In 2009 China overtook the US as the world’s largest auto market and Japan as the largest auto producer. Two decades ago, a car industry barely existed in China.

The global financial crisis that erupted in 2008 has only served to underscore the vulnerability of the US and the rise of Chinese capitalism. While the US and European economies contracted in 2009, China contributed more than 50 percent of global economic growth. Last year China overtook Germany to become the world’s largest exporter. While major Western banks had to be bailed out, the seven largest Asian economies now hold \$US4.6 trillion in foreign currency reserves—greater than the rest of the world combined.

A free trade agreement between China and the Association of South East Asian Nations (ASEAN) came into effect on January 1—overnight creating the world’s third largest free trade zone after the EU and the North American Free Trade Association. Washington is not only excluded from this arrangement but has only a handful of bilateral deals of its own with countries in the region.

Driven by the need for raw materials, energy and markets, China is using its economic muscle to acquire assets, secure long-term contracts and boost its political standing through loans and aid in countries around the world. China’s outbound investment for mergers and acquisition in 2009 rose to \$46 billion, five times the figure of \$9.6 billion in 2005. In every region of the globe, from Central Asia to Africa and the Pacific, China’s economic expansion is challenging the US and European powers, and disrupting existing relations.

Barely hidden is the growing military rivalry. The US-led wars in Iraq and Afghanistan, its proxy war in Pakistan and threats against Iran are driven by Washington’s determination to dominate the key

strategic regions of the Middle East and Central Asia, to the exclusion of its rivals, especially China. More broadly, the US has sought to encircle China with a series of alliances and bases, stretching from Japan, South Korea, Singapore, Australia and India to Afghanistan and Central Asia. China is responding by building its own military capabilities, including a blue-water navy to secure shipping routes to the Middle East and Africa, and a *de facto* partnership with Russia to counter US influence in Central Asia.

In a December 23 article, the *Financial Times*'s chief economic commentator Martin Wolf warned of the far-reaching consequences of the rise of China and the "disastrous loss of authority" of the US due to the wars in Iraq and Afghanistan and the global financial crisis. "The noughties of the 21st century," he commented, "now have the same *fin de regime* feeling as those of a century ago."

The decline of Britain as world hegemon and the rise of rivals in the early twentieth century—particularly Germany and the United States—led to three decades of upheaval, including two world wars and the Great Depression, before the US emerged as the new dominant power. "Now we have a possibly even more difficult transition of power to manage," Wolf declared.

Wolf had no proposals to offer other than a general prescription for international cooperation. He ended rather gloomily with an appeal for all countries to recognise the value of Benjamin Franklin's maxim: "We must all hang together or assuredly we shall hang separately." Wolf concluded: "Will that hang? Alas, I rather doubt it."

This pessimistic tone reflects a recognition among more astute bourgeois observers that international rivalries are intensifying, not lessening. In the midst of World War I, Lenin in his farsighted pamphlet "Imperialism, the highest stage of capitalism" explained the impossibility of a permanent agreement between the major powers to stabilise global capitalism. Any arrangement made at one point in time was necessarily upset by uneven rates of development among competing capitalist economies. The competition between declining powers and rising rivals was decided by war.

Today's tensions are compounded by the fact that no country is in a position to play the role that the US did in creating a new equilibrium after World War II. China is

an economic giant with feet of clay, riven by economic and social contradictions. Its economy is dependent on Western investment, technology and markets. China's great economic "strength"—its vast pool of cheap labour—inevitably produces deep-seated social tensions. While its GDP is set to become second in the world, its per capita GDP was just \$3,259 in 2008, 104th in the world, behind Iraq, Georgia and the Republic of Congo. It has the second largest group of dollar billionaires in the world behind the US, yet 150 million people live on \$US1 or less a day. The abiding fear of the tiny Chinese elite is that its police-state measures will not contain the immense social explosion that is building up.

Amid the continuing global economic crisis, the rivalries will sharpen sooner rather than later. The world has entered into a convulsive new period of political upheaval and war. The only social force capable of offering humanity a progressive solution is the international working class. The same global processes that are exacerbating international tensions and leading to conflict have enormously strengthened the proletariat, whose historic task is the revolutionary overthrow of the bankrupt capitalist system and its outmoded division of the world into nation states, which is the root cause of war and the social catastrophes afflicting mankind.

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