

US takes major step toward trade war with China

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The Trump administration has formally begun an investigation into alleged Chinese intellectual property theft following the president's issuing of an executive order calling on US Trade Representative Robert Lighthizer to examine whether to launch the probe under section 301 of a 1974 trade law.

The investigation, which will begin with written submissions up to September 28 followed by a hearing in October, is the most significant move so far by the administration to take action against China. It could lead to the imposition of tariffs and other restrictions, moves that will almost certainly bring about retaliation and a possible trade war.

The announcement on Friday came the same day as the news that Stephen Bannon, the fascistic "America First" economic nationalist, was quitting his position as Trump's chief strategist.

Before his departure, Bannon gave an interview with the *American Prospect* magazine in which he outlined the motivation for the investigation—the fear in all sections of the American ruling class that the economic growth of China is undermining American global economic dominance.

"We're at economic war with China," he told the magazine. "It's in all their literature. They're not shy about saying what they're doing. One of us is going to be a hegemon in 25 or 30 years and it's gonna be them if we go down this path."

After pushing aside the issue of Korea, saying there was no military solution, Bannon returned to what he said was the central question. "To me, the economic war with China is everything. And we have to be maniacally focused on that. If we continue to lose it, we're five years away, I think, ten years at the most, of hitting an inflection point from which we'll never be able to recover."

His agenda included action under section 301 as well as measures against steel imports under 1962 legislation enabling the president to impose restrictions on "national security" grounds. A report on this has been prepared but not yet released.

"We're going to run the tables on these guys," Bannon said. "We've come to the conclusion that they're in an economic war and they're crushing us."

Two days after the publication of the interview, Lighthizer made the formal announcement of the investigation into alleged intellectual property theft.

"On Monday, President Trump instructed me to look into Chinese laws, policies and practices which may be harming American intellectual property rights, innovation or technology development," he said in a statement. "After consulting with stakeholders and other government agencies, I have determined that these critical issues merit a thorough investigation."

Chinese government authorities have made clear there will be retaliation. Responding to Trump's order to launch the probe, a statement from a representative of the Ministry of Commerce said: "China definitely won't sit back and watch. China will absolutely take appropriate actions to defend its legitimate rights."

In the wake of Bannon's interview, the Chinese Foreign Ministry said the China-US economic relationship was "mutually beneficial" and warned that there would be "no winner from a trade war."

"We hope that people will not use 19th and 20th century perspectives and measures to address 21st century problems," it added.

But the speed with which Trump's executive order has been acted on indicates that the agenda set out by Bannon enjoys wide support within the political and corporate establishment. This support was underscored in remarks by Council on Foreign Relations China

expert Jennifer Harris, a high-level staffer at the State Department during the Obama administration, who worked closely with Hillary Clinton when she was secretary of state.

“It’s a weird day when I agree with Steve Bannon, but he’s right on this,” she said. “Going back to George W. Bush, America’s policy towards China has been to ask. That has not panned out well.”

The Trump administration’s economic war on China is not a break with previous US policy, but its development by other means. The aim of the Obama administration’s Trans-Pacific Partnership, repudiated by Trump in the very first days of his administration, was to create an economic bloc excluding China that would force Beijing to comply with US demands.

Including major provisions governing intellectual property rights, it was motivated by concerns that the present global trading system under the regulations of the World Trade Organisation was weakening the economic position of the US against both China and other rivals.

The Trump administration’s position has been to shift away from multilateral trade deals and focus on bilateral agreements in which it extracts concessions from trade rivals. While changing the form of economic warfare begun under Obama, the Trump administration adheres to its essential premise—that the present world trade order is undermining the economic position of the United States.

Writing in the *Financial Times* last week, US Commerce Secretary Wilbur Ross claimed that intellectual property theft and expropriation was costing US businesses up to \$600 billion a year, and that more than 3 percent of America’s gross domestic product was being lost each year, with China the main culprit.

The dependence of the US on intellectual property rights is underscored by a report prepared last year by the Commerce Department which estimated that intellectual property accounted for nearly 40 percent of the US economy in 2014.

The central component of the alleged theft by China is its investment rules requiring foreign companies that form joint ventures in China to share intellectual property—a normal business practice.

In his article, Ross also complained that Chinese companies pursue an investment strategy in which they

identify US start-up companies that have made scientific breakthroughs and then invest in those companies on better-than-market terms. But this is exactly the strategy pursued by major US corporations. The complaint is that US firms are being beaten at their own game.

Economic history reveals that the rise of the US to economic pre-eminence was not a result of “American genius,” but was the outcome of the appropriation, development and application of scientific discoveries made internationally. One only has to recall that the development of rocket science depended on the research carried out in Nazi Germany, while mobile phone technology is dependent on the breakthroughs in theoretical physics, much of it in Europe in the first decades of the last century.

Likewise, the profits accumulated by the pharmaceutical industry through the enforcement of intellectual property rights are dependent on the discovery in the 1950s of the structure of DNA.

The amassing of profits through the enforcement of intellectual property rights is essentially a form of parasitism, in which breakthroughs in science, which rest on social and collective intellectual labour, are turned into private property. It is a measure of the worsening economic position of the US vis à vis its rivals that it is moving toward the launching of a global trade war in order to seek to maintain its dominance in this form of parasitic accumulation.



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