

# US takes aim at China over trade

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Some of the growing economic tensions underlying the increasingly bellicose moves by the United States against both Russia and China were revealed by last week's US Trade Representative (USTR) report on the two countries' compliance with the rules of the World Trade Organisation (WTO).

The report coincided with the issuing of a new National Defense Strategy by the Pentagon on Friday, the first in a decade, in which, according to Defense Secretary James Mattis, "great power competition, not terrorism" is the central focus.

Mattis said the US was facing a "growing threat from revisionist powers as different as China and Russia, nations that seek to create a world consistent with their authoritarian models."

The report on China, which reflected the imprimatur of US trade representative Robert Lighthizer, one of the most vociferous advocates of "America First" within the Trump administration, amounted to a virtual declaration of trade war from the very first paragraph.

It said the hopes that China, when it was admitted to the WTO in 2001, would dismantle state-led policies incompatible with open market-oriented policies had not been realised. China largely remained a state-led economy.

At the same time, China had used WTO membership to become a "dominant player" in international trade. "Given these facts, it seems clear that the United States erred in supporting China's entry into the WTO on terms that have proven to be ineffective in securing China's embrace of an open, market-oriented trade regime."

The conclusions regarding Russia, which only joined the WTO in 2012, were along the same lines.

The report on China ruled out any prospect of addressing US complaints through the WTO's dispute mechanisms, in which individual countries can take up complaints about the actions of others.

According to the report, "it is now clear that the WTO rules are not sufficient to constrain China's market-distorting behaviour." While some matters had been dealt with under WTO procedures, "many of the most troubling ones are not directly disciplined by WTO rules" or additional commitments made by China when it joined.

"The reality is that the WTO rules were not formulated with a state-led economy in mind," it stated. While China had made certain changes after 2001 in regard to state-led measures, "the Chinese government has since replaced them with more sophisticated—and still very troubling—policies and practices."

The report set out a litany of complaints, ranging across the board from steel and aluminium production to agriculture, technology, intellectual property rights and services.

Summing up the overall position of the US, it said the Chinese government pursued a "wide array of continually evolving interventionist policies and practices aimed at limiting market access for imported goods and services." At the same time, Beijing offered "substantial government guidance, resources and regulatory support to Chinese industries, including through initiatives designed to extract advanced technologies from foreign companies in sectors across the economy."

The beneficiaries were Chinese state-owned companies and other significant domestic firms "attempting to move up the economic value chain," with the result that markets all over the world are "less efficient than they should be."

In other words, the US considers it is being increasingly adversely affected, particularly in areas of more sophisticated technology and production that it regards as its own province. The situation is worse than it was five years ago, the report stated. Despite Chinese pronouncements to the contrary, the state's role in the

economy had increased.

The report claimed that since China's accession to the WTO the US had tried to work with China in a "cooperative constructive manner" to resolve trade disputes and had encouraged China to be a "more responsible member of the WTO."

"These bilateral efforts have been unsuccessful—not because of failures by US policymakers, but because Chinese policymakers were not interested in moving towards a true market economy."

The report on Russia, after reviewing a series of complaints, said its actions "strongly indicate" that it had "no intention of complying with many of the promises it made to the United States and other WTO members." It "was a mistake to allow Russia to join the WTO if it is not fully prepared to live by WTO rules."

The roots of the intense US hostility toward Russia and China over the issues of trade can be seen, at least partially, in the USTR's assessment of the significance of the WTO's creation in 1995 as the successor organisation to the General Agreement on Tariffs and Trade (GATT), established in 1947.

The Marrakesh Declaration of April 1994, which set up the WTO at the conclusion of the Uruguay Round of GATT negotiations, said the creation of the new organisation "ushers in a new era of global economic cooperation" based on "a more open and multilateral trading system" centred on "open, market-oriented policies."

The 1994 declaration was issued in the midst of the euphoria of the American ruling class, following the liquidation of the Soviet Union in 1991 and the collapse of national-based economic policies. The perspective was that the "Washington consensus"—in reality the enforcement of the interests of American finance capital and market power—would open a new era of US domination. Control over the vast Eurasian landmass, with its abundant resources and supply of cheap labour, was viewed as a key component of this strategy.

Things have not turned out exactly as the US planned, however. While capitalism has been well and truly restored in Russia and China, American capitalism does not exercise the degree of direct control, through the operation of the "free market" and finance capital, for which it had hoped.

Capitalist oligarchies have arisen in both Russia and China, which pursue their own interests, often cutting

across those of the US. This does not mean that the US has abandoned its drive for domination of these regions—in fact, the ongoing weakening of its global economic position makes that even more imperative. Consequently, there is a push to pursue this goal by other, that is, military measures, as set out in the latest Pentagon strategy, focusing on "great power" competition, above all directed against Russia and China.



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