

# Top Trump aide lays out driving forces of trade war against China

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One of President Trump's key economic advisers has made clear the indissoluble connection between the US trade war measures against China and the striving by American imperialism to maintain its global dominance, if necessary by military means.

This is laid out in a comment piece by White House National Trade Council Director Peter Navarro published in the *Financial Times* on Monday. After pointing to the threat posed to American economic dominance by China's move to expand the development of high-tech products, he writes:

"It is not just American prosperity at risk. Mr Trump's National Security Strategy describes a National Security Innovation Base that provides the intellectual know-how and human capital to ensure that the US remains safe. The IP [intellectual property] that China is now trying to take is the very heart of this concept and a key to continued US military dominance. Because of the high stakes involved, last August, Mr. Trump directed the US Trade Representative, Robert Lighthizer, to consider investigating China's unfair technology transfer policies and practices."

Navarro's reference to the National Security Strategy, issued last December, is ominous, and it makes clear the link between economic and military warfare. That document declared that the US has entered a new era of "great power competition" with "revisionist states," singling out Russia and China.

The results of Lighthizer's China investigation came last week with the proposed imposition of tariffs on \$50 billion worth of Chinese goods covering some 1,333 products. Significantly, the proposed measures did not cover Chinese-made and -assembled consumer goods including furniture, clothing and devices such as iPhones, which are among the largest contributors to the US trade deficit, but rather intermediate products that form part of global supply chains.

The Chinese response was to announce proposed tariffs on 106 agricultural products, also worth around \$50 billion, whereupon Trump immediately announced he had directed Lighthizer to consider tariffs on a further \$100 billion of Chinese exports.

Throughout his comment, Navarro seeks to present China as some kind of economic outlaw that has flouted "every rule in the fair trade book" to advance its economic position at the expense of the United States. His remarks recall nothing so much as Adolf Hitler's rhetoric in the 1930s, presenting German imperialism as the aggrieved party as he stepped up war preparations.

The article begins by noting that since China was admitted to the World Trade Organisation (WTO) in 2001 it has grown its gross domestic product from \$1.3 trillion to \$11.2 trillion, while the US has lost more than 60,000 factories and millions of manufacturing jobs.

In other words, China's economic rise has come at the expense of US capitalism. This version of history conveniently ignores the fact that China's entry to the WTO was orchestrated not least by the US, which sought to integrate China into the global supply chains of US transnational corporations in order to take advantage of its cheap labour and enhance the position of American firms in global markets.

But 17 years on, the very economic growth of China means it is seeking to move up the value chain and produce goods with a much greater high-tech component. This constitutes an existential threat to the US on both the economic and military front.

According to Navarro: "Nothing less than the US's economic future is at risk from China's assault on American technology and IP, and its mercantilist bid to capture emerging high-tech industries. In its Made in China 2025 policy manifesto, the Chinese government has explicitly targeted industries ranging from artificial intelligence, robotics and quantum computing to self-

driving vehicles, automated machine tooling and advanced medical devices. If China captures these industries, the US will simply not have an economic future.”

One of the central US objections to the Chinese policy is that economic processes are being driven by state-owned enterprises backed by government resources. But in fact, China is only treading the same path that American capitalism took and which it continues to follow.

It may be impossible to calculate the exact figure, but it can be said without fear of contradiction that American high-tech dominance in key areas of industry, amounting to tens of trillions of dollars in value, has resulted to a considerable extent from the technological gains emanating from the enormous state expenditure on research and development by the US military-industrial complex.

But when China follows that same road, it is declared to be pursuing a mercantilist policy that violates the rules of the “free market.”

Navarro denounces China for stealing US intellectual property and for forcing American companies operating there to “surrender their leading edge technologies in exchange for access to Chinese markets.”

Two points should be noted here. The theft of intellectual property rights, in which the Chinese are no doubt are engaged—along with major capitalist enterprises (one only has to note the law suits brought by Apple and other companies against their rivals over intellectual property)—has been going on throughout the more than 200-year history of industrial capitalism.

In the nineteenth century, US corporations regularly appropriated technological breakthroughs in steel and other industries from Britain and Europe.

And it should be recalled that American leadership in rocket science and aerospace was due in no small part to its use of the knowledge of experts who had developed their skills in the Nazi war machine and who, but for their usefulness to the US, could have been tried as war criminals.

As for the issue of technology transfers, there is no Chinese law that says that US companies must transfer their technology to their joint venture partners. They do so on the basis of commercial calculations that the entry into the Chinese market this facilitates will boost their bottom line.

Navarro rails against Chinese sovereign wealth funds and other state actors that are “scouring Silicon Valley to

buy up the crown jewels of the American high-tech industry.” But in this, the Chinese are simply adopting the same market strategy as major US corporations, which continually buy up promising start-up companies in order to appropriate technological advances they have made.

This too is the repeat of an American policy. In the late 1960s, the French journalist Jean-Jacques Servan-Schreiber caused a sensation with his book *The American Challenge* in which he maintained that the US was waging an economic war in which Europe was being outclassed on all economic fronts: management techniques, technology and research capacity.

This so-called “silent takeover” was assisted by the role of the US dollar as the world’s global currency, leading French President de Gaulle to begin redeeming US dollars for gold under the Bretton Woods agreement of 1944. The resulting gold drain from US reserves was one of the factors behind the decision by President Nixon to scrap the dollar-gold relationship on August 15, 1971.

The unilateral US decision, announced by Nixon not by a tweet but on a Sunday night television broadcast, had major economic consequences, signifying the end of the post-war capitalist boom.

Today, the unilateral decision of the Trump administration to initiate trade war against China, overturning the entire post-World War II system of trade relationships in the process, has even more far-reaching implications. This is because the past 50 years have seen a continuous decline in the relative economic position of US capitalism. It feels itself surrounded and besieged on all sides by rivals, old and new, which could bring about its demise.

This situation recalls the warning by Leon Trotsky some 80 years ago that in such a period of crisis, the US would act even more ruthlessly and more openly than in its period of economic ascendancy as it sought to maintain its global position.

Navarro’s comment piece bears out this warning. It signifies that the US will literally stop at nothing—including the creation of global economic chaos and the launching of a world war—to try to maintain its supremacy both economically and militarily.



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