

White House report lays out economic war against China

Nick Beams**21 June 2018**

Some of the driving forces behind the escalating US trade war against China are laid out in a White House report posted late Tuesday.

Issued by the Office of Trade and Manufacturing Policy, the report is entitled, “How China’s Economic Aggression Threatens the Technologies and Intellectual Property of the United States and the World.”

The office is led by Trump economic adviser Peter Navarro, one of the administration’s most strident anti-China hawks and the author of a book entitled *Death by China*.

The report begins with a citation from a US-China Economic and Security Review Committee report published last November. It states that the Chinese government is implementing a long-term industrial strategy to “ensure its global dominance.” Beijing’s “ultimate goal is for domestic companies to replace foreign companies as designers and manufacturers of key technologies and products, first at home, then abroad.”

China’s drive to move up the value chain by increasing the production of high-tech products is regarded as illegitimate and must be stopped.

The report notes that China has enjoyed rapid economic growth to become the world’s second largest economy, while modernising its industrial base.

“However,” it continues, “much of this growth has been achieved in significant part through aggressive acts, policies and practices that fall outside of global norms and rules... Given the size of China’s economy and the extent of its market-distorting policies, China’s economic aggression now threatens not only the US economy but also the global economy as a whole.”

The report indicts China in two key areas: acquiring key technologies from the US and other countries, and capturing the emerging high-technology industries that will drive future economic growth and many advances in the defence industry.

“Through such implementation, the Chinese state seeks to access the crown jewels of American technology and intellectual property,” it states.

The report details a long list of practices that it deems to be in breach of global practices and norms. China’s industrial policy seeks to “introduce, digest, absorb and re-innovate” technologies and intellectual property from around the world.

This policy is allegedly implemented through state-inspired theft, coercive and intrusive measures to force technology transfers from US firms operating in China, and restraints on critical raw materials.

China is also accused of state-backed technology-seeking investment, as well as information collection, including open source collection, the placement of information collectors at American universities and other centres of innovation, and talent recruitment.

The report cites a statement from the Office of the Director of National Intelligence, claiming that “Chinese actors are the world’s most active and persistent perpetrators of economic espionage.”

There is no doubt that China engages in measures aimed at appropriating technological advances in the rest of the world, sometimes by outright theft, but such practices are as old as industrial capitalism itself.

For example, it is a well-known fact of economic history that the rise of US industry in the 19th century, in particular the development of steel, involved the appropriation of technological advances made elsewhere. And in the post-World War II war period, US rocket science was grounded on technological developments made in Nazi Germany.

Most practices listed by the report are the kind of measures employed in the past by national governments as they seek to develop their industrial and technological base and advance their position in global markets.

The report indicts China for engaging in “reverse

engineering,” that is, disassembling a product or component to see how it was made and then introducing innovations. This practice also has a long history. The expansion of Japan’s industrial base, for instance, would not have taken place without such measures.

The document notes that “China maintains an expansive set of government procurement restrictions to promote import substitution and indigenous innovation.” This practice was widespread in all national economic development programs during the post-war period.

The collection by Chinese institutions of scientific information from journals, research institution and open source outlets is another target.

“Although many other countries and citizens of countries leverage open sources to advance technology, particularly in the age of the Internet, what differentiates China is the historical scale and scope of the institutionalization of open source collection as a means of acquiring the world’s technology and IP.”

Of particular significance is the report’s focus on the influx of Chinese students into American universities. More than 300,000 Chinese nationals attend American universities or find employment in US national laboratories and think tanks. Chinese nationals account for one third of foreign university students, with about 25 percent of graduate students specialising in science, technology, engineering and mathematics.

The report cites an exchange between Republican Senator Marco Rubio with FBI Director Christopher Wray in February. Rubio asked Wray what “counterintelligence risk” these students posed to the US.

Wray said non-traditional collectors were “exploiting the very open research and development environment that we have, which we all revere... so one of the things we’re trying to do is view the China threat not just as a whole-of-government threat but a whole-of-society threat ... and I think it’s going to take a whole-of-society response by us.”

In other words, American society has to be put on a war footing against China and its threat to US economic dominance.

What might be considered the normal operations of a capitalist economy, in which firms engage in competition for markets and profits, is now viewed as a threat to American national security.

The report notes, for example, that the Chinese Internet firm Baidu has “set up the Institute of Deep Learning in Silicon Valley so it could compete with Google, Apple, Facebook and others for talent in the artificial intelligence

field.”

Every economic relationship is increasingly viewed through the prism of military implications. The report states that a significant problem for US authorities in enforcing the control of exports to China is the growth of dual-use technologies, which have both a military and civilian utility. “For example, aero-engine technologies have an obvious commercial application. When acquired by a strategic economic and military competitor like China, commercial items can be exploited for military purposes.”

The developments in high-tech communications, artificial intelligence and robotics are viewed in the same way.

The report points to China’s control of significant natural resources. “China has a commanding share of a wide range of critical raw materials essential to the global supply chain and the production of high-technology and high value-added products. For example, China is the world’s dominant producer of rare earths, tungsten, and molybdenum.”

China’s state-owned enterprises (SOEs) and initiatives such as the “One Belt, One Road” plan and the expansion of Chinese sovereign wealth funds also come in for attack. The SOEs of a “strategic competitor” are acquiring strategic assets and military-capable technologies, posing “economic and national security risks” for the US.

The report concludes: “Given the size of China’s economy, the demonstrable extent of its market-distorting policies, and China’s stated intent to dominate the industries of the future, China’s acts, policies, and practices of economic aggression now targeting the technologies and IP of the world threaten not only the US economy but also the global innovation system as a whole.”

In laying out the essential driving forces for US actions, the report shows that the trade war against China is not going to be ended through negotiated settlement. It is part of a wider agenda, in which the US is seeking to counter its economic decline by all means necessary, including war.



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