

US-China trade war intensifies

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China has ruled out any further trade talks with the United States as long as the Trump administration continues to threaten and impose further tariffs on its exports.

The latest round of measures—the imposition of a 10 percent tariff on \$200 billion worth of goods, set to escalate to 25 percent next year—came into effect on Monday. Just an hour after the new tariffs were enacted the official Xinhua newsagency published a white paper setting out Beijing’s position.

“The door for trade talks is always open,” it stated, “but negotiations must be held in an environment of mutual respect” and could not be carried out under the threat of tariffs.

In addition to the escalation of the latest tariffs to a rate of 25 percent, Trump has also issued a threat to strike levies on an additional \$267 billion worth of Chinese goods, meaning that, if implemented, all of China’s exports would carry some form of tariff.

Tensions have been further heightened by the imposition of sanctions by the State Department on a Chinese military agency for its purchases of equipment from Russia in defiance of a unilateral ban imposed by the US over Russia’s alleged interference in the 2016 presidential election.

Speaking to Fox News last Sunday, Secretary of State Mike Pompeo made clear that the US intends to escalate its actions, saying that Trump was not starting a trade war but engaging in one that was already underway. The Trump administration considers that since China joined the World Trade Organisation in 2001 it has benefited to the detriment of the US.

“The trade war by China against the United States has been going on for years,” Pompeo said. “To the extent one wants to call this a trade war, we are determined to win it.”

US Trade Representative Robert Lighthizer is on record as saying that the US decision to support

China’s accession to the world trade body was a mistake.

The escalation of the conflict and the growing recognition that it is not a temporary spat, able to be solved through negotiation, has led to expressions of concern in sections of the financial media.

In a comment piece, *Financial Times* columnist Rana Foroohar wrote that while it would be easy to see the latest round of tariffs as just another provocative shot fired off by a president in need of overseas distractions, that would be wrong.

“In fact, far from being an ill-advised and hasty policy decision emanating solely from Donald Trump’s White House, this latest tariff round represents something much more dangerous and lasting: a true reset of economic and political relations between the US and China, and the beginning of something that looks more like a cold war than a trade war.”

Foroohar went on to point out that the “reset” is supported by sections of the political establishment extending well beyond Trump, including the Pentagon and what she called the “labour faction of the progressive left”—that is, the trade unions. To this list could be added the Democrats who are just as bellicose towards China as Trump, if not more so.

“They have different agendas, but coalesce around the idea that the US and China are in a long-term strategic rivalry, and that, as a result, US trade policy and national security policy should no longer be separated,” she wrote.

This connection has already been made clear in the latest National Defense Strategy issued by the Pentagon in January which labelled China a “strategic competitor” of the US using “predatory economics” to advance its regional and global position.

Viewed in this context, to label the conflict with China as simply the start of a “cold war”—drawing a parallel with relations between the US and the former

Soviet Union—is misleading. The US never regarded the USSR as an economic threat that could undermine American hegemony. But that is a central concern of the anti-China hawks in the administration and their supporters in the wider political establishment.

They fear that the tides of economic development, which has seen the rapid expansion of China, especially since its entry into the WTO, are moving against the US, threatening its economic and ultimately military dominance. This must be prevented by all means necessary.

China's entry into the WTO was promoted by the Clinton administration and carried through in 2001. The view at that time was that the low-cost manufacture and assembly of consumer goods by China, which had proved very beneficial to the US during the 1990s, would continue, and that China would remain at the bottom of global value chains.

However, capitalist economy has its own inherent objective logic and China has not remained in that position. It continues to supply cheaper consumer products, but the past decade and a half has seen it move rapidly up the value chain.

China overtook Germany as the world's top exporter of goods in 2009 and its share of global manufacturing exports has expanded from 12 to 18 percent over the past decade.

Xu Bin, a professor at the China Europe International Business School told the *Financial Times*: "Chinese companies are abandoning low-end goods to move to middle-range goods, it's actually a very fast change."

The newspaper reported: "China is now the dominant producer in medium high-tech industries, with its global share nearly tripling in the past decade to 32 percent, according to the US National Science Board, surpassing the US in the late 2000s, and the EU this decade."

Telecommunications, transport equipment and auto parts have grown as a proportion of China's exports to the US, while the share of textiles and footwear has contracted. According to the World Bank, China's share of the global capital goods market rose from 5 percent to 20 percent between 2007 and 2016.

The trade war launched by the US is driven by a determination to halt the next stage of China's economic expansion as it moves to expand its industrial and technological base under the "Made in China

2025" plan.

The official position of the White House was set out by White House deputy press secretary Lindsay Walters in a statement last Saturday as the latest trade measures were due to go into effect. "We remain open to continuing discussions with China, but China must meaningfully engage on unfair trading practices," she said.

Such "meaningful" engagement goes far beyond any action by China to reduce its trade deficit with the US. China has already advanced proposals to increase its exports from the US but they have been rejected as inadequate.

The central demand of the US administration is that China ceases its alleged theft and acquisition of intellectual property—a practice no doubt engaged in by China as it has been by other capitalist powers, including the US—and ends state subsidies to key industries, via the promotion of "national champions" and other so-called "market-distorting" policies: in other words, that Beijing essentially scraps its central economic strategy.

At this point, China still lags behind the US and other major powers in the next stage of technological development. However, on the basis of the vast changes over the past decade and a half, the fear is that this situation could rapidly change and pose a direct threat to US economic dominance.

This is the essential driving force of the US trade war which it intends to prosecute by all means at its disposal, both economic and, if necessary, military.



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