

# A new stage in the US-China trade war

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The economic confrontation between the US and China, the world's number one and number two economies, has reached a new and more dangerous stage with the escalation of the trade war by the Trump administration.

Since the US first issued its series of demands to China over its trade and economic policies last May, the conventional wisdom in bourgeois circles has been that whatever the extent of the confrontation and the increasingly belligerent pronouncements by the US, some kind of deal on trade would eventually be reached. This belief, together with the supportive monetary policies of the Federal Reserve, formed the underpinning for the rise of the stock market to record highs.

But like all superficial analyses of the capitalist system, this happy scenario simply passed over the fundamental objective contradictions of the profit system which are its essential driving force.

A decade ago, in the immediate aftermath of the global financial crisis, the heads of the major capitalist powers gathered in London for a summit meeting of the G20. There they pledged that in response to the crisis—the most serious breakdown of the global financial system since the Great Depression—they would never resort to the trade war measures of the 1930s. The lessons of history, in particular the role played by trade war in preparing the conditions for World War II, had been learned.

The analysis of the summit presented by the *World Socialist Web Site* punctured these assertions. As its report noted, “inter-imperialist antagonisms were manifest through the summit” and would inevitably sharpen. “Far from having laid down a globally coordinated plan to rescue world capitalism,” the WSWS stated, “the London summit has only demonstrated the irreconcilable contradiction between the globally integrated economy and the capitalist nation-state system, and the impossibility of the rival national states adopting a genuinely international approach to the crisis.”

It is this fundamental and irresolvable contradiction, rooted in the very structure of the global capitalist economy, which has now erupted in the form of the trade war launched by the US against China.

In his analysis of the outbreak of World War I, Leon Trotsky explained that the contradiction between world economy and the nation-state system manifested itself in the striving of each of the capitalist great powers to transform itself into the dominant world power—resulting in a military conflict of each against all.

After three blood-soaked decades that produced two world wars, the economic devastation of the Great Depression and the horrors of Nazism, the US emerged as the dominant imperialist power. It used its economic strength and preponderance over its rivals to set in place a new economic and political order. The contradictions that had exploded to the surface in the earlier period were suppressed, but they were never overcome.

In fact, the very revival of the capitalist system and the economic growth it produced began to undermine the economic hegemony of the US on which the post-war order had been based. The first overt sign of the US decline came in August 1971 when US President Nixon, facing a gold drain, scrapped the Bretton Woods Agreement of 1944, the basis of the post-war monetary system, by removing the gold backing from the US dollar.

Another major turning point came 20 years later at the end of 1991, when the Stalinist bureaucracy carried out the liquidation of the Soviet Union. While this was hailed as the triumph of capitalism, it represented another phase in the disintegration of the post-war order.

While the Soviet Union existed, the US was able, under the rubric of the Cold War, to contain the ambitions and drives of the imperialist rivals against which it had fought two world wars. Now this stabilising factor had been removed. This fact was immediately recognised by the Pentagon when it issued a strategy document early in 1992 declaring that the post-Soviet policy of the United States was to prevent any power or group of powers from challenging its dominance on a global scale or in any region of the world.

But throughout the 1990s and into the new century, the economic decline of the US continued apace, characterised by the increasing dependence of its economy on financial parasitism and speculation in place of the dominant

industrial position it had held in the immediate post-war period—a process that led to the financial meltdown of 2008.

Losing its relative economic hegemony, the US has increasingly resorted to military means to maintain its global dominance, leading to the continual wars of the past quarter-century and more.

Herein lies the source of the deepening conflict with China. While it takes the form of a clash over trade, its roots go much deeper. With its position *vis-à-vis* old rivals already weakened, the US is not prepared to allow the rise of a new one. This is why its demands on Beijing go far beyond the rebalancing of trade. They are directed at preventing the economic advancement of China, above all in the areas of high-tech and industrial development, which the US regards as an existential threat to its economic and military position.

This is not simply the position of Trump and the anti-China hawks gathered in his administration. It is the position of the entire US intelligence and military apparatus as well as key sections of the corporate and political establishment, as evidenced by the strident call by the Senate Democratic leader Charles Schumer for Trump to continue to “hang tough” against China and the support for his measures by so-called “lefts” within the Democratic Party such as Bernie Sanders.

The only economic role the US is prepared to accept for China is one in which it functions as a de facto semi-colony of the US.

However, the Chinese regime of capitalist oligarchs, headed by Xi Jinping, cannot accept such subordination. Having created a 400 million-strong working class through the restoration of capitalist property and the integration of China into the world market, it can maintain any degree of political legitimacy only to the extent that it continues to produce economic growth.

The inexorable, objective logic of this contradiction is war.

And the conflict is not just with China. It arises from the recognition within US ruling circles that the post-war order based on free trade, which had previously benefited American capitalism, is now working against its interests.

Well before Trump arrived in the White House, the chief trade negotiator in the Obama administration, Michael Froman, noted in an article published in the December 2014 edition of the journal *Foreign Affairs* that there had been “tectonic shifts” in the global trading system fashioned after the war. They demanded, he asserted, a change in the world trade “architecture.” This was because the US “no longer holds as dominant a position in the global economy” as it did at the end of the war, and faced “unprecedented constraints in crafting trade policy.”

In his rants against the present world trade system and the “ripping off” of America to the tune of hundreds of billions

of dollars, Trump is only expressing more openly and more crudely the widely held position in American ruling circles.

While the China conflict occupies centre stage at present, measures are being prepared against other US rivals. This week the administration will receive a report from the Commerce Department which is expected to say that auto imports constitute a threat to the “national security” of the US, providing the legal basis for Trump’s threat to impose 25 percent tariffs directed against Japan, South Korea and, above all, Germany.

The threat has already been used to pressure Japan and the European Union to enter bilateral, rather than multilateral, trade negotiations with the US, which they had resisted, fearing they would be subjected to the same measures now being directed against China.

The profound significance of the US-China trade war can be grasped only if it viewed within its wider political context. It is not some passing spat. Just as the economic measures of the 1930s are being revived, so all the political phenomena of that barbarous decade are once again rising to the surface.

The danger of world war is increasing daily as the US deploys its forces around the world—from Venezuela to the Persian Gulf and the South China Sea—to enforce its interests. Fascist forces, which are to be deployed against the working class, are being actively promoted by Trump in the US and by capitalist states around the world amid the development of ever more authoritarian forms of rule. At the same time, the gyrations of the stock markets point to the development of another financial crisis even more serious than that of 2008.

War, dictatorship and fascism are the response of the capitalist ruling class to the growth of the class struggle and the increasing turn by workers to an anti-capitalist and socialist alternative.

The accelerating plunge into barbarism can be halted only by the intervention of the working class. In the words of Leon Trotsky at the beginning of World War I: “The only way in which the proletariat can meet the imperialist perplexity of capitalism is by opposing to it as a practical program of the day the socialist organisation of world economy.”



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