

The Huawei shock

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The actions by the Trump administration against the Chinese telecom giant Huawei have sent shock waves through the global economy and the international trading system. The decision by the administration to put sales of US products to Huawei on a “restricted entity list,” backed by Google’s withdrawal of access to crucial components of the Android operating system, mark a new stage in the “trade war” against China.

In fact, the term “trade war” has become something of a misnomer. The US has launched a full-scale economic war aimed at preventing the industrial and technological advancement of China and reducing it to a semi-colonial status.

As the WSWS noted in its perspective published on Tuesday, the decision surely puts to rest the notion that fundamental categories of Marxism, such as imperialism, have been superseded. Imperialism and its attendant processes, above all economic warfare and arising from that, military wars fought in the interests of profit and great power supremacy, are back with a vengeance.

The latest US decisions are aimed at nothing less than the crippling of Huawei, driving it out of the global smartphone market and preventing its participation in the development of 5G telecommunications networks.

The move against Huawei did not come out of the blue. Bloomberg has reported that the Trump administration had been planning for months to subject Huawei to economic sanctions but only held off while it was holding out the prospect for the signing of a trade deal with China.

Even before the latest decisions, the trade talks had all but collapsed because of the insistence by the US that Washington should have the unfettered right to dictate changes in Chinese laws, as part of an “enforcement mechanism,” along with the maintenance of tariffs until it unilaterally deemed China to be in compliance with any deal.

The implications of the Huawei decisions, and the move by Google and other US firms, such as Qualcomm, Broadcom and Intel, to line up behind the administration, go far beyond that company.

As Abraham Liu, Huawei’s vice president for the European region, told a press conference on Tuesday, the US actions were not only an “unprecedented” assault on his firm but on the entire system of rules-based international trade.

“Now it is happening to Huawei. Tomorrow it can happen to any other international company,” he said. “This is dangerous.”

There have been a series of worried comments about the significance of the decisions for the entire international trading system. The economist Nouriel Roubini, one of the few to warn of the dangers of a financial crash prior to 2008, warned that what started as a trade war “may escalate into a permanent state of mutual animosity” as reflected in the Trump administration’s National Security Strategy which determined China was a “strategic competitor.”

He labelled the new situation as a “full-scale” Sino-American “cold war.” But analogies drawn from the conflict with the Soviet Union fail to encapsulate the situation, as Roubini’s own analysis itself made clear. He pointed to a “balkanised world” in which major powers would be forced to choose sides and in which a “hot war” or a series of proxy wars “cannot be ruled out.”

And even this is something of an underestimation because the inherent logic of the confrontation is military conflict. As the Second World War erupted in 1939, the US prepared the way for its entry into that conflict by imposing embargoes against Japanese imports of oil, making a military clash inevitable. In the 21st century, the embargoes against China are aimed at technology.

Martin Wolf, the economics columnist for the *Financial Times*, penned a worried comment on Wednesday with the title “The US-China conflict challenges the world.”

“Under Donald Trump, the US has become a rogue superpower, hostile, among many other things, to the fundamental norms of a trading system based on multilateral agreement and binding rules. Indeed, US allies, too, are a target of bilateral bullying,” he wrote.

This analysis is true as far as it goes, but it does not go far enough.

In the first place, the process did not begin with Trump. The Obama administration's Trans Pacific Partnership, now held up as an alternative to the Trump measures, was no less directed against China. Secondly, the Trump measures are not his alone. They have received enthusiastic support from key sections of the Democratic Party along with the major corporations now lining up behind him, as evidenced by the decision of Google and other hi-tech firms.

Trump's measures are not rooted in his persona or psyche but in the protracted economic decline of the US vis-à-vis its old rivals and the threat posed by a new one, China. It is determined to counter this situation by all means considered necessary, including war.

Wolf comes out firmly against any support by "US allies" for "America's attempts to thwart China's rise" declaring it to be "unconscionable."

Instead, they should indicate where they agree with US objectives on trade and technology as regards China and "uphold the principles of a multilateral trading system, under the auspices of the World Trade Organisation."

But as Wolf himself acknowledges, the WTO has been all but paralysed because of the refusal of the US to agree to new appointments to the appellate body which hears disputes.

Faced with this situation, Wolf advocates the development of an informal mechanism. As countries move to develop free trade agreements (FTAs) among themselves, outside of the US, they should go further.

"Countries that see the benefits of a strong trading order should turn such FTAs into a 'global FTA of the willing,' in which *any* country could participate. One might envisage a future in which participants in such a global FTA would defend its members against illegal assaults from non-members, via coordinated retaliation."

This is not a recipe for averting trade war but for formalising it. One only has to pose the question: If such a mechanism were to develop, would the US stand by, arms folded in quiet repose, while its global position was undermined?

Would it not immediately retaliate by invoking measures such as the 25 percent tariffs on autos and auto components that it already has hanging over the head of Europe and Japan, leading to a rapid escalation of the conflict?

The bankruptcy of the measures advanced by Wolf and other liberals derives from the fact that they obliterate

from their calculations a fundamental and irresolvable contradiction of the global capitalist system: that between the development of globalised production and the division of the world into rival and antagonistic nation-state and imperialist great powers.

The liberal post-war international trading order appeared to have overcome that contradiction. Nations which traded with each other, it was maintained, would not go to war, establishing the "permanent peace" first envisaged by the German philosopher Immanuel Kant in the late 18th century.

However, this scenario ignored both the lessons of history and the driving forces of the capitalist economy.

On the eve of World War I there were no countries which enjoyed a closer trading relationship with each other than Great Britain and Germany. But that did not prevent the outbreak of war on August 4, 1914.

Moreover, the driving force of international trade is not the exchange of goods and expanded production as such but the struggle for markets and profits and the accumulation of geo-political power by the various capitalist national states.

The post-war trading order was developed under the hegemony of the United States and was grounded on its overwhelming superiority over its rivals. That superiority has gone and consequently US imperialism is asserting itself with ever greater force.

The only answer to the growing danger of full-scale economic and military warfare is not some futile attempt to put together the shattered fragments of the post-war international trading system, but the development of a socialist movement by the international working class to end the outmoded capitalist nation-state and profit system before it plunges mankind into a catastrophe.



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