

Former Trump adviser lays out plan for all-out economic war against China

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US President Trump's former chief strategist, Steve Bannon, has provided a revealing indication of the ferocity of the anti-China drive in sections of the administration, issuing a call for the Chinese telecom firm, Huawei, to be driven out of the US and Europe and for Chinese firms to be shut out of US capital markets.

The call came in an interview with the *South China Morning Post* in the wake of Trump's executive order against Huawei preventing sales in the US, and the decision by the Commerce Department to place it on a blacklist, cutting off supplies from the US of vital components.

Bannon, who is an advocate of an economic war against China, said Huawei constituted a "massive security issue to the West."

"The executive order is ten times more important than walking away from the trade deal. It [Huawei] is a major national security threat, not just to the US but to the rest of the world. We are going to shut it down."

Underscoring his attack on Huawei, Bannon referred to the decision by Trump last year to lift similar sanctions on ZTE, another Chinese telecommunications manufacturer.

"During the trade talks' early stage, he [Trump] gave a waiver for ZTE, which I think was a mistake," Bannon said.

Bannon, who was a close adviser to Trump during his election campaign, before a falling out with the president in August 2017, said he still "talks to senior officials in the White House every day about China."

Those "senior officials" most likely include Peter Navarro, director of trade and manufacturing policy in the White House, who has denounced Beijing's "Made in China 2025" plan to enhance its industrial and technological development as "a label for a Chinese

strategy to achieve dominance in the industries of the future."

In his interview Bannon did not confine his broadside against China to Huawei. He called for Chinese companies to be excluded from American capital markets.

"The next move we make is to cut off all the IPOs [Initial Public Offerings], unwind all the pension funds and insurance companies in the US that provide capital to the Chinese Communist Party," he said.

Invoking the populist rhetoric, characteristic of fascist figures in the past, Bannon railed against Wall Street "corporatists" who had been working with China's ruling elites to preserve an "unfair system" that hurt the interests of American workers.

Bannon is a founding member of the newly-reconstituted Committee on the Present Danger, comprising former White House advisors and government officials, a group first set up in the Cold War directed against the Soviet Union and revived on March 25 to target China.

Announcing its reformation, the committee said: "As with the Soviet Union in the past, communist China represents an existential and ideological threat to the United States and to the idea of freedom – one that requires a new American consensus regarding the policies and priorities required to defeat this threat."

Developing on these themes in his *South China Morning Post* interview, Bannon said the US relationship with China would be a central issue in the 2020 US presidential election.

"The person who's going to be elected in 2020 is going to be Donald Trump, but if it's not, the person who wins the election, be it a Democrat or not, will be as big or a bigger hawk than Donald Trump.

"Trump is the US president exactly for the reason of

China. He won the presidency on one thing – the focus on the rust belt. In the 2020 campaign, the central issue will be America’s economic relationship with China. The Democrats are just as hard on this as the Republicans.”

While he is no longer in the Trump entourage, Bannon’s views on China are only an extreme version of the common position of both key sections of the Republican and Democratic parties, as well as the military and intelligence apparatuses that have labelled China a “strategic competitor.”

The prevailing view in these circles is that the economic and technological development of China constitutes an existential threat both to the economic and military dominance of the US, and must be prevented by all means necessary.

And this position has now become dominant as the history of the trade talks over the past year makes clear.

Immediately following the issuing of a series of demands against China last May, talks were held in Washington at which it was agreed that China would undertake a commitment to increase its imports from the US, with further negotiations to be held to work out the details. The leading role on the US side was played by Treasury Secretary Steven Mnuchin.

But there was opposition to the focus on increased US exports from key sections of the administration. As US Trade Representative Robert Lighthizer commented at the time, while the issue of increased US exports was important, the far more important issues were technology transfers and the protection of “our innovation,” and that “real structural change” in the Chinese economy was necessary.

The Lighthizer position prevailed, and within days the initial deal was overturned by Trump. The focus was shifted from the trade imbalance, on which the Chinese side had agreed to take action, to the question of “structural change,” that is, the suppression of China’s economic and technological development.

After countless hours of negotiations and the submission back and forth of draft texts between Washington and Beijing, the trade negotiations were essentially overturned by the US. It insisted the changes it demanded had to be written into Chinese law and it would not remove tariffs on the signing of a deal. They would only be progressively lifted as it deemed China was acting in compliance with the agreement as part of

an “enforcement mechanism.”

Opposition from China to US demands that it essentially assume a completely subservient position and agree to a new version of the “unequal treaties” imposed on it in the 19th century and early part of the 20th, led to Trump’s decision on May 5 to impose tariff hikes on goods already subject to levies and that new tariffs on remaining Chinese goods would be imposed.

This has now been followed up with the executive order against Huawei and its backlisting by the Commerce Department.

While the future course of events may not follow exactly the scenario laid out by Bannon, his remarks in the *South China Morning Post* interview indicate the increasingly bellicose form the policy of the Trump administration is set to assume.



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