

# Yellen lays out economic war against China

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As has become standard fare from Biden administration officials on the US relationship with China, a speech delivered by Treasury secretary Janet Yellen at the Johns Hopkins University last week was full of hypocrisy and outright falsifications.

It was devoted to the US-China economic relationship, as Yellen claimed the US was seeking “a constructive and fair economic relationship” with the world’s second largest economy. However, she made it clear “national security” considerations dominate over all others, meaning that China must subordinate itself to “international rules” which the US determines.

The main point emphasised in media coverage of the speech was Yellen’s insistence the US did not want separation from China, noting that overall trade with China was \$700 billion in 2021, more than with any other country except for Canada and Mexico on its borders.

While the US would continue to “assert” itself when vital national interests were at stake “we do not seek to ‘decouple’ our economy from China’s. A full separation of our economies would be disastrous for both countries. It would be destabilizing for the rest of the world. Rather, we know that the health of the Chinese and US economies is closely linked.”

*Financial Times* columnist Edward Luce focused on this element of the speech. He noted that although she emphasised that “wherever US national security collided with economics, the former would always take priority, her address ought to be interpreted as an olive branch to Beijing.”

A closer reading of her remarks, viewed within in the context of US actions over the past period, indicates this is wishful thinking at best.

Yellen insisted that “our national security” is an area where we “will not compromise.” As usual, this was coupled with the claim that the US was determined to protect human rights – the phrase US imperialism turns off and on as it suits its geopolitical objectives. Human rights must be protected in China but not in Saudi Arabia, for example, or in a host of other countries with dictatorial regimes with which the US has vital economic and strategic links.

In pursuit of its objectives, the US has imposed a range of sanctions aimed at crippling high-tech development in China on the grounds it affects national security.

“Even as our targeted actions may have economic impacts,

they are motivated solely by our concerns about our security and values. Our goal is not to use these tools to gain competitive economic advantage.”

At another point in the speech, she said the measures imposed against China were not designed to “stifle China’s economic and technological modernisation.” And that even though “these policies may have economic impacts they are driven by straightforward national security considerations”, “we will not compromise on these concerns, even when they force trade-offs with our economic interests.”

There are two points to be made here. The first is that national security, the preparation for war, trumps everything and the technology bans are also very much directed to gain economic advantage, which is inextricably tied in with military objectives.

The war against China’s high-tech development began in earnest with the sanctions against the technology giant Huawei, not least because its innovations in many areas were well in advance of the US and it was able to produce networks and smart phones cheaper and better than many of its international counterparts.

The actions against Huawei mean that the very future of the company is at stake, according to its founder. And with a new range of technology restrictions imposed by the US last October the whole Chinese chip industry is threatened as the methods developed against Huawei are applied more broadly.

Under the new controls, semi-conductors, made with US technology for use in the development of artificial intelligence, high-performance computing, and supercomputers, cannot be sold to China without an export licence. And companies in other countries which use US technology must adhere to the ban under the threat of having sanctions imposed against them.

The US measures also banned US citizens or companies working with Chinese chip producers without specific approval.

The second issue is that all high-tech development is regarded as having “national security” implications because advances made in one area always have military applications, so everything is considered a threat.

And beyond this, as many studies by US agencies and think tanks have made clear, the very economic development of China is regarded as an existential threat to the dominance of the US.

The situation recalls the famous Eyre Crowe memorandum produced for the British Foreign Office in 1907 in which he concluded that in the end it did not matter whether Germany's intentions were peaceful or not, its very economic advance posed a threat to the British Empire.

In his book *On China*, written more than decade ago, long-time imperialist strategist Henry Kissinger recalled the memorandum and warned the US and China were on the same war path.

In what could perhaps be described as an exercise in whistling past the graveyard, and in direct contradiction with numerous US security reports, Yellen claimed China's economic growth need not be incompatible with US leadership.

"The United States remains the most dynamic and prosperous economy in the world. We have no reason to fear healthy economic competition with any country."

Such assertions fly in the face of economic history. It should be recalled that in 1971 president Nixon withdrew the gold backing from the US dollar not least because competition from Europe was undermining the dominance of the US in world markets.

Moreover, recent events, deep-going financial crises in 2008 and 2020, which threatened the collapse of the global financial system, plus a major financial scare just last month, make clear that, for all the trumpeting of its strength by Yellen and others, the very foundations of US capitalism have been eaten away by decades of financial parasitism, which has become endemic.

With the shift of US foreign policy to "strategic competition," Yellen attempted to portray this as some kind of economic health drive, even resorting to sporting analogies.

"The United States," she said, "does not seek competition that is winner take-all. Instead, we believe that healthy economic competition with a fair set of rules can benefit both countries and can lead to mutual improvement. Sports teams perform at a higher level when they consistently face top rivals."

Perhaps Yellen should take a refresher course in American business history because it shows, as does that of all other capitalist countries, that the aim of competition is monopoly, achieved in a process where, as Marx put it "one capitalist kills many."

And that is so in the case of competition between rival capitalist great powers and national states – competition which led to two world wars in the 20th century and is preparing the conditions for a third one in the 21st as the US desperately seeks to maintain its dominant position.

Competition with China and other countries can be tolerated so long as it is conducted within a framework where the US predominates.

The US, she said, sought a healthy relationship with China so long as Beijing "plays by international rules," that is, rules set and enforced by the US. And if it does not, there is the threat of the mailed fist to which Yellen referred regarding Ukraine.

"China's 'no limits' partnership and support for Russia is a worrisome indication that it is not serious about ending the war. It is essential that China and other countries do not provide Russia with material support or assistance with sanctions evasion. We will continue to make the position of the United States extremely clear to Beijing and companies in its jurisdiction. The consequences of any violation would be severe."

It has long been noted that when one major power is preparing war, it projects on to its rival the very measures it is carrying out. And it is in this case.

"In certain cases," Yellen said, "China has ... exploited its economic power to retaliate against and coerce vulnerable trading partners. For example, it has used boycotts of specific goods as punishment in response to diplomatic actions by other countries. China's pretext for these actions is often commercial. But its real goal is to impose consequences on choices that it dislikes – and to force sovereign governments to capitulate to its political demands."

This could be characterised as a fairly accurate description of US policy to achieve what has been dubbed the "Washington consensus."

No doubt China, a capitalist state, pursuing the interests of the oligarchy it represents, carries out such actions as well.

But they pale into insignificance compared to those of the US such as: the threat of measures against companies trading with Iran in defiance of unilateral US sanctions; the freezing of the foreign reserves of the Russian central bank at the start of the Ukraine war, and the implicit threat that dollar power will be used against any other country that crosses the US path; and threats against countries that consider using superior and cheaper Chinese technology in their communications systems, to name a few examples.

Yellen's speech was not an "olive branch" but an expression of the total integration of economic and military policy as the US confronts what it considers the greatest threat to its continued global dominance.



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