

US Treasury secretary seeks European support in economic war against China

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Following its imposition of sweeping tariffs on a range of Chinese green technology goods, spearheaded by a 100 percent charge on electric vehicles [EVs], the United States is trying to draw the European Union into its economic warfare against Beijing.

Treasury Secretary Janet Yellen issued what amounted to a call to arms in a major speech yesterday in Frankfurt, Germany, on the importance and strength of the Transatlantic alliance.

After recalling the collaboration with Europe from the Cold War to the NATO operations against Russia in the Ukraine war, she turned to the issue which is front and centre for the US—the existential threat to its global economic dominance it considers is posed by the economic rise of China.

“China’s industrial policy may seem remote as we sit here in this room, but if we do not respond strategically and in a united way, the viability of businesses in both our countries and around the world could be at risk,” she said.

The US maintains that state subsidies provided by Beijing, particularly in high tech sectors, are creating “unfair” competition. Yellen said “industrial overcapacity” in China not only posed a threat to firms in the US and Europe but could also prevent “countries around the world, including emerging markets, building the industries that could power their growth.”

In this presentation Yellen was following the long-established tradition of US imperialism, which has always presented the pursuit of its own strategic and economic interests as somehow saving the world, bringing peace, stability, democracy, a “rules-based order” and economic advancement.

In this instance, however, she had to deal with a problem regarding the claim that China was undermining that order with its state subsidies—the

Biden administration’s Inflation Reduction Act (IRA) and the CHIPS Act.

Measures under this legislation, a combination of outright subsidies along with major tax breaks that will eventually provide up to \$1 trillion for US corporations, have come under fire in Europe as protectionist.

Seeking to deflect these criticisms, Yellen asserted the IRA was “not a turn toward American protectionism” but was creating opportunities not just at home but around the world.

“As we produce more in the US, we will drive down the costs of clean technologies globally, benefiting people and economies around the world,” she said.

The claims that the US measures are benefiting the world are ripped to shreds by the fact that lower-cost products are already available from China and the aim of the tariffs is to raise, not lessen, the price of green technologies.

The EU has indicated that it is not completely on board with the US approach under conditions where there are differences within it. Germany is treading a cautious path because auto production, its major manufacturing industry, is so dependent on China as a market, a production centre, and a supplier.

European Commission president Ursula von der Leyen has denied Europe is in a trade war with China and that its approach would be “different” from the US.

Speaking to the *Financial Times* she said: “Let’s say we share some of the concerns of our American counterparts. [But] our approach is different. The Americans have just applied blanket tariffs. We want competition, we want to trade together, but we want to be fair and by the rules.”

The position of the EU is that at any measures against China, in EVs and other products, should comply with the regulations of the World Trade Organisation

[WTO].

The US does not share that concern having concluded that the WTO, supposedly the guardian of the “rules-based” international trading order which it played a major role in establishing, should now be bypassed because it no longer serves its interests.

Starting under the Trump administration, it has refused to nominate representatives to the WTO’s appellate body, which adjudicates on conflicts, effectively rendering it inoperable.

Auto production and green technology products are not the only US target. The extraction of minerals needed for the production of computer chips and batteries is another.

“Our critical mineral supply chains are currently over-concentrated in China,” Yellen said.

The danger of over-reliance was revealed in the COVID-19 pandemic and at the start of the Ukraine war, and so the US had developed what she called “friendshoring to deepen economic ties with a wide range of partners and allies to build resilient supply chains that advance our energy and economic security.”

The US, she claimed, was not seeking to “decouple” from China but to “diversify.” But semantics aside, there is no mistaking the central goal of US policy. It is to concentrate key economic resources either at home or in the hands of reliable allies, so that in the event of a war with China, for which it is actively preparing, the US is not cut off from critical supplies.

And while it is not directly in her bailiwick, Yellen made some significant comments on the Ukraine war and the stepping up US measures against Iran in the Middle East, revealing the close integration of economic policy and military action.

It was vital, she said, that Ukraine get the support it needed for its military.

“That’s why I believe it’s vital and urgent that we collectively find a way forward to unlock the value of Russian sovereign assets immobilised in our jurisdictions for the benefit of Ukrainians. This will be a key topic of conversation during G7 meetings this week.”

At the start of the Ukraine war, the US and the European powers froze the foreign financial assets of the Russian central bank, amounting to the equivalent of around \$300 billion, with the aim of crippling its financial system.

That action sent out a shock wave because it made clear that the foreign assets could effectively be hijacked because of US domination of the global financial system.

Now the US wants to go further and use the Russian assets to finance its war in the Ukraine. However, most of the Russian money is held in the European banking system.

While there has been general agreement that the interest on the funds could be used to finance the war, the EU has balked at the outright theft because it is fearful this would raise concerns in other countries about the security of their assets in the European financial system.

But the US is determined to press ahead if not by seizing the assets directly, then at least using them as collateral for loans to be provided to Ukraine.

Yellen also called for European support for its military operations in the Middle East saying that “we must stay in close coordination as we take additional action to target the Iranian regime and its proxies.”



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