US steps up economic war against China

Nick Beams
27 November 2026

Any conception that US president Trump's forceful intervention to have Jensen Huang reinstated as the CEO of the dominant AI chipmaking firm Nvidia was some kind of concession to Beijing has been completely dispelled his week with the unveiling of two interconnected measures directed against China.

The administration has announced a new round of tariffs following a months-long investigation into alleged "excess capacity" along with a tightening of controls on exports of chips to other countries, particularly in southeast Asia, aimed at hitting China.

The investigation was initiated after the US Supreme Court ruled that Trump's all-embracing "reciprocal tariffs" introduced on so-called "Liberation Day" in April 2025 were illegal.

The new measures, which will be implemented after a public comment period and hearings in January, are based on Section 301 of the 1974 Trade Act which is supposed to give them a firmer legal foundation.

They cover a wide range of countries, but the central target is China. It is mentioned hundreds of times in the documents released by US trade representative Jamieson Greer to justify them. Countries were blamed for failing to restrict Chinese investment and imports leading to "dependence on and vulnerabilities for firms and in sectors critical to the functioning of the US economy."

For countries which were browbeaten with the threat of economic devastation under the "reciprocal tariff" regime to reach a specific "deal" on tariffs, in particular Japan, the European Union and South Korea, the new measures are likely to have little immediate effect because the US has said the new measures will not be an add-on.

Others which have reached an "in principle" arrangement with the US but have yet to finalise a cap on tariffs will be under pressure to meet US dictates. The two main countries in this category are Vietnam and India.

Vietnam faces a possible tariff of 35 percent and India 25 percent if they fail to agree to US terms after months of negotiations.

Vietnam sought to downplay their effect saying the new rate was a proposal and had yet to come into effect. It said it had to sought to crack down on export goods made in China and rerouted through it to the US, but added that no country could be expected to decouple from China given its dominance in virtually every area of manufacturing.

The reaction from India was somewhat stronger as its ministry of commerce declared that it had engaged constructively in the USTR investigation and that "India does not have structural excess capacity in any sector." The new report said that India could get 17 percent with a deal, but 25 percent without one.

The threatened escalation for China is much higher—from 20 percent to 40 percent—if it fails to meet US demands. One of the aims is to force China to further relax controls it has imposed on the exports of rare earths and critical minerals vital for many sections of US industry, including auto production and military hardware.

The new US measures have an air of desperation about them because previous efforts to curb China's export growth have largely failed.

Chinese exports to the US have declined—by almost 30 percent in 2025 and by a further 23 percent in the first six months of the year. But at the same time imports from southeast Asia and Mexico, connected to Chinese firms via supply chains, have increased.

China has certainly taken a blow in the US market but has been able to divert its exports. As a result, its trade surplus went over the $1 trillion mark in October and is expected to beat the record surplus of $1.19 trillion set last year.

China denounced the latest Trump tariffs with a

© World Socialist Web Site

commerce ministry spokesperson saying Greer's "investigation" was a "typical act of unilateralism that severely disrupts the international order and seriously violates WTO [World Trade Organisation] rules."

The statement called for the US to correct its wrong practices and return to the right track of resolving disputes through dialogue and consultation. It warned that China reserved the right to take "necessary measures" to safeguard its "legitimate rights and interests."

There have been talks, and truces in the past and there may be more after the present truce ends on January 12 next year. But they are of a temporary character because the fundamental drive of the US—adhered to by all sides of the political establishment—is that China's rise is an existential threat to its economic dominance and must be prevented at all costs.

On the other side, Beijing is confident it can defeat the US attempts to suppress it and points to the high-tech company Huawei as an emblem of US failure. Having assumed a significant place in global telecommunications, it was hit hard by the bans imposed in the first Trump administration.

However, according to a report published in the *New York Times* this week, seven years on Huawei is central to the Chinese challenge to US AI dominance and "its chips are the closest thing China has to answer to Nvidia's advanced semiconductors."

However, with every setback and outright failure the US doubles down.

Earlier this month in a document "written by and at the direction of the Department of the Treasury and the National Security Council," the Commerce Department announced new rules requiring data centre operators in third countries to obtain a US export license to purchase chips from Nvidia and other US firms.

The aim is to deny Chinese firms access to Nvidia chips via companies which can legally use them in other countries, particularly Malaysia. The move has been accompanied by the despatch of export control investigators, in essence AI cops, to police alleged smuggling.

Companies which have already leased Nvidia computing power to Chinese firms were given 90 days, until February, to secure a US license or drop their China customers. Failure to do so could bring fines, criminal charges or being placed on a US trade blacklist.

The new measures are already having an impact. According to reports in the *Financial Times* (FT) and the *New York Times*, Nvidia has ordered a halt in chip shipments to four southeast Asian countries. It is not clear how long the halt may last but the region has been a lucrative market for Nvidia which last year booked $104 billion of revenue through Singapore—a 72 percent increase in 12 months.

No one is sure how the new rules are going to apply. One executive at a cloud provider told the FT: "There's this new rule but no guidance on execution. No one knows how to apply for this license while the 90-day clock is ticking. It's causing sheer chaos in the region."

The chaos may well extend into the financial markets. Billions of dollars have poured into the region to finance data centres. Almost immediately the new rules were announced potential investors began to pull back. At present, cancellations are in the order of hundreds of millions of dollars but could go much further.

Bloomberg reported: "Lenders have hit the brakes on billions of dollars in loans tied to Chinese firms ByteDance, Alibaba and Tencent, as new US curbs on chip access threaten to upend Asia's burgeoning AI debt financing market."

It noted that international lenders, including Citigroup and Standard Chartered as well as Singapore's major banks, had launched "a sweeping review of data centre clients."

So far, the prevailing view is that the restrictions flowing from the US measures will only bring a slowdown and not present major financial problems. But such is the fragility of the AI buildout and its financing that something more serious is very possible.

To contact the WSWS and the Socialist Equality Party visit:

wsws.org/contact

© World Socialist Web Site