

United States & China

Disintegrating US-China Economic Symbiosis and the New Inter-Imperial Rivalry

Monday 24 January 2022, by [HUNG Ho-Fung](#) (Date first published: 2 July 2020).

Proclamations of a New Cold War between China and the US herald a clash between authoritarianism and liberal democracy. But what we're seeing in the growing rivalry between the two countries isn't based on ideological difference but on inter-capitalist competition.



Today, there is a lot of talk about a [“New Cold War”](#) between China and the U.S., a Cold War between liberal democracy and authoritarianism. But we all know that China did not become authoritarian just two years ago. The whole establishment of the U.S. has been very happy about Chinese authoritarianism for a long time.

Just two weeks after the June 4, 1989 massacre in Tiananmen Square, on Jun 20, President George H. W. Bush wrote a [secret letter to Deng Xiaoping](#). The letter said that the U.S. was not so mad about the Communist Party sending the army to shoot its people. Bush told Deng that the U.S. was only a two-hundred years young country, and China was a five thousand years old country [sic] with great contributions to world civilization, so the Chinese leaders were wise and knew what was best for the Chinese people. Bush assured Deng that Tiananmen was not going to stand in the way of the great commercial relationship between the U.S. and China. If there were an ideology-based Cold War between the U.S. and China, it should have started thirty years ago.

In my ongoing research, I look at the origins and dynamics of the transformation of US-China amity into rivalry by examining U.S. corporations' exposures to China over the last three decades. I also look at the lobbying activities of these firms on behalf of China. I discuss how these firms shaped U.S.-China policy over the years. This is a historical materialist explanation for the changes in US-China relations. This shift was ultimately driven by a huge shift of corporate American's disposition toward China.

Back in the 1990s and 2000s, there was always a vocal voice in the U.S. intelligence-diplomatic-military establishment to try framing China as the next major competitor of the U.S. after the collapse of the Soviet Union. This talk about a new Cold War with China has never ceased ever since the end of the Old Cold War.

But over the 1990s and the early 2000s, this kind of instinct in the intelligence-diplomatic-military

establishment was checked by U.S. corporate lobbying against whatever policy that was not friendly with China. For example, as documented in my [recent article](#) at *The Review of International Political Economy*, the Clinton administration was dominated by human rights idealists like Madeleine Albright, Christopher Warren, and Winston Lord in its first year.

These human rights idealists in the administration joined hands with anti-communist cold warriors on the right and anti-trade leftists like Bernie Sanders in Congress to support adding human rights conditions on Chinese goods' low tariffs access to the U.S. market in 1993, reversing a free trade with China policy supported by the two preceding Republican administrations and opposed fiercely by organized labor.

Then in 1993-94, a power struggle emerged between the State Department and Wall Street over this US-China trade policy. In 1993, Clinton brought in Robert Rubin from Wall Street to become the first director of the newly created National Economic Council. And at some point, Robert Rubin and Winston Lord feuded openly through the media over China policy. Robert Rubin said adding human rights conditions to China's low tariff access to the U.S. market was unwise, while Lord said it was working, and that the U.S. should keep the human rights conditions. In the end, the State Department lost the fight, and Wall Street took control of China policy.

Wall Street would not have won this battle over US-China policy had it not been for the aggressive U.S. corporate lobbying mobilized by the Chinese government. Back in 1993, China was in an economic crisis. Its economy was overheating, and there was a balance of payment crisis. The inflation rate hit 25%, and the foreign exchange reserve of China was evaporating. Zhu Rongji was the vice-premier of China at that time and was the person who ran the economy.

In October 1993, Zhu talked in a high-level rural cadres conference in Beijing about the dire situation of the economy. The Soviet Union just collapsed not long ago, and the CCP was confronted with economic chaos created by Deng Xiaoping's southern tour that invoked overexpansion of debt-financed investment, a credit crunch, and a fiscal crisis of the state. Zhu Rongji told the rural cadres in the conference that China needed to get out of the crisis by a reorientation to export-oriented development. He also reassured everybody that they would eventually overcome all these difficulties, as he just met with the boss of Morgan Stanley, who guaranteed that it would [fully back the Chinese economy](#).

In the 1990s, a lot of China's state-owned enterprises privatized and floated in overseas stock markets like Hong Kong and New York. They relied on Wall Street banks, accounting, and auditing firms for their IPOs. It was a huge business for Wall Street firms. So the privatization of Chinese SOEs over the 1990s was grounded on a CCP-Wall Street synergy. This explains why Wall Street was the earliest and keenest advocate for the CCP's interests in Washington after the Tiananmen massacre in 1989.

But besides Wall Street, not many other corporations were interested in expanding into China as of 1993. For example, Apple was busy expanding its manufacturing facilities in California and Colorado back then. Many labor-intensive manufacturers were looking at expansion into Mexico via the emerging NAFTA and did not initially think of China as their new frontier. But in 1993-94, Beijing surgically targeted some of the most politically influential U.S. corporations to promise them market access and drilling rights (in the case of energy companies) to turn them into "proxy lobbyists" for China. One example is Caterpillar, which was offered huge market share in China, which saw huge surge in demand for mining and construction equipment.

Another example is AT&T. China enlisted the AT&T to lobby for its trade interest by promising that AT&T was going to have a big role to play in China's telecommunication market. These corporations,

motivated by the promises of Beijing, lobbied in earnest against the human rights conditions for Chinese goods' low-tariff access to the U.S. market. They successfully forced the Clinton administration and congressional Democrats to turn on themselves in 1994, revoking the human rights conditions on China trade that they enthusiastically supported just a year ago. From then on, Chinese exports enjoyed unconditional low-tariff access to the U.S. market, paving the way for China's eventual accession to the WTO in 2001. Up to 2000, many U.S. corporations were motivated by the promises and expectations Beijing offered them to become a huge countervailing force against any instinct of the intelligence-diplomatic-military establishment to cast China as an enemy and to start a new Cold War with China.

After China got what it wanted in terms of U.S. policy, China changed its policy to make sure foreign companies like AT&T could not have majority stakes and leadership in China's telecommunication sector. And Beijing started to cultivate its state-owned telecommunication giants like China Mobile and China Telecom to dominate the market and marginalize foreign countries. This situation became much more apparent in 2010 and thereafter.

For example, one company I was tracking had been lobbying against any Congress bill that accused China of currency manipulation from the early 2000s until 2009 and 2010. But after 2010, it found itself the target of China's mercantilist policy and a victim of China's forced technology transfer policy. It suddenly changed its position in its Congress lobbying. The same company suddenly started to support the Congressional bill that accused China of currency manipulation. There were many other examples like this.

Many companies shifted their position around 2010. A legal scholar said there was an "anti-China corporate insurgency" in the U.S. In some cases this took a more passive form of not actively lobbying against China. Many corporations that previously lobbied vocally against bills that they saw as violating China's interests now sat on their hands and did nothing to help China anymore. This is why in recent years, so many bills that irritated Beijing, like all the bills in support of Taiwan and denouncing human rights abuses in Xinjiang, managed to pass in a polarizing Congress with a unanimous bipartisan vote.

The databases I am assembling contain many indicators that consistently show that 2010 is the turning point. The question that follows is: why 2010? In the end, it was the global financial crisis in 2008 and the stimulus in China in 2009 and 2010 that triggered the shift. For example, Caterpillar used to have a large share of the construction machines market in China. Then the leading Chinese state-owned construction machine-making companies, which used to have joint venture relations with Caterpillar, copied the design of its products and became its competitor.

After the 2008 global financial crisis, the Chinese economy tanked, and Beijing immediately rolled out a stimulus program. The financial stimulus was offered to mostly state-owned companies in the form of low-interest loans from state banks for them to aggressively expand their production capacity and payrolls. Many Chinese state-owned construction machine makers obtained these credits to ramp up their production of knock-off versions of Caterpillar machines and sold them at much lower prices.

These Chinese companies, equipped with state banks' bottomless credits and tech secret they obtained from their former U.S. partner, squeezed out their American counterpart in the Chinese market in the aftermath of the global financial crisis. In 2011 when Hu Jintao visited the White House and had a joint press conference with Obama, Obama complained in Hu's face for the first time about the unfair treatment that American companies faced in the Chinese market. It was the first time an American President raised the importance of a "level playing field" in the Chinese market.

Things got worse after 2012. It got worse not because Xi Jinping came to power, but because the rebound of the Chinese economy from the stimulus tapered off and China entered a long slowdown, showing symptoms of an overaccumulation crisis. Beijing used to resort to cheap credit from state banks to pump up the production capacity of all sectors, but now the Chinese market was saturated. The high-speed rail is a good example. The industry had a huge capacity to build a high-speed rail system, but by 2012 they simply ran out of new lines that made economic sense to build within China. Many state companies buoyed by the stimulus ran out of order. Revenue growth of Chinese state-owned companies tanked in 2011 and 2012.

At the same time, Xi Jinping started the Belt and Road Initiative (BRI). In many senses, the BRI was an attempt to create an overseas market for state enterprises to export their excess capacity. The BRI was basically to lend money to other developing countries to make them buy Chinese products or hire Chinese companies. For example, the annual reports of China's leading construction machine companies show that after 2012, they successfully climbed out of their profit crisis, and their revenue growth soared. In those reports, they explicitly thanked Xi Jinping and the BRI, as most of their orders now came from countries involved in the BRI. These Chinese state-owned companies were squeezing out American companies in the Chinese market, and now they were [squeezing out American companies](#) in the international market in the developing world.

As such, the new competition from Chinese corporations was the impetus behind the American corporations' shift on China. Even in finance, U.S. banks were facing competition from Chinese state banks, which started to be active in the developing world, while China did not open its financial sector for foreign banks as much as it promised when it joined the WTO. U.S. corporations started to feel hurt by China. This is the underlying material force behind the U.S-China rivalry. The Trump administration did not begin the rivalry; it only continued it, which started already in the Obama administration.

In 2012, Washington began the Pivot to Asia policy, reorienting large part of U.S. military and diplomatic forces to Asia in response to China's increasing aggressiveness in the South China Sea and the Taiwan Strait. Obama-Clinton also pushed the Trans-Pacific Partnership (TPP) free trade agreement.

The whole purpose of the TPP was to isolate China economically and to put pressure on China to change its economic policy if it wants to join. When Trump got elected, many people in China, including the nationalist tabloids and official scholars, were excited and glad that it was not Hillary Clinton who was going to continue the Pivot to Asia policy and the TPP. They expected that Trump would reset the US-China policy and strike a deal with China that could relieve the U.S. pressure on China.

In the end, it was much worse. The underlying structural change in US-China relations remained the same, though the method is different. Obama was using the TPP as a carrot to lure China to change its economic policy for the sake of U.S. corporate interests. Now Trump is using the stick of tariffs. But the goal remains the same. Behind the increasing willingness of the U.S. to counter China's economic and geopolitical expansion from the Obama to Trump administration is the same structural condition confronting American corporations.

So what is going to come next? Interestingly, many people think it depends on the next election. But in fact, the election will not change much of the dynamics. If Joe Biden gets elected, it will most likely double down on the Obama-Clinton policy on China, Pivot to Asia, and the TPP kind of plan. The U.S.-China rivalry will continue to intensify, no matter who wins.

The dynamics of US-China rivalry is an inter-imperial rivalry driven by inter-capitalist competition.

Competition for the world market could soon turn into intensifying clashes of spheres of influence and even war. It is not new. It resembles a lot of the dynamics as described in Lenin's [*Imperialism as the Highest Stage of Capitalism*](#). In the book, published in 1917, Lenin talked about the competition between German and British banks to lend to Latin American countries to build railroads and to ensure the projects would rely on German or British supplies. This is just like talking about the competition between China and the U.S. to offer credits to Belt and Road countries to build infrastructure. In the early twentieth century, inter-capitalist competition led to inter-imperial rivalry culminated in two world wars.

What is to be done for progressive forces around the world in this time of inter-imperial rivalry? During the First World War, Lenin led the Bolsheviks to adopt a program of pulling Russia out from the European rivalry at the point of inducing a Russian defeat in the War. In the Second World War, the international communist movement established a united front with the liberal empires to fight the fascists. These are the two different options for the Left amidst escalating inter-imperial conflict that the U.S. and China seem to be heading. Which route we should opt for, to be sure, cannot be answered by abstract theoretical discussion, but has to be tackled by concrete analysis of concrete situations.

Ho-fung Hung

Image: Modified ["Woman Yelling at Cat"](#) meme, created and provided by the author.

P.S.

- Marxist Sociology Blog. Jul 2, 2020 : <https://marxistsociology.org/2020/07/disintegrating-us-china-economic-symbiosis-and-the-new-inter-imperial-rivalry/>

This article is based on Ho-fung Hung, "The periphery in the making of globalization: the China Lobby and the Reversal of Clinton's China Trade Policy, 1993-1994," Review of International Political Economy, 2020.

- **[Ho-Fung Hung](#)** is Henry M. and Elizabeth P. Wiesenfeld Professor in Political Economy and Chair of the Department of Sociology at Johns Hopkins University.