

Brinksmanship and blinksmanship - On the conflict between the U.S. and China

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Ashley Smith provides the background for understanding the latest twists and turns in the developing superpower conflict between the U.S. and China.

OUR DAILY newsfeeds are filled with stories about the spiraling conflicts between the U.S. and China: They're poised on the precipice of a trade war. They're fighting over intellectual property rights. They're arresting each other's diplomats and business executives. And, most ominous of all, the U.S. is challenging China's rule over the seas off its coast, where China has seized and militarized islands claimed by U.S. allies.

The competition between these two powers will be [the central inter-imperial rivalry of the 21st century](#), and it is already tearing at the neoliberal world order and the world economy.

But the contours of the conflict are complicated. It seemed to reach a new stage recently with the shocking arrest of a Chinese tech executive in Canada at the behest of the U.S. That followed increasingly belligerent statements from the Trump administration, like Vice President Mike Pence's saber-rattling speech at the Hudson Institute, which basically announced a new cold war on China.

Yet at the same time, with the administration poised to escalate [the U.S. trade war with China](#) in the run-up to the G20 summit in Argentina at the end of November, brinkmanship turned into "blinksmanship" — both sides backed away, agreeing to three months of trade negotiations that started on December 1.

To understand the various episodes in this continuing imperial battle, it is important to start with looking at its economic and political sources and how these factors have played out over the last several decades.

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THE U.S.-China conflict is not an even fight. The U.S., of course, remains the predominant imperialist power with the largest economy, most advanced military and therefore the greatest geopolitical power.

Following the collapse of its former chief competitor, the Soviet Union, the U.S. imposed a neoliberal world order of free trade globalization, which it ruled over in part through multilateral institutions like the World Trade Organization, International Monetary Fund and World Bank.

Even economically powerful nations were incorporated and subordinated into this order. The U.S. enforced obedience with a combination of carrots and sticks — and when it deemed fit, it destroyed so-called rogue states like Saddam Hussein's Iraq that bucked its dictates.

As part of this effort, the U.S. engaged its former Cold War foe, China, encouraging it to open its economy to international capital and privatize its state capitalist industry.

Initially, the dynamic between the two countries was symbiotic. U.S., Japanese and European capital transferred large portions of their production to China to exploit a cheap and plentiful labor force drawn from a vast peasantry.

The [most obvious example of this is Apple's iPhone](#). The corporation does most of its research and development in the U.S. but subcontracts the assembly of its devices to Foxconn's factories in China for export to the world market.

But China didn't obey American dictates. The ruling Communist Party preserved its state capitalist industry, and it exerts indirect control over the private sector. It also compelled international capital to accept joint ventures — often requiring transfers of technology — so that China could build up its own capacities.

China aimed re-establish itself as a world power, and in the process, it turned itself into the world's second-largest economy. As a consequence, China's relationship with the U.S. had become increasingly antagonistic long before Trump, as China begins to challenge the U.S. in high tech, international investment, political influence and regional military power in the Asia Pacific.

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CHINA'S DRAMATIC expansion has posed three interrelated problems for global capitalism and its American overlord.

First, after helping to spur the neoliberal boom, China's rapid development [exacerbated systemic overproduction](#), which helped to trigger the Great Recession. Second, its increasing competitiveness has undermined other economies — in particular the U.S., which lost portions of its manufacturing sector to China. Third, U.S. capital's relationship with China has become a national security issue because sections of defense industry are dependent on Chinese supply chains.

As a result, the U.S. capitalist class increasingly sees China as both a state and an economic rival.

Former China optimist Henry Paulson, who was an executive with Goldman Sachs and George W. Bush's Treasury Secretary, [notes that China has alienated U.S. corporations](#) most invested in the country: "How can it be that those who know China best, work there, do business there, make money there and have advocated for productive relations in the past are among those arguing for more confrontation?"

Paulson argues that these corporations now regret their "Faustian bargain" of making profits in the present at the expense of bolstering their own competition in the future.

Successive U.S. administrations attempted to balance between engagement with Beijing in the hopes of incorporating it into the neoliberal world order and containing its potential as a rival to U.S. domination.

With Donald Trump's rise to power in the U.S. and Xi Jinping's ascension in China, however, the dynamic has shifted decisively toward open rivalry.

Trump's promises to "Make America Great Again" by putting "America First," even if that upsets the norms of the neoliberal world order, are very much a response to the failure of the "containment-engagement" strategy.

Xi for his part trumpets the “Chinese Dream” of restoring its lost position as a world power. Under his direction, the government launched [a \\$1 trillion program called “One Belt One Road”](#) to establish infrastructure paths stretching from Africa and Europe to the Asia Pacific.

The [newly inaugurated “Made in China 2025”](#) is designed to create self-sufficient national development and production in high-tech industries like artificial intelligence, robotics, aerospace and computer chips that can rival Western corporations.

To back up this assertion of economic power, Xi’s government developed the state’s military, especially its naval presence in the South China Sea, and it has increasingly asserted geopolitical influence, especially in Asia. [The Washington Post reports](#) that “a recent Rand Study found the Chinese navy during the past two decades caught up to the United States by modernizing ‘extraordinarily quickly by any reasonable historical standard.’”

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THIS IS the backdrop to some of the most recent tensions between China and the U.S.

One factor is economic: With [China’s economy noticeably slowing](#) while the U.S.’s is at the peak of its expansion, the Trump administration’s trade hawks calculate that the U.S. has the upper hand.

In September, the administration imposed 10 percent tariffs — down from a planned 25 percent, though Trump threatens to impose the higher penalty in the new year — on \$250 billion worth of Chinese imports into the U.S., and it planned to add another \$267 billion in December.

In another escalation, the White House banned U.S. high-tech corporations from supplying the Chinese telecom corporation ZTE, on the grounds that ZTE had violated sanctions on North Korea and Iran. This nearly bankrupted the corporation until the U.S. cut a deal with China.

In October, Trump’s lapdog Vice President Mike Pence made his [hawkish speech at the Hudson Institute](#), declaring: “[O]ur message to China’s rulers is this: This president will not back down. The American people will not be swayed. And we will continue to stand strong for our security and our economy.”

Pence stepped up the pressure at the Asia-Pacific Economic Cooperation (APEC) conference in November, where China and the U.S. sparred over mutual allegations, [preventing the conference from issuing a joint communiqué](#) for the first time in its 25-year history.

With new sanctions set to go into effect weeks later, it seemed like the trade conflict would reach a new level of intensity. But both sides pulled back from the brink, agreeing to more negotiations.

Three “M’s” explain the Trump administration’s retreat: The midterm elections were [a defeat for the Republicans](#); the Robert Mueller investigation into political and business corruption is tightening the noose around Trump and Co.; and the world’s financial markets went into a nosedive over the threat of a full-scale trade war.

Indeed, Trump’s trade war was [threatening to tip the world economy into recession](#), something he certainly didn’t want to be blamed for, so the administration was prepared to cut a deal.

China had reasons of its own for agreeing to negotiations. Its economic growth has slowed to just 5.9 percent this year, [around half of what it has averaged](#) over the last couple decades. Trump’s tariffs were exacerbating the slowdown, and the near-death sentence imposed on ZTE exposed China’s continuing dependence on U.S. high-tech corporations.

[As The Economist notes](#), China “remains reliant on the outside world for supplies of high-end chips. It spends more on semiconductor imports than it does on oil.” So the last thing it wanted right now was an open confrontation with the U.S.

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BUT NO one should be under any illusions that new negotiations will bring an end to the disputes over trade, intellectual property rights, and competition in high tech and artificial intelligence.

As *The Economist* concludes: “Neither country’s interests are about to change. America has legitimate concerns about the national-security implications of being dependent on Chinese chips and vulnerable to Chinese hacking. China’s pretensions to being a superpower will look hollow as long as America can throttle its firms at will. China is destined to try to catch up; America is determined to stay ahead.”

If anything, the negotiations will ratchet up tensions as the U.S. hopes to force China to agree to American terms. Far from backing off his protectionist threats, [Trump blustered in a recent tweet](#) that he was a “Tariff Man.”

This is where the recent U.S. moves against another Chinese company, the telecommunications giant Huawei, come into it.

The Trump administration invoked national security concerns to pressure its allies in the “Five Eyes” intelligence alliance — Australia, New Zealand, Canada, Britain and the U.S. — to bar Huawei from building 5G communications infrastructure in their countries. The claim is that China will use this network to spy on Five-Eyes states and steal high-tech secrets.

Even more shocking, the U.S. bullied Canada into arresting Huawei’s Chief Financial Officer Meng Wanzhou, recycling the same charge it brought against ZTE: violating trade sanctions on Iran. For now, Meng is under house arrest in Canada awaiting possible extradition to the U.S.

Looming behind this headline-grabbing news are other ominous developments. Earlier this month, the administration announced that China has abandoned an agreement struck with the Obama White House in 2015 and is [intensifying its cyberwarfare against the U.S.](#) The FBI’s Bill Priestap called Chinese cyberwarfare “the most severe counterintelligence threat facing our country today.”

Plus, Trump has announced that he intends to nix the Intermediate-Range Nuclear Forces Treaty on the excuse that Russia has violated it. The real motive, however, is that China, which is not a signatory to the treaty, has accumulated a vast stockpile of these weapons, giving Beijing an advantage. Trump wants to rip up the treaty [so the U.S. is free to engage in a new arms race](#) with China.

China has responded to U.S. pressure in a contradictory fashion.

On the one hand, it retaliated against Canada’s arrest of Meng by [detaining two Canadian officials](#), Michael Kovrig and Michael Spavor, on charges of engaging in activities that harm China’s state security — in a clear effort to pressure Canada into releasing the Huawei executive.

China’s ambassador to Canada, Lu Shaye, [penned an angry article against the U.S.](#) for Toronto’s *Globe and Mail*, declaring: “The detention of Ms. Meng is not a mere judicial case, but a premeditated political action in which the United States wields its regime power to witch-hunt a Chinese high-tech company.”

On the other hand, China has begun to make at least verbal concessions in the trade negotiations.

It agreed to end its boycott of U.S. soybeans, which has hammered agribusiness in the Midwest since it was declared after Trump's first round of tariffs. China will also suspend 40 percent tariffs imposed on auto imports, [reducing them back to 15 percent](#), and enter negotiations on intellectual property rights. Beijing has even agreed to [reword its China 2025 program](#) so that it appears less of a challenge to U.S. supremacy in high tech.

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EVEN IF China and the U.S. manage to cut a deal by the end of the three-month period for talks on March 1 — and that will be a tall order — it is unlikely to last, and it will certainly not stop the developing rivalry between the two powers.

For all its erratic outbursts, the Trump presidency has [focused the American ruling class](#) on the need to confront China in order preserve U.S. domination over the world system. Even Lawrence Summers, Obama's former Treasury Secretary, [had to admit that](#) "Trump, for all his failings, has China's attention on economic issues in a way that eluded his predecessors."

U.S. capital, despite its dependence on China as an export processing platform and a market for its commodities, has grown frustrated over high tariffs in China, theft of intellectual property rights, and the country's state support for national champions, especially in high tech.

Both Republicans and Democrats also agree that China poses a challenge to the hegemony of the U.S. state over the world order. But neither has come up with an effective strategy to chart a way forward.

[Barack Obama's Pivot to Asia](#) was the most coherent so far: It included the projection of regional free trade under U.S. auspices through the Trans-Pacific Partnership (TPP) agreement; redeployment of the U.S. military out of the Middle East and into the Asia Pacific; and political pressure on historic allies to remain in the U.S. camp and resist the pull into economic dependency on China.

But the Pivot to Asia failed. The TPP never came up for a vote in Congress because of domestic opposition; the U.S. remained bogged down in Afghanistan and the Middle East; and its relative weakness in Asia made it hard for the U.S. to keep its allies on side. As a result, countries like the Philippines are currently hedging their bets by maintaining relations with both China and the U.S.

Trump defeated Hillary Clinton, who offered a more muscular version of Obama's "containment-engagement" strategy. Since in office, [and especially this year](#), he has pushed for his economic nationalist alternative that treats all relations between states, whether allies or adversaries, in a transactional fashion, aiming to get the best deal for what he defines as U.S. capitalist interests, regardless of the impact on the world system.

This America First policy represents only a minority of U.S. capital, which remains heavily invested in an international system of production, investment and sale. But Trump's more aggressive nationalism is on the ascendency.

To shore up its geopolitical position, the administration is trying to group its regional allies — the so-called Quad, including the U.S., India, Australia and Japan — into a bloc to counter China's influence in what it calls the Indo-Pacific. And, of course, it has increased the defense budget, with [more funds for an unshackled Cyber Command](#) to counter China's state and industrial spy system, plus stepped-up patrols of contested shipping lanes in the Pacific Ocean and South China Sea.

These policies will only stoke the conflict with China, whose rulers will counter U.S. attempts to contain its rise as a world power. Trump's "America First" policy will force them to put "China First" at all costs.

Whatever China says and whatever it agrees to at the bargaining table, the government's priorities will be to build up its independent economy and strengthen its military capacity to stand up to the U.S. And when the world economy goes into the next recession — which is likely in the next few years, these antagonisms will only intensify.

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THUS, [AS former Australian Prime Minister Kevin Rudd wrote](#):

"The U.S.-China trade war is but one manifestation of a deeper phenomenon, covering the whole political, security and economic relationship. And we would be foolish not to recognize that this systemic shift in U.S. sentiment toward China is likely to continue well after President Donald Trump has gone. Congress, both Republican and Democrats, the major agencies of state as well as most of the U.S. business community by and large support this new robust approach to China."

Rudd is right. The Democratic Party offers no alternative to Trump's confrontational approach to China. Its leaders, especially those funded by high tech, can be just as jingoistic as Republicans.

As Democratic Rep. Ro Khanna, who represents Silicon Valley in California, [told the New York Times](#), Democrats need to talk more about "America winning in the 21st century, about American outdoing China, that China is this authoritarian government and system of values that we don't want the world to share."

Even democratic socialist Sen. Bernie Sanders [joined the China-bashing chorus](#) in a statement earlier this year that opposed trade sanctions against Canada and the European Union, but "strongly support[ed] imposing stiff penalties on countries like China, Russia, South Korea and Vietnam to prevent them from illegally dumping steel and aluminum into the U.S. and throughout the world."

More recently, in [his second major foreign policy address](#) recently, Sanders called for "a global democratic movement" to counter inequality and authoritarianism.

The speech was a stark contrast to Trump's xenophobia and ultra-nationalism, and it set itself against reactionaries like Brazil's Jair Bolsonaro, a neofascist who will take over the presidency in January. Sanders' championing of human rights and democracy is a welcome alternative in this dismal status quo.

But socialists who celebrate Sanders taking these stands can't ignore the more difficult issues. Sanders' speech didn't mention the intensifying inter-imperial rivalry between the U.S. and China, which is a problematic omission in and of itself.

And we know from history that the liberal wing of the ruling establishment in the U.S. has claimed to [use the U.S. empire for "humanitarian" purposes](#), while defending and extending American imperial interests at the expense of the world's oppressed. Unless Sanders takes an internationalist stand of opposing China-bashing, his proposal could give a left cover to the aggressive anti-China stance of establishment Democrats and Trump's Republicans alike.

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THE LEFT must reject as bald-faced hypocrisy the U.S. case against China that singles out its

repression and militarism.

Remember that the U.S. runs its own repressive state at home that jails people of color in world-record numbers, detains and deports immigrants in camps and prisons, and polices America's brutal class inequalities.

Abroad, it oversees the biggest spy operation in the world, uses international institutions to pry open other countries' economies for the benefit of its capitalist class, guards the system with the biggest military in world history and regularly proves its willingness to wreck whole societies like Iraq to enforce its rule.

We should also reject any illusions that China is some kind of alternative. It is a rising power with predatory ambitions, just like the U.S.

Instead of lining up with either camp, we must oppose both rival imperialisms and instead build international solidarity between workers of all countries under the slogan: "Neither Washington nor Beijing, but international socialism."

Ashley Smith

P.S.

- Socialist Worker, December 18, 2018:

<https://socialistworker.org/2018/12/18/us-and-china-brinksmanship-and-blinksmanship>