

As China-US trade deadline nears

Global economic war intensifies

By Nick Beams
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Amid the latest round of trade talks between the US and China in Beijing this week, there are ever clearer indications that the clash between the world's two major economic powers is part of an accelerating drive towards global economic war, with direct military implications.

Unless an agreement is reached by a deadline of March 1, the US has threatened to increase tariffs on \$200 billion worth of Chinese goods from 10 percent to 25 percent. This is to back its demands that China pull back on plans to increase its technological and industrial development.

Prospects for an agreement took a blow last Thursday when US President Donald Trump replied “No” when asked whether he had plans to meet China's President Xi Jinping before the expiration of the deadline. A meeting of the two leaders would be needed before any final deal. White House National Economic Council director Larry Kudlow said there was a “pretty sizeable distance to go” before any agreement could be reached.

Whatever the immediate outcome of the talks—a complete breakdown of negotiations, a partial agreement such as Chinese commitment to purchase more US products while discussion proceeds on more contentious issues, or an extension of the deadline—the wider significance of the conflict is attracting attention.

Writing in the *Financial Times* on Monday, columnist Rana Foroohar likened the US-China clash to the conflict between Britain and Germany that led to World War I.

She noted that the last great wave of globalisation, which brought about significant technological and economic expansion, ended with the outbreak of war and the Great Depression.

“Markets did not see it coming. And at the risk of being a Cassandra, I wonder if they aren't just as

oblivious to what is happening today with the US and China. The conflict between these great powers has obvious similarities to the earlier story, not just in terms of opposing economic models and rising nationalism, but also in the boom-bust timeline.”

“Two recent events,” Foroohar wrote, “have, for me moved the market dial from yellow to red.”

The first was the US decision to request that Canada arrest Meng Wanzhou, the chief financial officer of the Chinese telecom giant Huawei, pending extradition. The second was its decision to charge the company with espionage and sanctions violations, together with the US pressure on its allies to constrict Huawei's ability to do business in their markets.

Foroohar highlighted the significance of the bringing of criminal charges against Huawei—a move which has elsewhere been described as the “weaponisation” of the American criminal justice system. She cited the comment by investor Luke Gromen in a recent newsletter that the FBI had effectively declared “the official time of death of globalisation.”

Foroohar noted that the impetus for the moves against China was not confined to the Trump administration. It extended across the political spectrum with all the Democratic presidential hopefuls declaring that the relationship between the US and China had to change. There were also a number of bipartisan legislative efforts against China's alleged threat of intellectual property and the spread of Chinese influence in the US.

“Curbing economic ties between the US and the Middle Kingdom is no longer considered ‘China bashing,’ but has become a mainstream view,” she wrote.

The anti-China hawks within the Trump administration, together with the military and intelligence apparatuses, whose views are expressed

most directly by the Democratic Party, above all among its so-called “left” elements,” regard China’s economic and technological development as an existential threat to US economic and military dominance that must be halted.

However, the rise of economic nationalism is not confined to the US. Last week, the “National Industrial Strategy” presented by German Economics Minister Peter Altmaier laid out a plan to put the country on an economic war footing.

It noted that there was hardly a successful country that relied solely on market forces to secure its objectives as they pursued strategies for rapid expansion “with the clear aim of conquering markets for one’s economy and, wherever possible, monopolizing them.”

Key areas, such as the construction of large commercial aircraft, modernization of railways, major internet platforms and finance and banking, required “large and strong players who stand as equals with competitors from the US and China.” It was a cause for concern that hardly any companies of this size had been created in Germany for years.

As the *World Socialist Web Site* noted, the significance of the Altmaier paper was that: “Just two years after Donald Trump entered the White House to cries of ‘America First!’ the German government now shouts out, ‘Germany (and Europe) first!’—and will only accept a Europe that is dominated by Berlin.”

The new industrial strategy is not intended as a hazy plan for the indefinite future. It acquired immediate political significance as a row broke out over the decision announced last week by the European Union’s competition commissioner, Margrethe Vestager, to block a proposed merger between the German and French train manufacturers Siemens and Alstom.

The deal had been heavily backed by both governments on the basis that it was necessary to compete with state-backed rivals from China.

French Finance Minister Bruno le Maire said Vestager’s decision, made on the basis that the two merger partners did not address “serious competition concerns,” was a “political mistake” that would “serve China’s economic and industrial interests.”

This view was echoed by Altmaier and in a statement issued by Siemens chief executive, Joe Kaiser, who said: “Protecting customer interests locally must not

mean that Europe cannot be on a level playing field with leading nations like China, the US and others.”

Anti-China rhetoric in Europe was ratcheted up on Sunday with a report on the website of the German television company Welt, which said EU officials had been warned that “about 250 Chinese spies and 200 Russian spies” were operating in the Belgian city of Brussels, the headquarters of the EU.

The Welt report cited information from the European External Action Service, the EU’s diplomatic arm, as the basis for its report.

Clearly stung by the report, the Chinese mission to the EU dismissed it as “groundless” and said all parties should “treat China and China-EU relations in an objective and fair manner, and not make irresponsible remarks.”

The Welt report followed a claim by the Lithuanian intelligence agency last week that Chinese intelligence services had become “increasingly aggressive.” They were allegedly recruiting citizens to engage in espionage activities and to influence public opinion on issues such as Tibetan and Taiwanese independence.

Lithuania has also announced that it is analysing the potential “threat” posed by Huawei, which is developing the country’s new 5G phone network.

In historical analyses of the build-up to the outbreak of World War I, the words “drift” and “sleepwalking” are often employed. Those terms do not accurately depict the real course of historical events and they are even less appropriate in the present situation as economic warfare intensifies and threat of a consequent military conflict looms ever larger.

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