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Economic War with China is a Losing Proposition



Photo by Li Yang

It's always better to do business with people than to pick fights with them. But this piece of common sense seems to have dropped out of the brains – if they have them – of American congressional and white house leaders. During his presidential tenure, Donald “The Tariff Man” Trump slapped tariffs on washing machines, aluminum, steel, solar panels and other goods, totaling \$380 billion worth of trade from China, the U.S.’s third biggest trading partner. That amounted to a tax increase of \$80 billion. Not to be outdone in the stupidity sweepstakes, Joe “Copycat” Biden added his tariffs. They affected

batteries, steel, aluminum, semiconductors, solar cells, electric vehicles, critical minerals and more.

As election campaigns kicked off, the candidates outdid each other on who could be tougher on China economically. Let's hope Kamala "Advised by Black Rock" Harris eschews these idiotic soundbites. They do nothing besides offend Beijing. And you don't want to offend Beijing. It is America's second biggest creditor, and when Washington's rulers make hostile, Sinophobic noises, Beijing dumps U.S. Treasuries. Other countries follow suit. This, while treasury secretary Janet Yellen already has her hands full, trying to unearth buyers for American debt. She doesn't need, China, Saudi Arabia and who knows who else ditching billions of dollars worth of USTs.

And that's merely finance and taxes. Just as bad, maybe worse, are all the economic prohibitions the last two administrations have slapped on trade. Biden sez no chips to China. Well, that boomeranged fast. China boosted a homegrown chip industry and it just had a huge breakthrough: Huawei's Mate 60 smartphone features a seven-nanometer chipset. The manufacturer, SMIC, "achieved seven nanometers in two years from the conventional fourteen nanometers without access to foreign technology," reported Foreign Policy Research Institute June 28. So China is well on the way to semi-conductor self-sufficiency, which will "alter the global chip supply chain and raise geopolitical security concerns..." Nothing like sanctions and tariffs to make America Third-Rate Again.

And they backfire in lots of ways. Again, take Biden's semiconductor sanctions against China. Back in July 2023, Beijing struck back: it announced export controls on two rare earth minerals, gallium and germanium, indispensable for U.S. satellites, semiconductors and solar cells. Given that China has 60 percent of the world's supply of rare earth minerals, with the other 40 percent in locations of dubious accessibility, Beijing's move alarmed ceos at American tech corporations, who feared they portended more to come.

In fact, honchos at Nvidia and Intel begged the Biden bumbler to ease semiconductor sanctions against China. But it was too late, according to Shaun Rein, founder of China Market Research Group. These idiotic sanctions already made American companies lose billions. "Chinese semiconductor companies have emerged. China won't trust U.S. politics again, so will buy domestic. Biden shot the U.S. in the leg." More recently, Beijing announced "export limits on antimony and related elements due to national security concerns," the Sirius Report tweeted August 15. "Antimony is used in military applications such as ammunition, infrared missiles, nuclear weapons and photovoltaic equipment etc. etc." Washington sanctions Beijing and gets sanctioned in return. Brilliant

move on the part of a nation, namely the U.S., utterly dependent on foreign supplies of parts, minerals and just about anything else you can think of.

Given how interdependent Chinese and American economies are, this prolonged white house attempt to decouple them resembles a surgeon using a chainsaw instead of a scalpel: it's disastrous. Take soybeans. The U.S. is the world's biggest soybean producer and China the biggest soybean consumer. But the U.S. has lost the Chinese market due to the foolish American trade war, which helped shift China to buying soybeans from Latin America. At the higher end of trade products, consider the U.S. ban on Chinese software in autonomous cars. Developing these vehicles relies on global cooperation, Sputnik reported August 6, "as the sector has a relatively large ecosystem and high costs for research and development." But team Biden aims to propose a rule prohibiting "Chinese software in vehicles in the U.S. with level 3 automation and above and effectively ban testing on U.S. roads of autonomous vehicles produced by Chinese companies." And that ain't all.

Vehicles with "Chinese-developed wireless communication" would be booted off U.S. highways, and their producers were compelled to prove that "none of their connected vehicles or advanced autonomous vehicle software was developed in a 'foreign entity of concern,' like China." This proposed ban is all of a piece with Biden's trade policies. Indeed, less than three months ago, the mega-minds in the white house decided on more tariffs on Chinese EVs.

So these Beltway geniuses insist on their dangerous tariffs (which cost Americans a fortune), sanctions and other prohibitions, which get us nowhere. Remember "the ruble will be rubble"? Well, it wasn't. It's doing great, and so's the Russian economy, which is now ranked fourth richest in the world. Sanctions and stealing foreign financial assets don't work. All they do is convince foreign money managers to flee U.S. banks – and the dollar, which ultimately hurts Americans. But hey, since when did Washington sachems ever factor pain for Americans into their calculations? Never forget the financial policies of Barack "Evict the Homeowners" Obama.

Unfortunately, there's no end in sight to this Inside the Beltway imbecility regarding China. Former Trump national security advisor Robert O'Brien pontificated back in June that if reelected, Trump should cut all economic ties with China. For good measure, O'Brien added, in a Foreign Affairs article June 18, that Trump should start live nuclear-weapons testing and ponder deploying ALL marines to Asia. "As China seeks to undermine American economic and military strength, Washington should return the

favor...should in fact, seek to decouple its economy from China's," O'Brien wrote. According to the Taipei Times June 19, O'Brien claims to be in "regular contact" with Trump and "O'Brien gave a copy [of the Foreign Affairs article] to Trump campaign adviser Susan Wiles." She reportedly showed it to Trump, but this was denied by his campaign. This was a wise move: ramping up military and economic hostilities with yet another country, that is, China, is not a winning campaign platform.

Specifically, O'Brien urged "that the 60 percent tariffs on China that Trump has floated should only be the first step, followed by tougher export controls 'on any technology that might be of use to China...'" Because that's gone so well lately. Those export controls, aka sanctions, have hiked homegrown tech industries in China, thrown Beijing and Moscow into an economic, political and military embrace and made American industries,' including weapons producers' reliance on global supply chains very dicey.

Not that I'm complaining: if Lockheed Martin can't obtain needed parts or software from China due solely to moves by the Einsteins in Washington, that's fewer bombs and guns in the world and fewer corpses in places like Eastern Europe, the Middle East, the far East and Africa. But these moronic policies don't just affect armaments production. They damage all sorts of industries on which ordinary people depend. Like it or not, the world is economically interwoven, and it is the height of folly to burn these global bridges without even a scintilla of a plan for kick-starting homegrown industries. And there's no plan, because such industries ain't happening, for the simple reason that that doesn't interest our oligarchs.

American corporate overlords like cheap wages in Bangladesh, Myanmar, Vietnam, Mexico and, yes, China. They have no intention of spending money to plant new industries in the U.S., whose workers might unionize, or already be unionized and thus threaten the wealth on which their aristocratic privilege rests. Until political bigwigs start talking about how we'll re-industrialize here in America, all these insults aimed at Beijing are worse than hot air: they're economic suicide.

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