

“Free Trade” as Revealed in the China-United States Paradigm

Interview with author Wei Ling Chua

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Free trade is much ballyhooed by the US and the capitalist world, but critics have been skeptical as to whether such trade freely takes place.

Investopedia provides a useful [definition of free trade](#):

A free trade agreement is a pact between two or more nations to reduce barriers to imports and exports among them. Under a free trade policy, goods and services can be bought and sold across international borders with little or no government tariffs, quotas, subsidies, or prohibitions to inhibit their exchange.

The concept of free trade is the opposite of trade protectionism or economic isolationism.

In the eyes of the US, China is threateningly making major headway in 6G, AI, robotics, supercomputing among other technology fields. This has scared the Biden administration, so Biden has sought to cut off Chinese access to semiconductor chips below 14 nanometers. *Foreign Policy* [called it](#) going for China’s jugular after one term of ex-US president Donald Trump inflicting “flesh wounds” to China.

“This is economic coercion and is unacceptable,” [said](#) China’s foreign ministry spokesperson Mao Ning of the US actions. China did not stand idly by; it banned the US memory chip Micron on security grounds.

China, correspondingly, has [reduced its import of chips](#) by \$129.1 billion since 2022, harming US, [Taiwanese](#), and [Korean](#) exporters and giving Shanghai’s SMIC a shot in the arm.

Billionaire investor Warren Buffett was so bearish on the world's largest semiconductor company, TSMC, that he [sold all his shares](#).

The US [also told ASML](#), producer of lithography machines used to make chips, to curb sales to China. Hence, China was forced to develop its own lithography machines to produce chips. ASML also has seen a decline in its profit picture and now is potentially faced with competition from a former customer. Telecommunications giant and leader in 5G technology, Huawei, has found itself faced with trade barriers relentlessly erected by the US. It was forced to develop its own lithography machines. Peter Winnick, president of ASML, [complained](#) that China's development of its own lithography machine "is a 'destructive behavior' that will cause impact and chaos to the global chip industry chain." ASML, however, is said to be [considering to ignore](#) US directives on such technology sales.

Even US chip makers, whose businesses are adversely affected by government directives, are instead [prioritizing their own business](#) with China.

This situation is similar to what transpired when the US rejected Chinese participation in the International Space Station. China went out and built its own space station, the Tiangong, which orbits the planet 340 and 450 km above the surface.

So far protectionism has proven a double-edged sword for the US and its allies, as initially China is negatively affected, but soon enough, China winds up becoming independent for these technologies while also becoming an exporting competitor in the marketplace for such technologies.

I interviewed Wei Ling Chua, the author of 3 books including *Democracy: What the west can learn from China* and *Tiananmen Square's "Massacre"? The Power of Words vs Silent Evidence*, for his perspective.

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Kim Petersen: The United States has always trumpeted the benefits of so-called free trade being "A rising tide lifts all boats." That is fine when you have the biggest boat in global capitalism. But does that tide raise all boats equally? China, which eschews hegemony, now has a big boat, and that boat is portrayed as a threat to the US. The US hegemon prides itself on being exceptional, indispensable, and craving full-spectrum dominance. Yet fear of the China threat caused former US president Barack Obama to exclude China from negotiations on the Trans-Pacific Partnership, which was to comprise the largest free-trade region in history and include forty percent of world trade. Obama's successor Donald Trump scuttled that deal, but he enacted various sanctions and tariffs against China. Fast forward to Joe Biden and the anti-China rhetoric continues unabated. Biden's disdain for free trade is revealed by the continuation of sanctions against China, depicting it as a security threat, and never producing any credible evidence to support his assertion. In particular, Biden has sought to squeeze China out from access to chip technology and from the purchase of lithography machines to produce the chips. It has sought to cajole or coerce myriad countries such as Japan, South Korea, Netherlands, and the Chinese province of Taiwan to join in the denial of trade. In doing so, it appears that Biden and the complying countries have shot themselves in the foot. How do you see this denial of trade, imposing tariffs (i.e., protectionism), and sanctioning playing out?

Wei Ling Chua: Western so-called free trade was designed at a time when they had absolute advantages in many areas over the rest of the world. Why wouldn't they? After centuries of colonialism, wars, slavery, and looting, the West enjoyed absolute advantages in wealth accumulation (they are very rich with plenty of cash to take over the assets of other and attract talents from all over the world) after WW2. The West was also more industrialized after the world war, while much of the rest of the world was war ravaged, poor, and under-developed. So, their so-called free trade is nothing more than demanding the lesser-developed world to allow the West to use money looted from them to take control of their assets, resources, market, and factories, and keep the economies of lesser-developed nations in the primitive stage of cheap labor, cheap resources, and polluting industry.

The WTO, IMF, and the World Bank are just tools that the West uses to control the rest of the world's opportunities to freely trade with each other and access funding. The West uses these financial tools to manipulate free access to member-state markets by erecting trade barriers against countries who seek to protect local industry and, therefore, refuse to accept western-imposed trading terms.

It took China 15 years of negotiation with the US before the US allowed China to enter the WTO in 2000. During that time, the West was happy to transfer polluted and labor-intensive industries to China: they were happy to allow China to set up factories to assemble iPhones for Apple. Why not? Apple pays the price of a cappuccino to the Chinese factories for each iPhone assembled while selling the iPhones back to Chinese consumers and the rest of the world for hundreds of dollars per unit of iPhone.

There is absolutely no such thing as Western kindness in setting up factories in China or importing in a big way from China. The benefits to both sides are not equal. It is about the West eating the meat and drinking the soup, and the leftover meat on the bone is then shared among millions of Chinese wage slaves. So, in 2017, when China successfully test flies her passenger plane C919, the news heading across China is (translated): ["the day China uses 800 million shirts in exchange for one Boeing Plane will become history"](#).

In recent years, we have witnessed how the US initiated a series of sanctions against Chinese high-tech manufacturers and products of far higher quality than US companies are able to produce. The victims include Huawei 5G, smartphones, chip imports, DJI drones, TikTok, etc. So, the so-called free market never existed in real terms under the western International rule-based order.

It is the Chinese who oblige free trade: The Chinese happily enjoy and buy quality products from all over the world. At the time of unfair US sanctions against Huawei and many other Chinese high-tech firms, China continued to allow Apple to make huge profits in China, and it [openly assured](#) the world that China will not resort to protectionism. As long as foreign companies do not violate Chinese law, they are free to conduct their business as usual in China, and they will be treated as equal as the local businesses.

As we can see, the US counters competition with protectionism in the form of sanctions and bullying, whereas China overcomes competition via innovation through investment in education, R&D, and building government infrastructure to facilitate the development of new technology. E.g., [China has just overtaken Japan as the world's top car exporter](#), and this was made possible by the farsighted investment of the Chinese government in laying down the foundation for EV car manufacturing with market readiness, such as offering

incentives for consumers to buy EV cars and building millions of battery charging stations to facilitate the use of EV cars across the country.

As for Internet technology, after decades of paying billions and billions of dollars for intellectual property to US companies for using their 2G, 3G, and 4G technologies, the Chinese company Huawei invested heavily in R&D and produced a far more advanced 5G technology and began to collect intellectual property payments from the world for using its 5G. This is something that the West, particularly the US cannot tolerate. So, by sanctioning Huawei 5G (the world's most affordable and advanced 5G technology), the US lost its ability to facilitate its tech companies to develop AI technology that required high-speed wifi, while the Chinese state-owned telecommunication companies heavily invested in building millions of Huawei 5G stations across the country to facilitate Chinese companies in developing AI technology. As a result, according to Nicholas Chaillan, the Pentagon's ex-software chief: "[China has won AI battle with the US.](#)" In fact, former British Business and Industry Minister Vince Cable [said in an interview](#) in 2022, "The UK government decision to ban Huawei 5G equipment and services had nothing to do with national security, and was because of American pressure." Cable then, regrettably, made this statement: "If Britain had kept with 5G, we would now be at the forefront of countries using the most advanced technologies, and we are not."

In fact, in the semiconductor sector, the US-led sanctions on technology exports to China have effectively given away more than \$300 billion per year worth of the Chinese chip market (the world's biggest) exclusively to the Chinese chip industry. As a result, we have already witnessed US chip companies' revenues being reduced, share prices dropping and a massive staff retrenchment taking place while [China experienced a rise in chip production and a drop in imports.](#)

It is not hard to predict what will happen to the US and China under US sanctions:

- 1) Without the world's biggest market, many of the US high-tech companies will lose economies of scale, and be eventually unable to compete in the world market.
- 2) The US's destructive behavior that violates market regulations only serves to alert the world to the risk of investing, buying, and doing business with the US. The weaponization of the supply chain will only damage the US's credibility and reliability as a business partner in the mind of the rest of the world.
- 3) As for China, upholding fair trade and continuing to protect the interests of all foreign investment in China, including Apple, this will enforce the world impression of a reliable and stable Chinese business environment. Hence, China will continue to become a magnet for world investors.

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