

Rising Tensions with China

Mike Whitney Interviews Paul Craig Roberts

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Mike Whitney: The Biden administration is determined to provoke China on the issue of Taiwan. The White House now believes that they must take a more aggressive approach to China in order to contain their development and preserve America's role as regional hegemon. The irony of Washington's approach, however, is the fact that tens of thousands of US corporations have fled the US over the last 3 decades to take advantage of China's low-paid work force. In fact—according to Registration China—there are now more than 1 million foreign-owned companies registered on Mainland China, many of which are owned by Americans. These corporations are largely responsible for China's meteoric economic rise over the same period of time. So my question to you is this: Why is China being blamed and targeted for the explosive growth for which US corporations are mainly responsible? Or do you disagree with my analysis?

Paul Craig Roberts: Your question is really several. Your question itself identifies the main or over-riding reason for Washington's back-tracking on the one-China policy that has been in effect since 1972—China's threat to US hegemony. The neoconservatives who dominate US foreign policy, the principal purpose of which, in their words, is to prevent the rise of other countries with sufficient power to constrain US unilateralism, now face both China and Russia as threats to US hegemony. Russia's punishment is conflict in Ukraine, sanctions, missiles on their border, and blown up Nord Stream pipelines. The goal is to isolate Russia from Europe and to present the Kremlin with sufficient problems to keep Moscow out of Washington's way.

Just as the US broke its agreement with Russia not to expand NATO and has withdrawn from the agreements made during the Cold War that served to reduce tensions, Washington is now moving toward repudiating the one-China policy as it no longer serves Washington's interest.

In 1972 with the Cold War and Vietnam war, easing tensions with China made strategic sense. The Soviet Union's existence precluded any notion of US hegemony. The neoconservatives got their idea of US hegemony two decades later when the Soviet Union

collapsed in 1991. At that time the opinion was that Yeltsin's Russia was no problem for US dominance and it would be decades before China would be strong enough to get in Washington's way. But, as you point out in your question, the offshoring of US manufacturing to China quickly turned China into an economic powerhouse, while greatly diminishing the economic prowess of the US. It wasn't so much that US corporations left on their own seeking higher profits from lower labor costs as it was that they were pushed by Wall Street, which threatened to finance takeovers in order to take advantage of the lower cost opportunity. In short, China's rapid rise was the result of Wall Street and corporate greed, for which China does not bear responsibility.



American neoliberal economists explained the offshoring of US manufacturing jobs as the workings of free trade from which America would benefit. It was two billionaire businessmen, one American and one English, US textile magnate Roger Milliken and British financier Sir James Goldsmith, who challenged the neoliberal justification for giving away manufacturing. They certainly got me thinking about it, and once I did it was obvious that offshoring of manufacturing jobs had nothing to do with free trade. Economists are as difficult to dislodge from their brainwashing as believers in the 9/11 narrative, the mRNA "vaccine," and Saddam Hussein's weapons of mass destruction. I debated the leading proponents of offshoring who claimed it was a free trade bonanza, with the Wall Street Journal prominently featuring my debate with Jagdish Bhagwati, University Professor of Economics, Law, and International Relations at Columbia University. A decade ago my book, *The Failure of Laissez Faire Capitalism*, proved conclusively that the relocation of US manufacturing abroad was hugely detrimental to the US economy, but it was all to no effect. I concluded that US economists were all bought by Wall Street as "advisors" or were living on research grants from offshoring corporations and producing justifications for the offshoring policy. In short, America lost manufacturing, because of Wall Street and neoliberal economists.

President Donald Trump understood that America was hurt by the loss of manufacturing. It was Trump who began blaming China. Having no competent advisors, Trump associated America's large Chinese trade deficit with unfair Chinese practices, and not with the fact that half of the US trade deficit (last time I looked) was accounted for by offshore production of US corporations marketed in the US. The goods enter the US as imports. Trump's inclination to blame China instead of Wall Street and American economists was reinforced by Russiagate charges portraying Trump as working in Russia's interest. Being tough on China was a way of showing Trump was defending America's interest.

To summarize, China's punishment for displacing the US as Asian hegemon is trouble with Taiwan. Trump opened the door for his neoconservative enemies by blaming China for what

Wall Street and neoliberal economists are responsible.

I regard Washington's threat to the one-China *fact* as insane—even more insane than the provocations of Russia. The Chinese mainland and Taiwan are undergoing economic integration. There is no way the US can stop this. Moreover, there is no prospect whatsoever of China allowing Taiwan to become a US military base any more than Russia would give up Crimea.

Mike Whitney: Journalist Ben Norton suggests that the big US banks and Wall Street might be the cause of Washington making Taiwan an issue. The Chinese financial system is largely socialized and is used to finance the real economy instead of speculation in financial assets. American banks want to bring the gambling casino to China and can't. Do you think Washington could be using Taiwan to pressure China to let in Wall Street?

Paul Craig Roberts: Without any doubt the main cause of dangerously rising tensions between Washington and Russia and China and also Iran is the success the neoconservatives have had in imposing hegemony as the over-riding goal of US foreign policy. Of course, for the neoconservative ideology to have traction, it must serve powerful economic interests. Tensions with Russia and China clearly serve the material interests of the military/security complex. Hegemony along with the dollar's reserve currency role also serve the dominance of American banks. But US foreign policy would not raise tensions with China solely for US banks. Indeed, tensions with China are dangerous for the many US corporations whose production is based in China. These firms could easily be nationalized or refused export licenses. If the US can disobey international law, so can China. Tensions with China are also dangerous to the Treasury bond market and to the exchange value of the US dollar. If China were to dump its holdings of US debt on the bond market, the Federal Reserve would have to print money with which to redeem the bonds so that the price doesn't collapse. But if China then dumped the dollars from bond redemptions in the currency market, the Federal Reserve cannot print foreign currencies with which to purchase the dollars, and the dollar's exchange value would fall, raising the price of imports made necessary by the offshoring of US manufacturing and food imports, thus worsening US inflation and lowering US living standards.

The neoconservatives' hostility toward Russia and China is definitely not in America's interest. In the Chinese case, it is American corporations and the US dollar that this hostility makes vulnerable, not China. In the Russian case, it is Europe that is suffering from the hostility, not Russia. What the neoconservatives are achieving is the opposite of their aims. Their policy is imposing costs on Europeans, not on Russia, and the Europeans are going to resent the suffering imposed on them. Although all European governments along with European journalists receive, as the Assistant Secretary of Defense for International Security Affairs told me years ago, bags full of money for representing Washington's interests (which seldom in my experience have anything to do with Americans' interests), sooner or later European peoples will come to the realization that "their" governments represent Washington, not them. People will suffer a lot before hardship becomes intolerable. At that point, unless people have been killed off with "vaccines" and released pathogens or in nuclear war, the guillotine arrives and governments fall.

Mike Whitney: America's critical infrastructure is going to the dogs. The roads are full of potholes, the airports are a disgrace and over a thousand trains derail every year. Meanwhile, a bigger and bigger share of the nation's net income continues to go to billionaires who already have more yachts and vacation homes than they can count. Would

you be opposed to the Biden administration extending an olive branch to Beijing by joining China's multi trillion-dollar infrastructure plan, the Belt and Road Initiative, so we can work collaboratively with a foreign government to do major overhaul of the country's roads, bridges, ports and especially high-speed rail? Clearly, the Chinese know what they're doing and—I would imagine—the project would represent tens of thousands of jobs for American construction workers. Would you support a joint-collaboration like that or do you think we should go-it-alone?

Paul Craig Roberts: Mike, as you know, I regard you as one of the most perceptive persons of our age, but this question is naive beyond belief. First of all, it makes no difference whatsoever what I would support, or you would support, or the American people would support. We neither control nor influence the decisions. This is why in the end it comes to enserfment or revolution. The American people elected Trump twice. The first time the elite would not permit him to govern. The second time they stole the election from him and prevented any examination of the theft. Because of the power of money in campaign contributions from vested interests, now legitimized by the US Supreme Court, it is impossible in the US to elect a government that serves the people's interest and if happens the elite disposes of the people's choice using the media it owns.

Second, any American who proposes to cooperate with China in any way will be labeled a "Chinese Dupe/Agent." We have already experienced this with Russia. The President of the United States was harassed by his own Department of Justice (sic) as a Russian agent simply because he wanted to "normalize relations with Russia." I was branded a Putin Agent/Dupe by a website given prominence by the Washington Post, funded by we don't know who, because I provided a truthful, correct account of the neoconservatives' responsibility for the conflict in Ukraine.

Thirdly, according to Modern Monetary Theory, the creation of money by governments to finance infrastructure projects that lead to greater productivity or reduce costs to business is non-inflationary. Instead it drops production costs and makes a country's businesses more productive and more successful in international competition. Refurbishing US infrastructure is a goal we can easily accomplish ourselves.

There is no need whatsoever for the US to participate in infrastructure projects such as Belt and Road. What Washington should be doing is removing gratuitous tensions with the two rising powers. Accept them and integrate with their success. This would benefit all and remove the danger of nuclear war.

But where are any American or Western leaders of vision?

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