

Trump's China Trade War Has Deeper Agenda

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Washington's recent trade actions are aimed foursquare at China, not at the EU or other trade partners. However, the aim is not to reduce China exports to the US. The aim is a fundamental opening up of the Chinese economy to the Washington free market liberal reforms that China has steadfastly resisted. In a sense, it is a new version of the Anglo-American Opium Wars of the 1840s using other means to open China. China's vision of its economic sovereignty is at direct odds with that of Washington. Because of this Xi Jinping is not about to cave in and Trump's latest threats of escalation risk a major destabilization of the precarious global financial system.

There exist basically two contradictory visions of the Chinese future economy and this is what the Washington attacks are about. One is to force China to open its economy on terms dictated by the West, especially by US multinationals. The second vision is one put in place during the first term of Xi Jinping aiming to transform China's huge economy into the world's leading technology nation over the coming seven years, a tall order but one Beijing takes deadly serious. It is also integral to the vision behind Xi Jinping's Belt Road Initiative.

China 2030...

Washington is determined to push China to adhere to a document it produced in 2013 together with the World Bank during the time Robert Zoellick headed it. The document, China 2030, calls for China to complete radical market reforms. It states,

"It is imperative that China ... develop a market-based system with sound foundations...while a vigorous private sector plays the more important role of driving growth."

The report, cosigned then by the Chinese Finance Ministry and State Council, further declared that

"China's strategy toward the world will need to be governed by a few key principles: open markets, fairness and equity, mutually beneficial cooperation, global inclusiveness and sustainable [development](#)."

Referring to the current Washington strategy of imposing import tariffs on billions worth of Chinese products, Michael Pillsbury, a neo-conservative former Trump Transition adviser and China expert told the South China Morning Post,

"The endgame is that China complete its deep reforms of its economy as laid out in the joint report," referring to the World Bank Zoellick China 2030 report.

...Versus Made in China: 2025

Notable about that report is that it was released at the very start of Xi Jinping's presidency and can be said to be a product of an earlier China. Soon into office, Xi unveiled what is now his Belt Road Initiative, the ambitious multi-trillion industrial infrastructure project for high-speed rails and deep water ports that would create an integrated economic space across Eurasia including Russia, South Asia, the Middle East and parts of east Africa. Two years after Xi Jinping unveiled his new Economic Silk Road as it was initially called, his government released a quite different national economic strategy document to that of the World Bank. It is titled China 2025: Made in China.

The document calls for China to emerge from its initial stage as an economy assembling technologies for Apple or GM under license, to become self-sufficient in its own technology. The dramatic success of China mobile phone company Huawei to rival Apple or Samsung is a case in point. China 2025 is a strategy to support the development, much as was done in Germany after 1871 with "Made in Germany." In the space of thirty years German manufactures went from a position of low quality to one of the highest quality standards. The Chinese are well aware of this model.

The China sanctions are being drawn up by the Office of the United States Trade Representative (USTR). The USTR first report, some 200 pages, explicitly goes after what it calls China's unfair trade practices, accusing her of disregard for intellectual property rights, discrimination against foreign firms, and use of preferential industrial policies to "unfairly" bolster Chinese firms. That USTR report by name cites Made in China: 2025 as the offending strategy Trump tariffs aim to [change](#).

China 2025 is the current blueprint to turn China into a world-class high-technology economy, exporting its own high-speed rail technology, aircraft, electric vehicles, robotics, AI technologies and countless other leading-edge technologies. It is in certain ways modelled on the 1950-1980 South Korea model in which the country moves in stages from labor-intensive industries and climb the value-added chain to high-tech industries with necessary state guidance. China, already facing the beginnings of a demographic imbalance knows she must develop this new industrial base model or face economic stagnation as it loses competitiveness. It's about going from dependence on foreign technology and investments to becoming independent in key areas. Much of China 2025 is based on China's careful study of the German "Industry 4.0" which seeks to marry German industrial production with the [digital age](#). China:2025 seeks to achieve "self-sufficiency" through technology substitution, becoming a "manufacturing superpower" globally in critical high-tech [industries](#).

"...stab at the heart of the snake"

The stakes in this latest confrontation from Washington are far too high to expect Xi Jinping to back down to US pressure and open its economy according to Washington demands. That would not only jeopardize China's economic strategy. It would also cause Xi Jinping to seriously lose face, something he is not inclined to do. Headlines in recent Communist Party state media indicate the mood. The lead story in Peoples' Daily declares,

"Bravely unsheathe the sword, have the courage to oppose, stab at the heart of the snake..." It continues, "a trade war will hurt America's low-income

consumers, industrial workers, and farmers...the main supporters of [Trump](#)."

In effect, Washington and the latest trade salvos are intended to tell China to keep its place in the US-version of a globalized liberal world where the state is not allowed to play any significant role, one where decisive power is held by a multinational corporate elite. Xi Jinping, having just consolidated his position with no restrictions on his term and consolidating his role as no previous Chinese leader since Mao, is not about to revert to what China sees as bowing to foreign pressures on its economic sovereignty. Privately, as I have confirmed in numerous discussions in China in the years since the 2008 financial crisis, China views the United States as a declining hegemon, much like the British Empire after 1873. It is determined to prepare a multi-polar alternative to the post-1990 US "sole superpower." Its close recent bonds with Russia include preparing gold-backed currencies, alternatives to the Western SWIFT, military defenses against any potential US threat in the South China Sea or elsewhere. Notable in this light the first trip abroad of new China Defense Minister Wei Fenghe was to meet his Russian counterpart and signal the close ties of the two Eurasian powers to Washington. The Chinese view the US as a former industrial power whose debt is out of control and whose "free market" model has manifestly failed America, let alone the world.

An April 3 editorial in the official Beijing Global Times suggests China has no intent to back down or revert to the World Bank agenda. It declares,

"Washington wanted to demonstrate its authority to the world, but unfortunately it gambled badly. The entire US elites have overestimated the strength and execution." The editorial continues, "There is no way for the US to rebuild the hegemony that elites in Washington picture. As globalization and democracy have dented the foundation for that hegemony, the US lacks the strength, will and internal unity needed. In fact, the US has found it difficult to subdue Iran and North Korea, not to mention major countries like China. Washington cannot rule the world as an [empire](#)."

China's execution of its ambitious Belt Road Initiative has not been to date without mistakes. It's the most far-reaching project in perhaps all world history to cooperate economically across more than 60 nations and cultures. It appears to be learning from mistakes and correcting them as the work develops. So far Washington has responded to direct invitations to participate by slamming the door and now imposing severe trade tariff sanctions to try to force China to back off from its state model of industrial policy.

It's hard to avoid the conclusion that this will not end in any victory for Trump or the US economy. The reaction of the bloated US stock markets to recent escalations suggest he risks popping the greatest speculative bubble in US stock market history, something that would trigger a financial crisis far worse than 2008. All of which suggests the old saying, people who live in glass houses shouldn't throw stones.

Trump has decided to launch not a trade war but a confrontation between Washington's version of a US-run globalized economy versus China's vision of national sovereign economic development. Today we see an increasing divide opening between nations such as China, Russia, Iran and several European countries such as Hungary or Austria who realize that the agenda of US-riven globalization spells disaster for their future. This divergence is the most significant tectonic fault line in world geopolitics and will define

whether the world descends into a new depression or develops a model for growth and expansion centered around the infrastructure of China and Russia Eurasian cooperation.

The US economy is in no shape to win such a confrontation, nor will Xi Jinping back down. This could get very nasty. China is responding very carefully and in measured moves.

The latest Pentagon strategic policy document, 2018 National Defense Strategy, explicitly names China and Russia as the main threats to US “national security,” and accuses China of “predatory economics” (sic), of using to their advantage economic policies that use the rules of the system to advantage, as if the US didn’t. If Trump really escalates, China is clearly ready to do whatever necessary, even with economic pain, to defend its economic model, as defined in China: 2025.

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