

Biden steps up anti-China trade war and provides a springboard for Trump

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26 December 2024

In one of its last actions on the economic front, the outgoing Biden administration has announced a trade-war investigation into so-called anti-competitive practices by the Chinese semi-conductor industry. This will provide the Trump administration with more weapons in its economic war against Beijing.

The latest measures represent a significant escalation of the actions of the Biden administration which has been seeking to cut off China from access to the most advanced chips needed for high-tech development and from chip-making equipment.

Previous measures have been imposed on the grounds that access to these products would provide China with the means to develop its military capacities.

Washington has maintained it is not trying to cripple the Chinese economy. Instead, it has claimed to be purely targeting Beijing's military capacities as part of what it calls a "small yard high fence policy," which is quarantining its measures to issues of so-called "national security."

But this piece of fiction has now been completely exposed by the latest investigation, which can open the way for tariffs and other restrictions because it covers Chinese chips employed in a range of consumer products.

The investigation will be conducted under Section 301 of the US Trade Act and will target what the office of the US Trade Representative (USTR) called "foundational" chips that are widely used in the auto and other manufacturing industries as well as in health care, infrastructure, aerospace and defence.

A report by the Commerce Department earlier this month found that more than two thirds of US companies used chips produced in China.

Announcing the launching of the probe, the USTR made clear its actions were not confined to the US and

that it intended to hit Chinese domestic chip production as well.

It stated: "Evidence indicates that China seeks to dominate domestic and global markets in the semiconductor industry and undertakes extensive anticompetitive and non-markets means, including setting and pursuing market share targets to achieve indigenization and self-sufficiency."

If this is a "crime," then it is one committed by every other capitalist country, above all the US.

As Bloomberg noted in a recent article, computer chips are the "engine room of the digital economy" and are now the focus of intense competition. The US has already "rolled out an array of restrictions that aim to curtail China's semiconductor ambitions and ensure America stays as a leader in a vital area."

The US, it continued, was deploying export controls and tariffs and had "set aside huge sums of government money to bring back physical production of components, reducing what it sees as a dangerous reliance in a few facilities in East Asia. Several other nations including Germany, Spain, India and Japan are following its lead."

The USTR statement said: "China's acts, policies and practices appear to have and to threaten detrimental impacts on the United States and other economies, undermining the competitiveness of American industry and workers, critical US supply chains, and US economic security."

In response to the latest move, the Chinese commerce ministry said it was "firmly opposed" to the 301 investigation and warned that the action would hurt the interests of US companies and global consumers.

Pointing to the obvious hypocrisy with which the Biden administration has cloaked its latest action—the claim that China is engaged in "unfair" subsidies and

state assistance—Beijing noted that US companies dominate the global chip market, and that the US government has provided “huge” subsidies to its chip industry. It warned that China would “take all necessary measures” to defend its rights.

Some of those measures have already been taken in response to earlier attacks, including export controls on key minerals used in chip production and the launching of an anti-monopoly investigation into the leading US artificial intelligence company, Nvidia.

The actions of the Biden administration will provide a springboard for the economic war being prepared by the incoming Trump regime and its imposition of major tariffs. China is the central target, with Trump declaring he proposes to hit its exports to the US with a 60 percent tariff. But the war is global in scope, targeting “friend” and “foe” alike.

The European powers are already on tenterhooks as they ponder the extent and intensity of the tariff hikes and are divided over whether the response should be attempted appeasement, in the form of promises to buy more American goods, or retaliation.

The Trump tariff threats have also sent a shiver of fear through the financial establishment of South Korea, one of the world’s leading industrial economies.

They are being described as having an even more serious impact on the country than the attempted coup by President Yoon earlier this month.

Speaking to the *Financial Times* (FT), Yeo Han-koo, a former South Korean trade minister, now at the Peterson Institute for International Economics in Washington, said that even before the political crisis, “the feeling in Seoul could be described as anxiety bordering on panic.”

He said Korean policymakers and business leaders had been “traumatised” by the actions of the first Trump administration which had threatened to cancel a bilateral free trade agreement.

A survey of 239 companies conducted by the Korea Enterprises Federation found that 82 percent expected the economy would be harmed by Trump’s protectionist policies.

In an interview with the FT, the governor of the Bank of Korea, Rhee-Chang-yong, said what he called “critical structural reforms” of the economy and financial markets could be delayed as a result of the political crisis.

But the impact would be “limited” compared to the effect of increased competition from China and the threatened Trump tariffs. There was a lot of uncertainty but “compared with domestic factors, the external factors are giving us a lot more uncertainty at present.”

The Trump tariff threat was “one of the main reasons why we downgraded our growth forecast for this year and next year,” the central banker said.

In what may well be a preview of attempts by US “allies” to dodge the economic missile about to be launched from Washington, Yeo told the FT some fears were “overblown” and that because South Korea had invested heavily in the US and contributed to its manufacturing “it deserves a place with the walls of Fortress USA.”

It is a mark of the decay and disintegration of global capitalism and its international trading system, coupled with its rapid descent into economic warfare, that economic and political relations recalling those of feudalism, where supplicants sought the protection of an overlord, are being invoked.



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