

The U.S. vs. China: A Capitalist Globalization Divided but not Transformed?

*by Andrew Lichterman. * Text of a presentation at the Asia Pacific Working Group webinar, "The U.S.-China competition and its impact on the people caught in the middle," June 9, 2021.*

Yesterday, the U.S. Senate voted 68-32 to pass the Endless Frontier Act, framed as bolstering the ability of the United States to compete with China. The New York Times described it as "...the most expansive industrial policy legislation in U.S. history, blowing past partisan divisions over government support for private industry to embrace a nearly quarter-trillion-dollar investment in building up America's manufacturing and technological edge." The bipartisan support for the bill, said the Times, "is a testament to how commercial and military competition with Beijing has become one of the few issues that can unite both political parties."¹

Across the political spectrum, many are portraying the U.S. China competition as a "new Cold War." This legislation underscores the fact that despite much the same roster of antagonists, the dynamics driving the new confrontation are different. It is not a collision between starkly different ways of ordering the economy, and the relation of the economy to the State. It is a competition within one system, a struggle for ascendance in a global circuit of production, trade and investment that is far more "capitalist" than anything else.

This competition is taking new forms, under new conditions. Unprecedented ecological stresses are driving conflict within and among countries. With the entire world now part of the capitalist circuit of trade and investment, there are fewer opportunities for the "accumulation by dispossession" available to competing states that characterized past forms of colonialism and imperialism.

Nationalisms also are playing a greater role in today's great power antagonisms than they did during the Cold War. Nationalist competition is being intensified by conflating economic issues with "national security" challenges. Competition with China for economic dominance will play out on such terrain as intellectual property protection, technology standards, trade sanctions, and the flow of digital information, all portrayed as central to countering the "security" threat presented by a rising China.

Yet public awareness that The New Frontier Act and related Executive Branch actions could deepen the antagonisms between nuclear-armed governments so far has been limited. What opposition there is has come mainly from peace groups, plus a few organizations working on trade and environmental issues. But there has been little visible opposition from within the main currents of the rising progressive movements in the U.S., where energies are focused on economic and racial justice and on climate change.

And it would take broad-based opposition to take on the interests lined up behind this legislation. The Endless Frontier Act provides something for a wide range of powerful interests, from the military-industrial complex to the tech sector and telecommunications to the auto

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industry. And it likely would require a sustained, multi-issue movement to deflect U.S. economic and political elites from the collision course with China that they are setting for all of us.

This legislation, and the configuration of the forces opposing and supporting it, reminded me of a similar moment—the passage of the U.S. India Nuclear deal, designed to allow cooperation and trade in civilian nuclear technology between the two countries.

That deal and its context are relevant for several reasons. It illustrates the way that national economic and political elites pursue strategies that bind their countries to each other, and to a development path that benefits those elites—but often not the mass of their populations. India also is a participant in the Quadrilateral Security Dialogue, often referred to as the Quad, consisting of the United States, India, Japan and Australia. The Quad is a significant element in the U.S. strategy to retain its economic and military role as the dominant Pacific Basin power.

The Quad was initiated in the early 2000s, but gained momentum during the Trump administration with its targeting of China. Both Australia and Japan have long-established economic and military ties with the United States. India's departure from its non-aligned stance is more recent, and the US-India nuclear deal was a significant moment in the post-Cold War construction of the economic, political, and military relationship between the two countries.

The passage of the deal also resonates because it was another instance where peace and arms control groups opposed legislation backed by a broad array of powerful interests—and lost. I believe there are some lessons to be learned from that defeat.

The U.S.-India nuclear deal was approved in the fall of 2008. The deal was opposed by U.S. arms control and disarmament groups almost entirely on nuclear nonproliferation grounds. The agreement allowed India access to trade in nuclear fuel and technology, despite the fact that it has not joined the Nuclear Non-Proliferation Treaty and has developed nuclear weapons. Access to international sources of nuclear reactor fuel allows India to devote more of its scarce domestic uranium supply to expanding its nuclear arsenal.

These arguments were important, but the deal also had broader implications for choices in energy technology, and for the future development path of the global economy. A few analysts noted these broader aspects, but for the most part their arguments were not taken up by the arms control groups who were the deal's main critics.

The US-India nuclear deal was part of a larger set of changes in the U.S.-India relationship that elites in both countries were seeking, each with an eye to maximizing their own wealth and power. U.S. Military planners envisioned India as a possible forward base for operations from South Asia to the Middle East, and perhaps as a junior partner in those operations as well. Arms makers saw an opportunity for increased arms sales, with India being one of the world's largest importers of high-tech weapons. U.S.-based multinationals were gearing up for expansion into India, hoping to use the enhanced "security" partnership as a wedge to further open India to foreign investment and sales, not only in nuclear technology and services but in everything from banking and finance to food and agriculture to big box retail stores.

The ambitions of elites in the two countries to strengthen their military and economic ties was reflected in a set of initiatives announced by U.S. President Bush and India's Prime Minister Singh in July 2005, together with the agreement in principle on nuclear trade and cooperation.

First was a "New Framework for the U.S.-India Defense Relationship." The "New Framework" called for increased military cooperation across a wide range of activities, from joint exercises and intelligence exchanges to increased weapons trade to collaboration in missile defense development.

The July 2005 agreements also established a "CEO Forum" to "harness private sector energy and ideas to deepen the bilateral economic relationship," an agreement for closer cooperation in space technology and commercial space activities and a "Knowledge Initiative on Agriculture." The U.S. private sector members of the Agricultural Knowledge Initiative governing board are Archer Daniels Midland, a diversified giant that takes agricultural products from the world over and turns them into commodities ranging from processed foods to biofuels and industrial chemicals, biotech giant Monsanto, and Walmart, the world's biggest retailer. The CEO Forum's agenda was a wish-list for the deregulation and opening of India's economy. This included, for example, greatly expanding the degree to which foreign banking and financial services companies could operate in India.

What kinds of connections might have been made by opponents of the US-India deal, in part by linking it to the larger package of deals of which it was the centerpiece? As an energy source, nuclear power generation remains a poor choice for a variety of reasons beyond its inherent environmental risks and its inextricable links to nuclear weapons. Nuclear power plants require investments in large, expensive facilities that then commit a society to using that technology at its particular level of development in large quantities for long periods of time--a number of decades. Both energy conservation measures and decentralized, alternative energy technologies can be deployed in far smaller increments, and thus can more easily take advantage of constant improvements in technology. Renewable energy technologies are more likely to give people living in rural areas not served by an electric power grid a chance to move up the energy ladder, and to do so in ways that do not contribute to global warming. Renewable technologies also create a wider variety of jobs in a broader range of social settings. Increased global trade in these technologies would accelerate their development and also encourage their adoption in the United States.

Most of the other agreements also focused on industries that are highly concentrated, where expanded trade and economic activity are likely to intensify disparities of wealth both in the United States and India. The array of deals reinforced a global circulation of trade and investment devoted to the production of goods and services that only a fraction of the world's population can afford to buy. Large organizations whether "public" or "private" provide services and buy and sell mainly to each other or to "consumers" who are the upper-echelon inhabitants of those same organizations, the technocrats, bureaucrats, managers, and professionals who constitute the modern middle class.

This dynamic has pushed much of the world's population towards the margin, with luxury crops and resource extraction driving hundreds of millions off the land into burgeoning urban slums world-wide. Yet development efforts continue to center on energy and transportation infrastructure designed to serve global supply chains for up-market consumer goods, with wealthy urban centers world-wide competing to stay or become stable nodes in the top-tier economy. The result has been a world characterized by islands of wealth in a sea of poverty.

Returning to the present, we are in a moment that is more dangerous, but also perhaps a bit more promising. In 2008 there were no broader movements that might have taken up those themes. The anti-Iraq war movement already was on the wane, and the post-financial crash movements against economic inequality and austerity, the large-scale mobilizations on climate change, and the mass movements bringing together economic and racial justice all lay in the future. These kinds of arguments might get more traction today, with the presence of substantial movements for economic justice and for an ecologically sustainable way of life.

But economic nationalism is intensifying, with the potential for hardening into new and hostile economic and military blocs. The Endless Frontier Act calls for “work with governments of countries that are *allies or partners* of the United States to promote diversified and resilient supply chains that ensure the supply of critical goods to both the United States and companies of *countries that are allies of the United States*.”² And in late April Japan, India, and Australia announced a “Supply Chain Resilience Initiative,” a parallel move that some commentators speculated “could eventually squeeze China out of the trio’s supply chains for sectors such as semiconductors, batteries and rare earths.”³

Supply chain issues arising during the pandemic provided an additional rationale for those advocating decoupling from China. One Indian defense analyst argued that “The emergence of alternative global supply chains is a reality of the post-COVID-19 era. In the coming times, the global economies will perhaps be divided into two separate value chains: one that is China-centric, and one for the rest of the world.”⁴

There are reasons why measures that resemble some aspects of the New Frontier Act are appealing. An industrial policy would be a good idea -- if it was truly democratically chosen and transparent. For an ecologically sustainable and less fragile economy, we likely need considerable re-localization, and supply chains that are less far flung.

But the path of economic nationalism is likely to lead instead to competing trade blocs, greater war risk, and the use of “national security” tropes to suppress debate over the ecological and social impacts of economic development. It is the path to perhaps the most dangerous of outcomes, a capitalist globalization divided but not transformed.

The challenges we face in this new round of confrontations among nuclear-armed states are different from the Cold War, different from anything we have encountered. The first thing we need is a deeper discussion aimed at understanding these new dynamics. It needs to be a cross-cutting discussion encompassing the various rising movements for a more fair, peaceful, and ecologically sustainable way of life. That’s the first step towards effective strategies to make another future possible.

¹ David E. Sanger, Catie Edmondson, David McCabe and Thomas Kaplan, “Senate Poised to Pass Huge Industrial Policy Bill to Counter China,” *The New York Times*, June 7, 2021, <https://www.nytimes.com/2021/06/07/us/politics/senate-china-semiconductors.html>

² The Endless Frontier Act, 117th Congress 1st Session S. 1260, section 505 (d)(3)(A) (emphasis added).

³ Jacob Atkins, *Global Trade Review*, “Asian supply chain pact takes aim at China,” May 19, 2021.

⁴ Jagannath Panda, “Quad Plus: Form versus Substance,” *The Journal of Indo-Pacific Affairs*, v.3 no. 5, Special Issue, Quad Plus: Form vs. Substance, 2020, p.3.