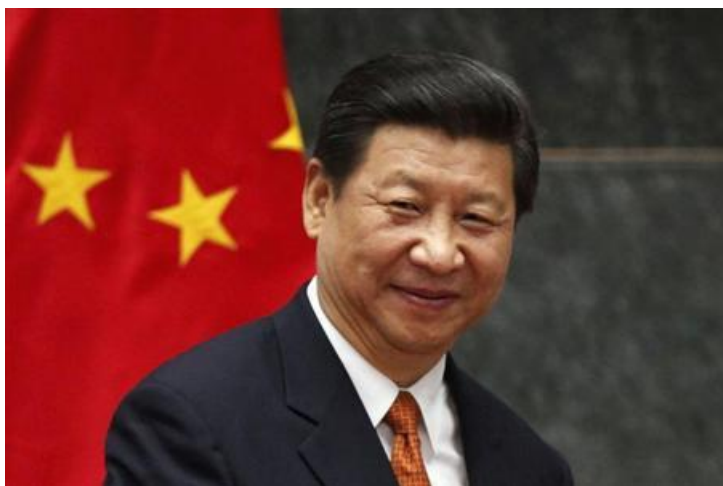


## US-China Relations: the Pentagon versus High Tech

By [Prof. James Petras](#)

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*Step by step, Washington is inexorably setting up a major provocation against China. Until now, the Obama regime tightened a military encirclement of China, expanding its armed forces agreements with Japan, the Philippines and Australia. In addition, it has promoted the Trans-Pacific Partnership Agreement (TPP), a regional trade agreement which openly excludes China. Obama has ordered a major naval build-up in the South China Sea and embarked on extensive cyber-espionage of Chinese industries and the government via major US high-tech companies, as revealed by Edward Snowden in his release of confidential NSA documents.*



President Xi Jinping

As **President Xi Jinping** prepares for his first US visit as China's leader on September 25, with the aim of extending economic ties between Chinese and US business (especially with the high tech corporations in Seattle and Silicon Valley), the Obama regime has threatened to impose a series of punitive sanctions against Chinese companies and individuals for 'cyber-espionage', essentially undermining the purpose of his trip.

Characterizing the Chinese as 'cyber-thieves' and imposing sanctions on Chinese businesses on the eve of Xi's visit will be justifiably seen as a deliberate humiliation and a provocation, designed to treat China as a mere vassal state of Washington.

This will force the Chinese government to retaliate on behalf of Chinese businesses – and President Xi is fully capable of imposing retaliatory sanctions against multi-billion dollar high tech US corporations, which had been flourishing – up to now – in China.

Obama's decision to provoke China on multiple fronts reflects the overwhelming influence of

the militarist power configurations in Washington: the Pentagon, the NSA and the Zionist-militarist ideologues.

In contrast to Washington's aggressive policy, the major US high tech corporations are almost unanimous in their opposition to Obama's 'military pivot' and are appalled by the threat of cyber sanctions, rightly calling them a "needless provocation".

For its part, Wall Street has taken an intermediary position - hoping Washington will coerce China into 'opening' its protected financial markets to the big US banks. It doesn't necessarily support aggressive sanctions, which could provoke a response from China closing off lucrative opportunities in the world's biggest financial market.

## **Background to a Momentous Confrontation**

China's growth and overseas economic expansion has increasingly challenged US market supremacy in Asia, Africa and Latin America.

China's relationship with the US, EU and Japanese multi-national corporations has changed due to its recent technological advances in its manufacturing and service sectors moving its production up the value chain. Increasingly, the Chinese have been demanding technology transfers from their multinational partners and an increasing use of locally manufactured parts in their assembly plants.

China's economic expansion and industrial maturation has evoked divergent responses from the elites in Washington, Silicon Valley and Wall Street.

## **US Elites Diverge**

The Pentagon and the White House developed the 'military pivot' to deal with China's ascendancy as an economic world power. This is essentially a policy of strategic confrontations, including military encirclement through regional base agreements, deliberate economic exclusion through regional trade agreements and political provocation through threatened sanctions. US military bases have expanded and a huge naval armada patrols China's maritime frontier. There are US fighter planes flying over Beijing's reclaimed island installations while the US State Department goads China's neighbors to stake their own territorial claims in the South China Sea.

The White House and its highly militarized State Department have launched a full-scale propaganda campaign through the US mass media, criminalizing China with unsubstantiated charges of espionage. The range, intensity and frequency of these accusations indicate that this campaign is not some clever diplomatic ploy intended to squeeze out concessions in an otherwise peaceful relation. Rather Washington's criminalization of China is meant to provoke a full rupture in diplomatic, political and economic relations and prepare for harsh military confrontations.

Washington's campaign to criminalize China includes the hysterical claims that China has engaged in the long-term, large scale theft of US intellectual property rights. By falsely attributing China's technological advances to 'theft' Washington denigrates China's endogenous scientific and technological achievements as well as criminalizing the Beijing and Chinese companies.

In the last few years, the US arrested several Chinese scientists and issued warrants for

others, publicly accusing them of spying on US companies. The charges against several of the scientists were later quietly dropped by the FBI for lack of evidence but not before the scientists had seen their careers destroyed. The negative propaganda impact on the US public was successful – Chinese scholars and scientists were depicted as spies. Whistleblower Edward Snowden’s revelations of National Security Agency’s documents clearly show that it was the US which was engaged in large-scale spying on Beijing, using major US IT corporations operating in China as a principal vehicle for data theft.

The US has accused China of violating international norms regarding the governance of the internet – claiming that Chinese authorities exercise censorship and control over US IT companies as well as its own citizens. In other words, Washington denies Chinese sovereignty by claiming extra-territorial jurisdiction over the internet! Along the same lines, Washington asserts that China has blocked US market access by insisting that public agencies rely on Chinese suppliers and that US firms store their data in China. China’s new policies developed after they discovered that US multi-national corporations were working hand-in-glove with the NSA and other US intelligence agencies. Is it any wonder that China sought to protect its industrial and trade secrets, as well as national security, by limiting access for US IT corporations?

### **The “Financial Press”: Wars over Markets**

Washington’s provocative campaign to criminalize China and Chinese industries has been amplified in the financial pages of the respectable US and British press. The degree to which the leading Anglo-American financial newspapers, the Wall Street Journal and the Financial Times, have become rabid advocates of Obama’s militarist confrontational policy instead of serving the business community’s market interests, evaluating the impact of sanctions on US high tech multi-nationals and presenting the much more moderate position of the major high-tech multi-nationals is striking.

The financial press’s shrill campaign is designed to paint China as a corporate criminal and ignores major US corporate opposition to any rash military actions. This propaganda campaign is warning the US IT elite of an imminent barrage of economic sanctions against China’s burgeoning cyber industries. These Sanctions could be announced prior to or even during President Xi Jinping’s visit to the US- if the militarists have their way.

### **White House Sanctions: The Divergences in US Policy**

Despite White House rhetoric and anti-China hysteria, most US IT corporations have reaped huge profits from their sales and business arrangements with the Chinese state and Chinese businesses. According to one executive, “Apple is the standout success story, with sales of the iPhone rising 75 percent in China over the past year (2014)’. (FT 9/12 – 9/13/15).

Senior IT executives have expressed their willingness to accommodate China’s demands a change in the way they do business, including technology transfers, because they see “huge opportunities (for profit) in the near term”. The last thing Silicon Valley wants is for Washington to provoke hostile retaliation from China if Obama imposes sanctions: That would entail the loss of hundreds of billions of dollars!

In the highly militarized-‘Zionized’ Obama administration, immersed in the politics of provocation and war, the multi-nationals do not have the final say.

## **China's Maturing Capitalism: Indigenous Innovations**

China's maturing capitalism has been accompanied by significant changes. And in 2006, the Chinese leadership announced a new policy promoting 'indigenous innovation'. The purpose of the policy was two-fold: to become less dependent on foreign technology and to combat the growing threat of Washington's espionage via US high tech corporations operating in China.

In line with these strategic goals, in 2009 China ruled that only companies with locally developed technology would be allowed to bid for public procurement contracts.

In 2010, Google's operations in China were shutdown when it was revealed that the company had acted as a 'transmission belt' transferring sensitive Chinese data to the NSA. Washington immediately denounced China for what it termed "censorship" of Google.

As the endogenous innovation policy gained momentum, the US MNC monopoly of China's high tech market was undermined. The MNC's called for Washington to intervene and force China to "open" its markets to US dominance.

In strategic terms, the tie-in between the US IT MNCs and Washington boomeranged: While spying for NSA may have gained short-term favors for the high tech sector, it undermined strategic relations with China and its lucrative market. The IT moguls re-thought the strategy and sought greater autonomy from the NSA to regain China's trust and re-enter its market.

### **High Tech Diplomacy**

The high tech multinational corporations are eager to welcome China's President Xi on his visit, viewing it as an opportunity to mend and expand relations. The Silicon Valley-Seattle corporate elite oppose sanctions against while the White House claim to be acting on their behalf.

The US high tech elite are aware that American IT companies must accommodate China's demands to transfer and share technology. They have adopted a realistic perspective that if they do not share markets, technology and sales – they can lose out entirely.

Apple, IBM, CISCO, Qualcomm have declared that they would rather cooperate with China's indigenous innovations policy than face big losses or total exclusion from the Chinese market.

Even Google, which served as the NSA's willing accomplice and was expelled for espionage against China, is now seeking approval for a limited re-entry.

### **Wall Street Diplomacy: Pressure not Provocation**

The big Wall Street bankers, on the other hand, want the White House to pressure China to de-regulate its financial markets. They want China to allow American hedge funds and speculators to sell short and artificially drive down the value of Chinese stocks, increasing volatility and discouraging investors.

It is questionable whether Wall Street's idea of US "pressure" extends to applying punitive economic sanctions. After all, limited financial access under present circumstances is still far more lucrative than total exclusion which could result from Chinese retaliation in

response to White House sanctions.

## **Conclusion**

The divergent interests and approaches among US imperial elites, between high powered IT corporate CEO's and Pentagon and White House militarists is evident in two parallel meetings taking place during President Xi's visit.

During his visit to the US, Xi will stop over in Seattle to confer with top IT executives, coinciding with the US-China Internet Industry Forum. The timing and location (Seattle) of the Forum is not coincidental. Its timing was planned by the Chinese and reflects their influence and capacity to play-off powerful US economic elites against Washington's war mongers and Pentagon militarists.

The White House has been pushing for a fight with China ever since Obama announced his so-called 'pivot to Asia'. The saber rattling has escalated over the past two years, aided and abetted by an all-out propaganda campaign denigrating China's scientific and economic performance and exaggerating fears of its defense modernization programs. When one reads the Wall Street Journal or the Financial Times, one would think the Chinese economy is on the verge of collapse. They describe the drop in China's projected annual growth from 7.3% to 7% as 'catastrophic'! If the EU and US grew at half that rate, the financial scribes would claim an 'economic miracle'!

Denigration of the Chinese economy; screeds and characterizations of the Chinese as industrial thieves engaged in spying and criminal behavior and the wild paranoid warnings about the growing 'Chinese military threat' are part of a systematic build-up to counter lucrative economic relations between China and IT corporations and other leading US economic sectors.

Washington's projected sanctions on China will be many times more costly to US MNC than its current sanctions on Russia. White House sanctions on Moscow mainly damaged European-based industries and businesses. However sanctions against China will have a massive impact on the US economy.

The White House's version of the "yellow peril" has no redeeming features for any sector of the US economy. It is the purest expression of militarism run amok. It over-rides any rational economic interest in pursuit of unadulterated geo-political military supremacy. Even on its own terms military supremacy is unattainable as Washington will soon discover, as China deepens its military ties with Russia!

If and when Washington raises the specter of sanctions against China, (with the accompanying gratuitous insults and unsubstantiated accusations of state sponsored "cyber theft") the Chinese government will respond.

President Xi will take reprisals as he has done before, faced with lesser threats. And he will have the support of the vast majority of Chinese from all regions and classes.

US IT corporations are aware of this potential debacle and have openly and forcefully conveyed their views to Washington. For them, the so-called 'cyber theft' is a minor issue compared to the lucrative long term strategic opportunities in working with China.

So far the militarists in the Obama White House have commanded US-China policy. Up to

now they have disregarded corporate American interests; whether it is US oil interests in Iraq and Libya, or IT corporations in China.

If Zionist officials in the Executive influence the militarists on Middle East policy, the hard core militarists influence the Zionists in the Far East.

If the US military-driven Middle East policy has been a failure, a similar policy toward China will be catastrophic.

US sanctions and humiliation against China and the consequent falling out of relations will play out in slow motion. Beginning with the precipitous decline of joint ventures and exports, it will lead to lifeless cranes in empty Pacific coast ports and rusting container ships; profit losses and vacant country clubs in Silicon Valley and lost sales for US auto companies. The list is endless but the consequences are clear.

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For media inquiries: [editors@asia-pacificresearch.com](mailto:editors@asia-pacificresearch.com)