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The Political Economy of US Geopolitical Strategy towards China*

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Abstract

This article analyzes the role of United States corporations in shaping US economic and geopolitical policies towards China. We focus in particular on the post-2010 period, and criticize the state-centric approaches to US-China relations favored by realist scholars of international relations. Once aggressive promoters of economic integration with China, many of America's largest corporations now defend policies designed to block the growth of Chinese firms in Western markets and protect their lead in semiconductors, artificial intelligence, and other critical emerging technologies. The current tension between the US and China reflects in part a dispute for control over technical progress in these key areas.

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Introduction

This article analyzes the role of United States corporations in shaping US economic and geopolitical policies towards China, focusing in particular on the post-2010 period. Once aggressive promoters of economic integration with China, many of America's largest corporations now defend policies designed to block the growth of Chinese firms in Western markets and protect their lead in semiconductors, artificial intelligence, and other critical emerging technologies.

China was one of the main beneficiaries of the globalized world built by the United States after 1980, and the consequent reduction in the latter's economic power and international influence, as well as the growing dispute over markets between Chinese and American companies, has transformed China into what Pentagon officials call America's "No. 1 long-term geostrategic security challenge" (Hennigan 2023). The US-China relationship has changed from one of complementarity, in which both American and Chinese firms benefitted from and lobbied for deeper economic integration, to one of rivalry.

In the 2000s, Niall Ferguson coined the term "Chimerica" to describe the close economic relationship between the two countries (Ferguson and Schularick 2007), and as late as 2010, the governor of Texas and future Presidential candidate Rick Perry was dining with Huawei's chairman and welcoming him to the company's new headquarters near Dallas. A decade later, wireless service providers in Texas were tearing Huawei equipment out of local telecommunications networks and replacing them with American and European versions, part of a federally-subsidized "rip and replace" program to combat alleged Chinese espionage.

Experts claim these developments reflect the actions and reactions of two great powers impelled by an inherently threatening external environment to enhance their own "power" and "security" (Allison 2017). The rapid growth of Chinese firms under Xi Jinping has, Pearson, Rithmire, and Tsai (2022) argue, generated a classic "security dilemma" in which the Chinese state's desire to ensure its security provoke countermeasures on the part of the United States (US), escalating the conflict. US corporations, the authors add, are too divided in their interests to form a united front against China, hence the current "backlash against China and Chinese firms is better explained in terms of security dilemma dynamics than manifestations of vested interests" (Pearson, Rithmire, and Tsai, p. 174).

These analyses, representative of the realist approach in international political economy[1], suffer from what we regard as their excessive state-centricity, that is, their reification of states as autonomous entities driven to seek power and acting more or less independently of domestic social forces[2]. Such analyses, we argue, cannot come to terms with the decisive role of large multinational corporations in the adoption of a more antagonistic posture toward China. As Hung (2022) argues, what impeded policymakers from doing so prior to the late 2000s was the interest of US corporations in maintaining strong commercial relations with this country. These firms acted as a counterweight to protectionist industries, labor unions, and defense hawks which for decades had been calling for tariff increases and other measures to reduce imports and restrict China's technological development. "[C]orporate CEOs often played the role of messengers between US and Chinese leaders…Powerful American corporations were the glue, stabilizer, and fuel for the Chimerica formation" (Hung 2022, p. 30).

Borrowing from Marxian (Miliband 1969; Panitch and Gindin 2013) and institutionalist analyses (Dugger and Sherman 2020), we reject state-centric approaches to US-China relations and regard the American state and its geostrategic decisions as grounded in social relations. National security is not an autonomous sphere of power in which Pentagon officials or foreign policy experts pursue goals independently or in conflict with the interests of big business. National security objectives, rather, reflect long-term capitalist interests and are elaborated within a network of organizations and policy groups funded and controlled by corporations and the wealthy, or what Domhoff (2020) calls the "upper class of corporate rich".

Though we do not analyze in detail the composition of the American capitalist class, we assume the existence in the United States of what Poulantzas (1968; 1978) called the "hegemonic fraction of the power bloc", that is, a segment of the capitalist class that holds political power and assumes a leadership role within the state over other segments of capital. We refer to this hegemonic fraction simply as "big business", and take it to mean the largest 500 or so US corporations in terms of revenue[3]. These firms, most or all of which are multinational, control the "policy planning network" (Domhoff 2020; De Graaf and Van Apeldoorn 2019) that dominates foreign policy debate in the United States[4].

The planning network refers to the assortment of foundations, think tanks, and policy groups (some housed at elite universities) that structure debate on international issues in the United States. There are thousands of such organizations in the United States, but only a small subset plays a role in foreign policy, the most important of which include the Rockefeller, Carnegie and Ford Foundations, the Council on Foreign Relations, the Brookings Institution, and the Business Roundtable. Though often declaring themselves non-partisan, these organizations have close ties to the dominant political parties and "are also closely interlocked…with America's large corporations and big banks though their funding and their governance" (De Graaf and Van Apeldoorn 2019).

Analyzing the corporate funders of seven elite think-tanks, De Graaf and Van Apeldoorn (2019, p. 91) find that most of the resources came from only 49 corporations, roughly 70% of which were Fortune 500 or Fortune Global 500 companies representing a wide range of sectors[5]. The directors and trustees of these organizations, furthermore, are predominantly business executives or people with corporate affiliations, roughly 70% in the case of the Council on Foreign Relations (CFR), Brookings, the Atlantic Council, and the Aspen Institute.

Foreign policy programs at elite universities also rely on donor support from corporations and wealthy individuals, and in fact the problem of corporate influence "may be worse in academia" than at think tanks, for the notion that university departments are "as controlled by corporate interests as the people in think tanks, I don't think the public is as aware of that problem..." (Rolnick and Schechter 2017). In light of such evidence, Stephen Walt (2018, p. 103) asks: "What does this broad picture of the foreign policy community reveal? To paraphrase Karl Marx, top government officials make foreign policy, but they do not make it entirely as they please."

Business associations and policy groups provide a forum for corporations to congregate, discuss foreign affairs and delineate broad objectives. Organizations such as the Business Roundtable and the Emergency Committee for American Trade (section 2) "create a stable institutional framework for the expression of broader class interests" (Dreiling and

Darves 2016, p. 241). “Businesses”, the authors add, “use associations to articulate and, more crucially, create the common interests that underlie political cooperation”, a process “facilitated by an institutionalized and historically constituted apparatus geared toward political influence processes”.

The centrality ascribed here to big business in US foreign policymaking should not be interpreted as disregard for the influence of workers and popular struggles on the policies of the state, nor for the conflicts of interests that exist both within big business and between big business and sectors of the US economy directly affected by Chinese imports, such as steel and home appliances. The latter sectors, forming an alliance of convenience with segments of the working class, have played an important role in China policy and help explain the more confrontational posture of the Trump and Biden administrations (Starrs 2021). Trump’s tariff wars damaged the interests of US technology companies and semiconductor manufacturers (Zahoor, Wu, Khan, and Khan 2023), revealing that US business is hardly an undifferentiated bloc united on all policy issues.

This article contains five sections, in addition to this Introduction. Section 1 discusses the logic guiding the trade embargo imposed on China between 1950 and 1970, examining US-China relations in the context of US geopolitical objectives. Section 2 discusses the evolution of American policy toward China over the course of the 1950s and 60s, examining the policy changes of the 1970s in light of the collapse of big business support for the embargo. Section 3 analyzes policy developments after 1980 and Section 4 discusses the deterioration in US-China relations after 2010. The final section concludes the article.

Section 1: Business and the China Differential

The first phase of US-China relations in the postwar era (1949-1970) was marked by extreme hostility to the Chinese Revolution and by attempts to block China’s economic and military development. In December 1950, the US seized China’s foreign assets and imposed a total trade embargo on the country. Four years later, during a dispute over two islands off China's southeastern coast, the United States threatened the People's Republic of China (PRC)—at the time one of the poorest countries in the world—with nuclear attack (Chang 1988, p. 108).

The trade embargo practiced by the US and its allies in the 1950s, imposed through the Coordinating Committee for Multilateral Export Controls (Cocom), were stricter than those imposed on the Soviet Union, a policy referred to as the "China differential" (Huang 2001). The immediate cause of the differential was China's intervention in the Korean War, but more generally it was an outgrowth of America's plans for Western Europe and Japan, the objective of which was to rebuild these regions as wealthy satellites isolated from the socialist bloc and open to US exports and investment. Achieving this meant securing their access to export markets and raw materials, much of which, US officials reasoned, would have to come from their own colonies or former colonies, regarded as vital sources of raw materials for the US as well. "To simplify, Japan needed Southeast Asia; Western Europe needed the Middle East; and the American rearmament effort required raw materials from throughout the Third World" (Leffler 1992).

The Chinese Revolution threatened this strategy, in part because China had been an important market and source of raw materials for prewar Japan (Feraru 1949), but mainly because it could provide—aided by the Soviet Union—material and ideological support for independence movements present in a large part of the global periphery at the time. Concern over China's influence on these movements generated a "virulent hostility" to the PRC that would continue through the 1960s (Peck 2006, p. 84).

Japan played a key role in US trade policy towards China. US officials in the 1950s were not confident about the prospects of pro-American political forces there, and believed the strengthening of ties between that country and the socialist bloc would reduce Japan's willingness to submit to US authority. The Korean War reinforced "an adamant American determination to avoid any risk of an independent Japanese foreign policy—which meant cutting off any possibility of trade between Japan and China" (Peck 2006, p. 104).

To say that big business was in line with these policies is an understatement. Large corporations were as involved in the formulation of foreign policy in this era as in the design of labor and tax laws and other domestic policies. In fact, their influence over foreign policy was much greater, for unlike domestic issues, where labor unions and other social forces could weigh in, foreign policy was more exclusively the domain of big business. "If there is one 'issue-area' that is truly the domain of a power elite grounded in an American upper-class of corporate rich, it is foreign policy" (Domhoff 1969, p. 25).

Planning for the postwar era began in the early 1940s and was carried out by businessmen and policy experts employed at foundations and think tanks like the Committee on Economic Development, the Rockefeller Foundation, and the Brookings Institution, which were instrumental in the creation of NATO and the Bretton Woods institutions, their directors and staff often working directly for the State Department and other federal bureaucracies. Discussing Congress's decision in 1943 to redistribute federal planning tasks to the Committee on Economic Development, the *New Republic* observed that "Congress was, in effect, turning over the direction of post-war planning for American security and well-being to American business."

Leffler (1992) calls attention to the "vast growth in the overall influence of large corporations and high-technology companies in the US economy" during World War II, with "International bankers, corporate chief executives and Wall Street and Washington lawyers" occupying "positions in State, War, Navy and other departments". President Eisenhower's Secretary of Defense was the chief executive of General Motors, while the director of the agency in charge of implementing the Marshall Plan was chief executive of Studebaker, another large automobile manufacturer. Other notable examples include Dean Acheson (corporate lawyer and Truman's US Secretary of State), John Foster Dulles (corporate lawyer and Eisenhower's Secretary of State), Paul Nitze and James Forrestal (investment bankers occupying high-positions in State and Defense), and John J. McCloy (American High Commissioner for Occupied Germany and later chairman of both Chase Manhattan Bank and the Council on Foreign Relations). Top strategists who were not themselves members of the corporate elite did of course exist, but they were often invited into high-level circles by people who were, George Kennan, founder of the Cold War "containment" doctrine, being perhaps the most important example (Larsen and Mahan 2011, p. 14-20).

Corporations were not united on all policy issues, but there was a broad consensus on two fundamental objectives: the need to build a world economy open to US exports and investment while preventing the rise of an independent power in Europe or Asia capable of competing with the US economically or militarily. “In all the world”, a Brookings Institution study noted in 1945, “only Soviet Russia and the ex-enemy powers are capable of forming nuclei around which an anti-American coalition could form”. This observation was the basis of America’s opposition to Western European or Japanese “neutrality” during the Cold War. “Neither an independent Europe nor a united Germany nor an independent Japan must be permitted to emerge as a third force or a neutral bloc” (Leffler 1992, p. 11, 17)[6].

The first well-known elaboration of how to integrate Japan, Western Europe, and Britain into a US-led economic system was a Council of Foreign Relations study from 1941 prepared in coordination with the Rockefeller Foundation and the State Department. The study called attention to the need to dominate the “Grand Area”, a minimum geographical space required for the “security and economic prosperity” of the United States (Luther-Davies et. al. 2022). This area encompassed the entire Western Hemisphere, the British Empire (including the Middle East), the Dutch East Indies (Indonesia), China, and Japan. The US, the study concluded, must not permit “defections” from the Grand Area or allow its members to create exclusive trade or monetary zones, developments which should be “thwarted through economic and political pressure and, if necessary, military coercion” (Luther-Davies et. al. 2022).

After World War II, the territories and colonies of continental Western Europe—including West Germany—were incorporated into the planning network’s conception of the Grand Area, which now encompassed all of non-Soviet Eurasia. Control of Eurasia remains a fundamental objective of US foreign policy (section 4), as it is the only region of the world whose “potential power” in terms of population and natural resources “overshadows even America’s” (Brzezinski 1997, p. 61). Walt (2018), a prominent critic of US military interventions after 1990, nonetheless observes that “Europe and Asia are vital because they contain key centers of industrial power and military potential”, hence the US must ensure “these regions do not fall under the control of another major power, especially not a peer competitor.” As long as China was perceived as a threat to this objective, the US government severely restricted trade with it.

Section 2: The End of the Embargo

Throughout the 1950s, US allies, as well as sectors of American business, regarded the China embargo as excessive. Henry Ford II, president of the Ford Motor Company, criticized the "drastic trade limitations and laws" prohibiting US companies from "helping" China and other socialist countries. In 1956, the president of the US Chamber of Commerce, America's largest business lobby, called for a "resumption of trade in non-strategic goods between this country and Communist China" (Huang 2001).

Business support for ending the embargo, however, was relatively weak at this time, as the Chinese market was at the time not large enough to elicit broad support for such an initiative (Huang 2001, p. 43). Though "there has been increasing interest within the US export business community", the Commerce Department reported in 1957, this "does not constitute a significant pressure on the US government to lift the embargo." Policies designed to isolate China and retard its growth remained a central feature of U.S. policy for the remaining years of the Eisenhower administration (Foot 1996; Huang 2001).

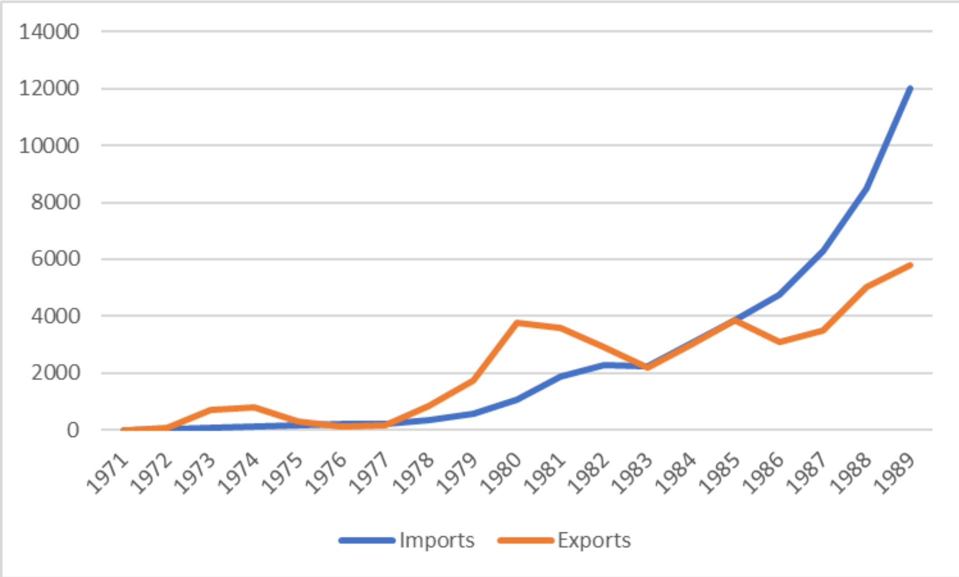
US policy began to change in the mid-to-late 1960s. In 1966, President Lyndon Johnson advocated reconciliation with China through the "free flow of ideas and people and goods" (Foot 1997, p. 74). One year later, soon-to-be presidential candidate Richard Nixon published an influential article in *Foreign Affairs*, the Council on Foreign Relations' flagship journal, arguing it was time to improve trade and investment relations with China and focus on "pulling [it] back into the world community".

These remarks reflected the changing geopolitical and economic environment of the 1960s. By the middle of this decade, it had become clear that the strategic assumptions on which American hostility towards China had been based were no longer valid. Fears about the development of a "Jakarta—Hanoi—Peking—Pyongyang axis" of revolutionary parties controlling Southeast Asia subsided with the US invasion of Vietnam and the destruction of the Indonesian Communist Party at the hands of General Suharto, suggesting that "developing nations were turning away from revolutionary approaches" (Peck 2006, p. 247). Second, Japan was by this time developing into a prosperous American satellite firmly committed to its alliance with the US. Finally, and perhaps most importantly, far from forming a cohesive bloc, China and the Soviet Union had been feuding with one another since 1956, nearly going to war in 1969. Concern that trade with China might strengthen a powerful Sino-Soviet alliance, one of the main reasons for the embargo, was thus clearly unfounded. To the contrary, US foreign policy officials began to perceive China as a potential ally, playing in Asia a stabilizing role (from the perspective of US hegemony) similar to that of Western Europe. Reinforcing this strategy was US awareness of sharp divergences within the Chinese Communist Party (CCP) regarding economic policy, leading one intergovernmental study to suggest in 1966 that the "lunatics in power" would eventually give way to "less revolutionary successors" such as Liu Shaoqi and Deng Xiaoping (Peck 2006 p. 255).

Political scientists analyzing developments in US-China relations in the 1960s and 70s emphasize the role of the Sino-Soviet split (Allison and Hu 2021), treating business interest in China as something of a byproduct of the strategic calculations of Nixon and Henry Kissinger (Nixon's National Security Advisor). That this was not the case is suggested by the nature of US-China diplomatic negotiations, heavily biased toward economic affairs. In 1971, Nixon ended the embargo on the sale of non-strategic goods to China and lifted all controls on imports. In 1972, he made his historic visit to China, resulting in the Shanghai communiqué pronouncing the resumption of trade. This was soon followed by the sale to China of commercial aircraft and communications equipment by Boeing and the Radio Corporation of America, marking for Boeing the beginning of a long and successful partnership with the Chinese government.

In 1979, President Carter recognized the PRC as the sole government of China and proposed most-favored-nation (MFN) status for China within the framework of the General Agreement on Tariffs and Trade. This proposal was approved in January 1980 by significant majorities in both the House and Senate. US merchandise trade with China, virtually non-existent between 1950 and 1971, increased to US$5 billion by the end of the 1970s. In the mid-1980s, the US was a net exporter to China, its trade balance with China only turning substantially negative in the late 1980s (Figure 1).

Figure 1: US Merchandise Trade with China 1971-1989 (US$ Millions)



Source: Wang 2010.

Nixon and Carter had close ties to big business and the policy planning network. Nixon's policies were influenced by the Emergency Committee for American Trade (ECAT)[7], a lobby founded by the chief executive of IBM and including among its members business leaders active in the planning network such as David Rockefeller (Chairman of Chase Manhattan Bank and the Council on Foreign Relations), Peter Peterson (Nixon's Secretary of Commerce and CEO of Bell and Howell[8]), and George Ball (Lehman Brothers executive and State Department official in the Kennedy and Johnson administrations). The chairman of ECAT was a personal friend of Nixon's and also the CEO of Pepsi, for whom Nixon had worked as a lawyer and informal ambassador prior to becoming president (Chorev 2007).

Carter was himself a successful businessman who, prior to becoming president, had become a member of the Trilateral Commission, an international policy organization founded in the 1970s by David Rockefeller, Zbigniew Brzezinski and other prominent members of the Council on Foreign Relations. The Commission's meetings, Carter later explained, "for me were like classes in foreign policy—reading papers produced on every conceivable subject, hearing experienced leaders debate international issues and problems…" (Biven 2002, p. 18). Carter came to know his vice-president (Walter

Mondale), his National Security Advisor (Brzezinski), and his Secretary of State (Cyrus Vance) through their shared involved in the Trilateral Commission, and organizations such as Brookings and the Committee on Economic Development were well-represented in his administration (Biven 2002).

David Rockefeller, an important sponsor of Carter's presidential campaign, was an active proponent of improved economic relations with China, having called, well before Nixon's visit, "for more United States trade with the Soviet and Chinese Communist blocs" (Hofmann 1971). "The Nixon Administration came into office when nearly all these restrictions" on trade with socialist countries "were under attack in the United States" (Kissinger 1979, p. 188-9).

Business support for improved US-China relations had roots in the same trends leading to modern globalization. As numerous studies have pointed out, labor strikes, social unrest, and competition from Western European and Japanese firms were major concerns of American corporations in the late 1960s and 70s (Brenner 1999; Panitch and Gindin 2013). Nixon took office in the midst of these developments and undertook a series of measures to contain restore US competitiveness, including dollar devaluation, tariff increases, and efforts to promote exports and overseas investment, the focus of which, initially, was the Soviet Union.

Foreshadowing the debates of the 1990s and 2000s, Osofsky (1976), a Soviet specialist and business school professor, observed that economic integration with the socialist bloc offered many benefits to US multinationals, including "cheap, strike-free labor". "The Soviet market is lucrative for the multinational sector of the US economy, but it is highly doubtful" that expanded trade and investment relations would result in net job creation for American workers, as businesses entering joint-ventures with Soviet firms would simply "ship back to the United States goods which might have been produced in the United States".

In 1969, Congress passed the Export Administration Act loosening controls on trade with the socialist bloc. In October 1972, Nixon granted most-favored-nation status (MFN) to the Soviet Union, several years before Carter would do the same for China. "It seems the major American industrial multinationals, together with their American multinational bank allies, are demanding that the US Government promote officially and institutionally their trade with the USSR", part of "an effort to open up the vast Soviet market to American technology on a grand scale" (Osofsky 1976).

US-Soviet trade relations deteriorated after 1974 following Congressional amendments to US trade laws which obstructed MFN approval for the Soviet Union, leading the Soviets to cancel the 1972 trade agreement[9]. This dampened business interest in the Soviet Union and led US firms to look more favorably on trade and investment opportunities in China, which replaced the Soviet Union as "the big socialist market of the future" (Ferguson and Rogers 1981, p. 16).

Section 3: The Push for MFN in the 1980s and 1990s

Economic relations between the US and China improved throughout the 1980s, a decade characterized by US offensives against both the Soviet Union and organized labor. Neoliberalism unified several great business interests in American capitalism. "By the 1980s, the unabashedly supply-side focus of the Business Roundtable and its vigorous advocacy for domestic deregulation, corporate tax cuts, and global free trade signaled a class realignment of historic proportions, one unquestionably inflected with neoliberal ideology" (Phillips-Fein 2009, p. 146).

Export controls against China were progressively relaxed, leading to an increase in military and high-tech exports. By 1984, the US had become China's third-largest trading partner, after Japan and British Hong Kong, and in 1985 it became China's largest foreign investor after Hong Kong and Macau (Wang 2013). Textiles and clothing accounted for more than 40 percent of Chinese exports to the United States. China also became a major purchaser of Boeing commercial aircraft, accounting for 25 percent of the company's production of 737s between 1974 and 1992 (Lee 1997).

Diplomatic relations between the US and China deteriorated after the Tiananmen Square protests of 1989, leading to a reduction in arms sales. In 1993, President Clinton announced MFN status for China would be subject to presidential evaluation of human rights conditions in that country, provoking a hostile reaction from AT&T, Hughes Aerospace, and other corporations seeking to expand supply chains into China. Clinton quickly backtracked. “[T]he business community”, Clinton’s Secretary of State noted, “had convinced the president that trade for America was a higher value” than human rights considerations, “so that became the basic policy” (Hillman 2022).

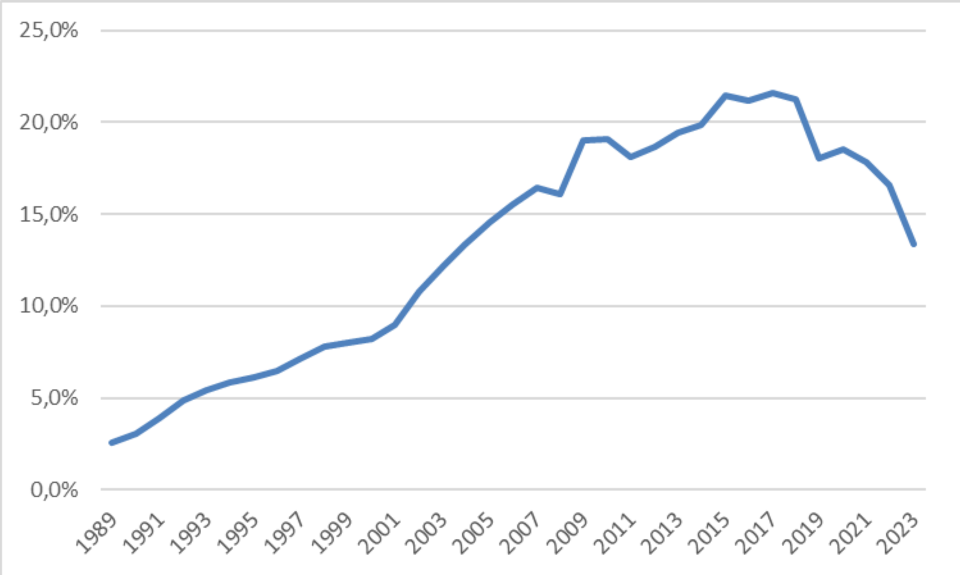
Strong support for MFN within the White House had been assured the previous year when Clinton formed the National Economic Council (NEC), appointing Robert Rubin, chairman of Goldman Sachs, its first director. The NEC “significantly increased Wall Street’s voice in the government’s decision-making processes”, centralizing control over foreign economic policy and wresting it away from other government agencies viewed as less favorable to expanding economic relations with China (Hung 2022, p. 16).

Encouraged by pro-business reforms in China, American multinationals lobbied for deeper economic integration throughout the 1990s. The Chinese state itself encouraged US companies to lobby against laws designed to reduce US imports and direct investment in China. “The business community”, an industry lobbyist noted, “has always been the tip of the spear keeping the US-China relationship on a good track” (Wagreich 2013, p. 151).

Debate over MFN for China lasted until October 2000, when Clinton, after an “unprecedented” lobbying campaign “funded by the largest multinationals and spearheaded by the US Chamber of Commerce” (Wagreich 2013, p. 143), granted China permanent MFN status, clearing the way for it to join the WTO. China’s entrance into the WTO would not have been possible without the strong support of the US government. The US and the European Union (EU) were the most important countries China faced in its petition to join the WTO, but the EU essentially followed the US lead. Balducci (2011) calls attention to the “peculiar weakness of the European Union as a negotiator in China's WTO accession”, noting that on almost all key issues “the US preceded the EU and carried out the heavy lifting”.

In 2006, China became the US’s second largest trade partner (exports and imports), after Canada, and in 2009 it became the US’s largest source of imports. Figure 2 illustrates the impressive strengthening of trade ties between the US and China in the 1990s and 2000s, as well as the apparent reversal in this trend after 2017[10].

Figure 2: US Merchandise Imports from China as a Share of Total Imports, 1989-2023*



Source: US Census Bureau (https://www.census.gov/foreign-trade/balance/c5700.html#1985).

*Data for 2023 are through August.

Section 4: From Complementarity to Rivalry in the 2010s

As noted in the Introduction, the deterioration in US-China relations after 2010 is often viewed as a conflict between rival states seeking to enhance their own security against external threats, a viewpoint reinforced by news reports portraying US companies as victims of government regulators bent on restricting Chinese technical progress (Swanson 2021). In important cases, including market leaders such as Intel and Qualcomm, Ford and Tesla, Apple and Google, the trade war between the US and China has cut into revenues and raised costs by forcing these companies to relocate production facilities and find alternative suppliers (Zahoor, Wu, Khan, and Khan 2023). Nonetheless, it is important to distinguish between the short-term interests of specific companies and sectors from the long-term interests of big business as a whole, whose less conciliatory approach toward China—and demands for measures designed to weaken the developmentalist policies of the Chinese state—can readily be observed by examining the position of the US's largest business lobbies and think-tanks.

Think tanks with strong ties to the military-industrial complex call for a radical break with China, arguing the measures imposed thus far are inadequate. A research program at the Center for a New American Security focuses on "blunting China's digital expansion", while scholars at the American Enterprise Institute argue US efforts to combat intellectual property theft in China "may be the worst American failure" (Scissors 2023). Most policy organizations adopt a more measured approach, calling for export controls and other measures to contain "our principal strategic competitor", but without "abandoning a relationship with China…as there remain advantages both for US exporters and US companies to do business there" (CED 2023). China remains a major export market for high-tech manufacturers like Qualcomm, and almost all of the major banks, manufacturers retailers and technology companies either operate in China or rely on Chinese suppliers for critical inputs (CED 2023). "Our fundamental problem is that our number one customer is our number one competitor," one industry executive noted (Miller 2023, p. 92). The overall outlook on China was described succinctly in late 2020 by Kurt Campbell, former chairman of the Center for a New American Security and director of the Aspen Institute, and currently President Biden's Deputy Secretary of State: "[T]he United States has entered the most consequential rethink of its foreign policy since the end of the Cold War", characterized by a "hardening elite consensus on China" that "requires careful consideration of how to selectively decouple with China, disengaging in sensitive technologies essential to national security while permitting regular interaction in trade and investment…" (Campbell 2020).

As was the case in the 1970s, there are broad geopolitical as well as domestic factors behind this new elite consensus[11]. Regarding the former, the key transition period was the late 2000s, when the foreign policy establishment began to perceive the futility of the wars in Iraq and Afghanistan, convincing Obama administration officials that it was time to focus on China, then undergoing an impressive military and high-tech modernization. China had previously been regarded as too weak, and the benefits of economic integration with it too large, to justify a hostile posture towards this country. Renowned Cold War hawks such as Zbigniew Brzezinski (section 3) argued in the 1990s that China was an “important strategic asset—equal to Europe” in its usefulness in the implementation of divide and conquer strategies in Eurasia. China “is emerging as a regionally dominant power, [but] it is not likely to become a global one for a long time”, (Brzezinski 1997).

Brzezinski underestimated China’s ability to maintain and even surpass the high rates of technical and industrial progress registered in the 1980s and 90s. China underwent rapid military modernization in the 2000s (Trebat and Medeiros 2014), investing heavily in its navy as well as precision missiles and anti-satellite weapons to improve its capabilities in western Pacific. Growth in military spending was especially rapid after 2008 (*The Economist* 2019). These developments interacted with changes in the economic relationship between the US and China leading to a reformulation of US policy.

Prior to the late 2000s, this relationship was complementary. China produced and exported final industrial goods in sectors and activities with low technological content (textiles, clothing) or assembled and exported intermediate goods and consumer industrial goods with imported technology and brands (ICT products) and imported goods and activities of greater technological complexity. A substantial part of the value of Chinese exports was appropriated by US-owned firms operating in China or subcontracting stages of the production process to China, earning royalties and other rents derived from their control over the proprietary technologies and intangible assets associated with branding and design[12].

Over the past 15 years, China has improved its position in the regional and international division of labor through a massive effort to modernize public infrastructure, stimulate technological innovation, and reduce the degree of foreign control over domestic industries and assets, which is much higher in China than in previous Asian industrializers such as Japan and South Korea. Starting in the late 2000s, and especially after the election of Xi Jinping in 2013, the Chinese state became more aggressive in its use of technology transfer and government procurement to promote innovation and secure sizeable market shares for Chinese firms. This was part of a campaign to reduce Chinese dependence on exports, stimulate domestic consumption, and transform China from a producer of low-tech goods and assembly services to a high-tech powerhouse (Wade 2021).

China also began investing abroad to strengthen its diplomatic, commercial, and military relations with other countries, notably in Africa and South and Southeast Asia. Demonstrating the close relationship between the economic and geopolitical sources of US-China tensions, Zahoor, Wu, Khan, and Khan (2023, p. 22) note China's military expansion in the South China Sea involves the construction of runways, ports, and hangars, part of "regional value chains efforts aimed at driving Asia away from the trade-protective US".

China announced the Belt and Road Initiative (BRI) in 2013, followed by the Made in China 2025 program in 2015. The BRI is an ongoing project characterized by massive investments in telecommunications and transport infrastructure—financed largely by China's state-owned banks—linking China to export markets and raw materials suppliers. Made in China 2025 is focused on scientific and technological development and has created enormous demand for the products of the digital economy, mainly through government R&D and procurement in semiconductors and artificial intelligence. Made in China 2025 "rang loud alarm bells in western capitals, especially Washington DC, crystallizing the fear of China as a tangible threat to its premier position in the world" (Wade 2021).

The goal of such initiatives is to stimulate technical progress and strengthen China's control over raw materials supplies, transport and communications networks. These initiatives also promote the international expansion of Chinese firms. BRI projects, a Council on Foreign Relations study notes, favor Chinese contractors and telecommunications and technology companies, as almost 90% of companies participating in Chinese-funded projects are Chinese. "In many BRI countries, the United States will struggle to keep pace with China as Chinese firms rapidly gain market share and Chinese technical standards become the norm…" (CFR 2021, p. 22-3).

China has made extraordinary strides in the digital economy (smartphones, internet, and big data) and artificial intelligence (AI), with the formation of large high-tech firms such as Alibaba, Baidu, Tencent. The number of Chinese companies in the *Forbes Global 500* list has increased from 15 in 2005 to 130 in 2021, their share of aggregate revenues among companies on this list increasing from 4% to 27% in the same period, close to the 30% share of aggregate revenues earned by American companies (Huang and Verón 2022).

Through its control over a rapidly-growing domestic market, the bargaining power of the Chinese state relative to multinational companies has increased. AT&T, which lobbied heavily for improved trade relations with China in the 1990s, has been displaced from the Chinese market by local firms. Such tendencies have strengthened since 2008, with stricter government regulation of foreign multinationals and intellectual property rights violations becoming serious issues for US companies (Morrison 2019).

Throughout the 1990s and 2000s, organized labor and traditional industries such as steel and precision equipment lobbied the US Treasury to designate China a "currency manipulator", which by law would give the Treasury authority to impose extra duties on Chinese imports. Defense hawks (Krauthammer 1995) lent support to these efforts warning China was too strong and ambitious militarily for the US to continue doing business with it. These lobbying efforts were successfully countered by a coalition of high-tech companies, advanced manufacturers, and large investment banks interested in doing business with China. Since 2008, however, the intensity of this counter-lobbying effort has weakened, with companies such as Caterpillar, which previously dominated China's construction machinery sector, reversing their position on the question of exchange rates after losing market share to Chinese competitors (Hung 2022, p. 44).

In 2010, 19 business groups and companies wrote to the White House complaining about regulatory changes in China that "pose an immediate danger to US companies", reflecting "[s]ystematic efforts by China to develop policies that build their domestic enterprises at the expense of US firms and US intellectual property" (Meredith 2010). A 2017 report published by the US Chamber of Commerce and the American Chamber of Commerce in China observed that "the business environment in China has deteriorated for many US and other foreign companies", arguing the problem was not one of "defending our markets from subsidized steel and other commodities" but of keeping Chinese markets open to American multinationals and preventing the Chinese government from "forcing the transfer of incredibly valuable U.S. intellectual property and know-how to China" (US Chamber of Commerce 2017).

Unlike the allegations of trade dumping or currency manipulation, which large business lobbies oppose, there is a broad consensus regarding the need to defend intellectual property rights and access to the Chinese market. "The list of corporations and organizations involved in lobbying Congress over these issues in 2019 – a peak year for such efforts – manifests a broad spectrum, including Oracle, IMB, Google, GM, Eli Lilly, National Chicken Council, Playboy, Morgan Stanley, United Steelworkers, and Conservatives for Property Rights" (Hung 2022, p. 42-3).

The change in attitude towards the smartphone and telecommunications equipment manufacturer Huawei was an early indicator of the shift in US policy. Huawei, a private firm with close connections to the Chinese state, was founded in the late 1980s and by the late 2000s had become a serious competitor for Oracle, Cisco and other Western firms, reducing their profit margins, according to one estimate, by 10-20 percentage points (Steinbock 2012, p. 40). A European Commission study found that Huawei underbid competitors by up to 70%, observing that this price competition was a result not only of state subsidies but rapid technical progress on the part of Huawei (Berman, Maizland, and Chatzky 2023). "It is this competitiveness effect that serves as a major incentive for the incumbent leaders to deter Huawei's expansion in the US" (Steinbock 2012, p. 40).

Measured as a percentage of sales, Huawei's R&D expenditures are twice that of firms such as Alphabet and Amazon, and the Chinese company has filed more patents related to 5G technology than any of its competitors (Berman, Maizland, and Chatzky 2023). "Huawei was successfully replicating what South Korea's Samsung or Japan's Sony had done decades earlier: learning to produce advanced technology, winning global markets, investing in R&D, and challenging America's tech leaders" (Miller 2023, p. 86).

US efforts to block Huawei's expansion resemble similar efforts in the early 1980s to curtail the rise of Japanese electronics firms. The comparison is revealing because, unlike China, a diplomatic and military competitor, Japan is a US military protectorate, and yet it was subjected to much the same criticism now directed towards the Chinese. In the 1980s, Japanese electronics firms became major producers of dynamic random access memory semiconductors, their world market share increasing from roughly 30% to 75% between 1978 and 1986 (Irwin 1996, p. 7). The Semiconductor Industry Association, an industry lobby created in 1977 by Intel, Motorola, Micron Technology and other companies, demanded punitive measures against Japan, and foreign policy experts agued Japan's success was the result of espionage and unfair collaboration between electronics firms and the Japanese government. The US-Japan semiconductor conflict was settled in

1986 with an agreement in which Japan, under the threat of trade sanctions, adopted voluntary export restraints and agreed to reserve 20% of the Japanese market for foreign producers.

The conflict between the United States and China is much broader than that between the US and Japan and has fewer prospects of peaceful resolution because China—this is the key element distinguishing it from past Asian industrializers—is a non-subordinate state with autonomous military capabilities. This raises the stakes and makes it difficult for the US to simply impose conditions on the Chinese. The American state has thus sought to threaten China with economic isolation by forming coalitions with other Asian states. One such initiative was the Trans-Pacific Partnership (TPP), a trade and investor agreement signed in 2016 by the US and twelve countries bordering the Pacific Ocean, including Japan, Malaysia, and Vietnam, but not China. Wagreich (2013, p. 15) argues the TPP reflected the rise of an "anti-China corporate insurgency" (Wagreich 201, p. 15).

It is instructive in this regard to compare the fairly mild corporate reaction to Donald Trump's tariffs with the more aggressive business reaction in the 1990s to attempts by labor unions and conservative Republicans to block MFN approval for this country. Liu and Zhang (2022, p. 351) observe that although most prominent US multinationals oppose tariffs, they have taken an "ambivalent stance" toward the ones imposed on China. US multinationals protested strongly against Trump's use of section 232 of US trade law to justify higher tariffs on the European Union, the United Kingdom, and Japan, but were much less vocal in their opposition to Trump's use of the same law against China. This reflects the "growing frustration" of US corporations "with discriminatory Chinese policies", and the view of sectors of US business that see "the trade war as a window of opportunity to address their grievances with Chinese industrial policies that limit market access for foreign MNCs".

The Biden administration has removed section 232 tariffs against its Western partners, but upheld Trump-era tariffs on China and introduced new sanctions on Chinese firms, pressuring Asian and European allies to do the same. In October 2022, Biden signed legislation barring Chinese manufacturers from obtaining chips or chipmaking equipment made with US parts anywhere in the world, and in early 2023 stopped providing licenses for US companies to sell goods to Huawei. In August 2023, his administration announced a new proposal to regulate and ban US investments that could stimulate Chinese technological and military progress, mainly in semiconductors and artificial intelligence.

It is important to recognize that though we have focused here on business attitudes, other social forces also played a role in Biden's policies toward China. Trump's campaign success was based on his ability to exploit divisions within the capitalist class as well as present himself as a defender of workers and domestic industry against the type of neoliberal globalization supported by mainstream Democrats and Republicans. Offshoring and trade liberalization over the course of the 2000s had a huge impact on wage inequality and the degradation of worker rights and social conditions in the US, and economic integration with China was a major part of this story (Case and Deaton 2017). These conditions, and Trump's success in taking advantage of them for electoral purposes, made it impossible for Biden to defend further trade agreements along the lines of the TPP, which big business would still fervently support were it politically feasible. "The era of trade liberalization", a senior fellow at the Council on Foreign Relations recently observed, "has petered out… It's a mixture of change in the world and a change in perception in the Democratic Party. But it's a pretty clear repudiation of the Clinton-Obama legacy" (Lynch 2023).

Conclusion

The shift in US policy toward China after 2010 had two main causes: China's rapid economic growth and military modernization, now perceived as a threat to the postwar Grand Area strategy (section 2); and the encroachment of Chinese state and firms on the markets and technological leadership of US multinationals. It is perhaps tempting to regard the second factor as more important, for defense experts, labor unions, and fractions of capital have been emphasizing the "China threat" for decades, but this only had a meaningful impact on policy when big business began to fear competition from Chinese firms. The economic and geopolitical factors behind the policy shift, however, are too closely related for us to draw such a conclusion. Fear of Chinese encroachment on previously US-controlled markets is a consequence of decades of Chinese growth and technological progress, providing the industrial, technological, and financial basis for

China's increasingly threatening (from the US perspective) diplomatic and military initiatives after 2010. These initiatives have become much more ambitious, making it impossible even for organizations such as the US Chamber of Commerce and the Business Roundtable—concerned less with geopolitics than with the economic interests of its members—to ignore.

One of the objectives of the present research has been to illustrate the inadequacies of approaches that ascribe US foreign policy objectives to the decisions of a foreign policy elite motivated by abstract considerations of American "power" and "security". States are not independent entities pursuing their own logic; they are not as Marx (1978) put it, "suspended in mid-air". The parameters of foreign policy debate in the US are constrained by the attitudes and interests of big business, the main funders and organizers of what has been described as the "policy planning network". Bureaucrats and intellectuals whose opinions conflict with core business interests do not play a role in defining national security objectives.

This does not imply that the American state blindly takes orders from large corporations. Even the subset of the capitalist class referred to here as "big business" is too diverse for it to simply draw up instructions for government officials to carry out. Other social classes and fractions of capital, furthermore, have some capacity to defend their interests, and in some cases force compromises on the wealthy. Political power under capitalism is not exerted by brute force alone, and big business hegemony relies on some degree of consent from other social groups. Elections, limited as they are as instruments of genuine democracy (Dugger and Sherman 2000, p. 31), force the political representatives of capital to take working class interests into account, if only to impede wealthy renegades such as Donald Trump from assuming leadership positions within the state. Trump's success fed off working class contempt for neoliberal globalization, as well as the demands of traditional industries for protection from imports, forcing Democrats and mainstream Republicans to retain aspects of the Trump-era policies that much of big business would gladly do away with, such as tariffs on Chinese goods and the diminished enthusiasm for trade agreements such as the TPP. Tariffs, export controls, and the government-imposed boycott of Huawei (a major client of US semiconductor and semiconductor equipment manufacturers) are clear examples of the "relative autonomy" of the American state (Panitch and Gindin 2013), revealing its ability to impose policies that go against specific capitalist interests as well as its need to take into account the demands of workers and less powerful fractions of the capitalist class.

The susceptibility of the American state to interests other than those of big business has reinforced the trend toward a more combative approach toward China, impeding presidential administrations since 2017 from simply resuming the neoliberal agenda of earlier years. The focus now is on maintaining US technological leadership and engineering a selective decoupling from China. This new strategy reflects in part the need to appease domestic interests long opposed to the "Chimerica" formulation, but the primary objectives are to stem China's technological advance, reduce supply chain vulnerabilities, and prepare for a worst-case scenario. The relationship between China and the US resembles in certain ways the conflicts of the late 19th and early 20th centuries between the established imperialist powers and late industrializers like Germany and Japan. China has autonomous military capabilities and is seeking control over its own technologies, infrastructure, and natural resource supplies. This conflicts with the fundamental geopolitical objective of the US in the postwar era: impeding the formation of countries or alliances capable of disrupting a world economic and political order organized by the American state and in which US capitalists are the principal beneficiaries.

Endnotes

1. This approach includes prominent political scientists and international relations scholars such as Krasner (1978), Skocpol (1985), Walt (2018), and Mearsheimer (2021).

2. An alternative to realist theory, the Marxist one, can be inferred from the work of Leo Panitch and Sam Gindin (2004), who argue that the distinctive feature of American imperialism in the postwar period was the organization of an informal empire incorporating the largest capitalists state of Europe and Japan and promoting capitalist production relations across the globe. The power relations that previously characterized the subordination of formal and informal colonies to British imperialism were displaced after the war to the industrialized nations rebuilt under American protection. Even the commercial conflicts that arose in the 1970s between the capitalist powers did not alter the essential characteristics of the informal empire, which has, in the internationalization of American capital and military protection, essential mechanisms for the maintenance of imperial leadership. This leadership role is exerted both on an ideological level (concealing the imperial nature of the US) and in terms of investments, uniting US national interests with those of the capitalist classes in other core countries.

3. By "US corporations" we mean corporations domiciled in the United States. Notwithstanding the vast internationalization of production and financial assets in recent decades, corporate control remains divided largely along national lines (Starrs 2021). That is, firms headquartered in the United States are still owned mainly by US citizens, Japanese firms by Japanese citizens, and so on. We reject Robinson's (2004) characterization of modern capitalism as led by a "transnational capitalist class" exercising political power primarily through organizations such as the World Trade Organization (WTO) and the World Economic Forum (WEF). "The reality is that it was the immense strength of US capitalism which made globalization possible, and what continued to make the American state distinctive was its vital role in managing and superintending capitalism on a worldwide plane" (Panitch and Gindin 2013).

4. Dreiling and Darves (2016) document the central role played by corporations and business associations in the trade advisory system organized under the Office of the United States Trade Representative.

5. The Fortune 500 and Fortune Global 500 are annual rankings of the largest companies by revenue in the US and the world, respectively. It is published by *Fortune* magazine.

6. Notice, with regard to this broad policy objective, that China is now a superpower with autonomous military capabilities, something the postwar states of Western Europe and Japan have never been.

7. ECAT played a fundamental role in Nixon's economic initiatives, including the 1974 Trade Act, which gave fast-track authority to US presidents and made it easier for groups such as the Business Roundtable and the National Association of Manufacturers to take a direct role in foreign economic policy. For further discussion and evidence, see Dreiling and Darves (2016).

8. Peterson succeeded David Rockefeller as Chairman of the Council on Foreign Relations, a position he held from 1985 to 2007. Peterson later founded the Blackstone Group, one of the

world's largest private equity firms, as well as the Peterson Institute for International Economics, a prominent Washington-based think tank.

9. Geopolitical tensions in the Middle East and other parts of the global periphery, combined with political opposition within the US to improved US-Soviet relations, played a role in these developments, as did US business disappointment with certain aspects of the Soviet economy. The Soviet market for bank loans proved much smaller than US banks had imagined, and the Soviets preference for barter deals benefitted European and Japanese firms, more willing to engage in non-conventional trade and monetary arrangements than their American counterparts (Cumings 1981, p. 202-3).

10. The fall in US goods imports from China after 2017 is a consequence not only of higher tariffs but also the decision by Chinese and US multinational corporations to reroute trade through other nations such as Vietnam, Malaysia, and Taiwan (Hirsh 2022).

11. Unlike the class conflict of the 1970s, which reinforced business interest in overseas investment and deepening economic integration with developing countries, today's struggles appear to be reinforcing an opposite tendency of "re-shoring".

12. However, and still, this complementarity, as discussed above, resulted in deindustrialization of the US workforce arising from the outsourcing of important industrial segments.

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