

## **[Video] Paula Bach interview: What are the targets behind china-U.S. trade war?**

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### **Body**

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We shared the full interview with Paula Bach, which we conducted from the Reprofile program a month ago, when the China-U.S. Phase I agreement to be signed on January 15 had not yet been made.

Paula Bach is an economist at the University of Buenos Aires, a specialist in the analysis of the international economy, columnist of The Daily Left and a member of the Socialist Workers' Party.

#### **Can the U.S.-China trade truce last this time?**

First of all, it seems to me that Trump is unpredictable and that, likewise, Xi Jinping, the president of China. So the truce is still something we'll see. Apparently it would be an inter-phase agreement, from which the first one is being negotiated, but it is still not really possible to know whether the truce will finally take place or not. In addition, there have already been several failed attempts, so we must leave that question in the middle.

Anyway, I think there are two factors right now that would allow you to think about the nearest possibility of some truce level. These factors are: the first is the fact that since it began in the so-called "trade war", the US economy and the Chinese economy were significantly hit in the relative recovery that began in 2017 and had a sharp slowdown since the start of the so-called trade war; and that is an element that raises, not only the possibility of a major slowdown in the next period, but even the possibility of a recession.

The second factor in this context is linked to the fact that there are elections in the U.S. in late 2020, with which Trump is playing re-election, and evidently a further economic slowdown already strong during 2019 and much more some signs of recession, probably wouldn't allow you to be re-elected. More so than Trump is weakened by the political crisis that means the start of impeachment, it's the impeachment in the U.S. lower house. In this context it seems to me that these two elements are like one, and somehow act as factors that can lead to the start of a truce, I insist, a partial truce on the specifically commercial point.

#### **What's in the background behind the so-called "trade war"?**

That's a pretty deep question, I think. The truth no analyst speaks only of trade conflict, but rather talks about trade conflict, the technological conflict geopolitical conflict, by hegemony, a number of things. Now, I'm particularly more strict about that and I think that, to tell you the truth, the conflict that is expressed as commercial is not trade. The trade problem is not the basis of this conflict, although obviously the fact that it is the way it is expressed poses problems in trade flows.

So I think the trade mechanism has two central objectives: one of the objectives it has is a pressure target on China, and the other of the objectives is a propaganda target on Donald Trump's election basis.

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As for the pressure mechanism on China, it is associated with two aspects: on the one hand, the fact that China is developing as a technologically developed power. Let's not forget that China is the second largest exporter of cell phones today, but not only that, but is very advanced in artificial intelligence. It is much more advanced than the US in developing 5G technology, which is the basis of the so-called "internet of things" and on top of that, China is trying to produce microchips or is produced but is trying to make enough production, which is the right strength of the U.S. And if all this were not enough, China has a leading role in genomics, which as everyone can imagine is a very important aspect from the point of view of technology. So I believe that one of Donald Trump's and U.S. central goals against China, and there's unity not only in the Trump, but the Democratic Party even all the big American business sectors agree on this, to stop China in its technological development that presents it as a strategic threat to the United States. And the other aspect is linked to the need to improve the entry conditions of US transnationals in China, with elements such as making China stop forcing companies to ced patents, to ced its patents when they invest in their Territory. These two aspects are the aspects that have to do with the trading mechanism as pressure, that is, it is what is trying to curb the pressure of trade.

And on the other hand the aspect that I was saying of propaganda towards the basis of Trump is the idea that if the U.S. pushes China a lot and defeat from a commercial point of view, or if it makes it snout from a commercial point of view , this would allow U.S. capitals to return to the U.S. and employ the United States, and so on, and so on. Well, what shows that the trading mechanism is actually nothing more than a mechanism, an argument, or a propagating mechanism, a pressure mechanism. There are two elements that are pretty solid to prove that: one is that even though Trump's key speech is the trade deficit, the US trade deficit with China continued to grow since the implementation of those of the trade war, that is, in the last eight months the US deficit with China continues to grow and this is because China stopped buying more American products from Chinese products that it stopped buying North America, on the one hand, and on the other, the total U.S. trade deficit. continues to grow, that is, with the rest of the world continuing to grow because the purchases that were stopped from China because of the rate increase were not made in the US, but far from it, were made in other countries, such as Vietnam, such as Taiwan , such as Mexico, among others. Even with the right to Trump, because Trump said "good ultimately if they don't buy From China buy elsewhere, or invest elsewhere, but don't do it in China," thus demonstrating that the trade deficit is not really what interests him but what he is to weaken China for other reasons as we spoke before.

And the second aspect is that, with regard to the departure of transnational corporations of North American origin from China, well, there are many analysts who say that in reality this is magnified and that there are few companies that are really leaving, of companies American people who are leaving China. But in any case, neither do American companies leaving China go to the U.S. which is Trump's propaganda in the sense "well they're going back to the U.S. so that's going to allow us to generate jobs in the U.S.," but, quite the contrary, , are going to other destinations as well as Bangladesh, Vietnam, Mexico, which on the other hand was already an existing product or by-product of wage increases in China and which was more wagely suited for them even moving to other destinations. Obviously with the whole process of the trade war the process was magnified, but I think it is important to point out those two aspects,

**If the truce lasts, what impact can it have on economic activity?**

In the event that the commercial truce is settled, which I say again is doubtful but not impossible, in the event that the trade truce is settled, I think it can have a conjunctural impact, that is, conjuncturally it can be a factor in changing the trend of the economy. In the sense that the recovery that occurred in 2017, which was closely linked so much to the fact that 2016 was very low growth from the global point of view, almost recessionary, as the fact of Trump's tax rebates in the Us that are already being Exhausting. These two elements were the ones that allowed 2017 to grow higher than the growth that had been occurring in previous years.

Now, trade measures have changed that trend, as I said before. Well now, if there is a more or less credible truce that is more or less lasting, from a conjunctural point of view, there could be an economic resuscitation. However, what must be taken into account mainly is that the trends to the slowdown and the recessionary trends that are foreshadowed for the next period are not... the cause of these trends is not the development of the so-called trade war with China but come from much earlier. Moreover, the IMF, and since 2017, it has been announcing the possibility of recession in 2020 or 2021, so it is clear that the problems are much deeper, since one cannot expect beyond a conjunctural resuscitation to think of a long-term resuscitation, an exit from the crisis makes no sense. Because the root causes of the crisis, to tell you the truth, are the low economic growth that has occurred since the

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beginning of the post-2008/2009 recovery, the low level of investment that has been taking place in the same period, the low level of productivity growth, the fall in growth, with world trade and, ultimately, the crisis of globalization or the great crisis elements of globalization and neoliberalism of which, in truth, the Chinese-American conflict is not the origin of the problem but, in truth, which is the consequence of that social problem.

The sharpening of the Us conflict has to do with the semi-stagnation of the world economy, to tell the truth, since the post-crisis recovery 2008/2009, and where another of the great consequences that at the same time act as a limit to the possibility of recovery of the economy is the process of promotion of class struggle, which is true, after what became known as the Arab Spring from the end of 2010/2011 approximately 2013, is currently taking a process to tell a deeper truth , much more widespread, affecting much of the world and much of Latin America as good, as we all know.

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