

THE NEW WORLD ECONOMY

BY JEFFREY D. SACHS

The US' economic war on China

The US' current China trade policies are a repeat of its 1980s attempts to influence Japan's economy, but are destined to fail

China's economy is slowing down. Current forecasts put China's GDP growth this year at less than 5 percent, below the forecasts made last year and far below the high growth rates that China enjoyed until the late 2010s. The Western press is filled with China's supposed misdeeds: a financial crisis in the real-estate market, a general overhang of debt and other ills. Yet much of the slowdown is the result of US measures that aim to slow China's growth. Such US policies violate WTO rules and are a danger to global prosperity. They should be stopped.

The anti-China policies come out of a familiar playbook of US policymaking. The aim is to prevent economic and technological competition from a major rival. The first and most obvious application of this playbook was the technology blockade that the US imposed on the Soviet Union during the Cold War. The Soviet Union was the US' declared enemy and US policy aimed to block Soviet access to advanced technologies.

The second application of the playbook is less obvious, and in fact, is generally overlooked even by knowledgeable observers. At the end of the 1980s and early 1990s, the US deliberately sought to slow Japan's economic growth. This may seem surprising, as Japan was and is a US ally. Yet Japan was becoming "too successful," as Japanese firms outcompeted US firms in key sectors, including semiconductors, consumer electronics and automobiles. Japan's success was widely hailed in bestsellers such as *Japan as Number One* by my late, great colleague, Harvard Professor Ezra Vogel.

In the mid-to-late 1980s, US politicians limited US markets to Japan's exports (via so-called "voluntary" limits agreed with Japan) and pushed Japan to overvalue its currency. The Japanese yen appreciated from around ¥240 per US dollar in 1985 to ¥128 per dollar in 1988 and ¥94 to the dollar in 1995, pricing Japanese goods out of the US market. Japan went into a slump as export growth collapsed. Between 1980 and 1985, Japan's exports rose annually by 7.9 percent; between 1985 and 1990, export growth fell to 3.5 percent annually; and between 1990 and 1995, fell to 3.3 percent annually. As growth slowed markedly, many Japanese companies fell into financial distress, leading to a financial bust in the early 1990s.

In the mid-1990s, I asked one of Japan's most powerful government officials why Japan did not devalue the currency to re-establish growth. His answer was that the US would not allow it.

Now the US is taking aim at China. Starting around 2015, US policy-makers came to view China as a threat rather than a trade partner. This change of view was due to China's economic success. China's economic rise really began to alarm US strategists when China in 2015 announced a "Made in China 2025" policy to promote China's advancement to the cutting edge of robotics, information technology, renewable energy and other advanced technologies. Around the same time, China announced its Belt and Road Initiative to help build modern infrastructure throughout Asia, Africa and other regions, largely using Chinese finance, companies and technologies.

The US dusted off the old playbook to slow China's

surging growth. Former US president Barack Obama first proposed to create a new trading group with Asian countries that would exclude China, but presidential candidate Donald Trump went further, promising outright protectionism against China. After winning the 2016 presidential election on an anti-China platform, Trump imposed unilateral tariffs on China that clearly violated WTO rules. To ensure that the WTO would not rule against the US measures, the US disabled the WTO appellate court by blocking new appointments. The Trump administration also blocked products from leading Chinese technologies companies such as ZTE and Huawei and urged US allies to do the same.

When US President Joe Biden came into office, many (including myself) expected Biden to reverse or ease Trump's anti-China policies. The opposite happened. Biden doubled down, not only maintaining Trump's tariffs on China but also signing new executive orders to limit China's access to advanced semiconductor technologies and US investments. US firms were advised informally to shift their supply chains from China to other countries, a process labeled "friend-shoring" as opposed to offshoring. In carrying out these measures, the US completely ignored WTO principles and procedures.

The US strongly denies that it is in an economic war with China, but as the old adage goes, if it looks like a duck, swims like a duck and quacks like a duck, it is probably a duck. The US is using a familiar playbook and Washington politicians are invoking martial rhetoric, calling China an enemy that must be contained or defeated.

The results are seen in a reversal of China's exports to the US. In the month that Trump came into office, January 2017, China accounted for 22 percent of US merchandise imports. By the time Biden came into office in January 2021, China's share of US imports had dropped to 19 percent. As of June 2023, China's share of US imports had plummeted to 13 percent. Between June 2022 and June 2023, US imports from China fell by a whopping 29 percent.

Of course, the dynamics of China's economy are complex and hardly driven by China-US trade alone. Perhaps China's exports to the US will partly rebound. Yet Biden seems unlikely to ease trade barriers with China in the lead-up to the US' election next year.

Unlike Japan in the 1990s, which was dependent on the US for its security and so followed US demands, China has more room for maneuvering in the face of US protectionism. Most importantly, I believe, China can substantially increase its exports to the rest of Asia, Africa and Latin America through policies such as expanding the Belt and Road Initiative. My assessment is that the US attempt to contain China is not only wrongheaded in principle, but destined to fail in practice. China will find partners throughout the world economy to support a continued expansion of trade and technological advance.

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As the world grapples with an unprecedented confluence of devastating floods, wildfires and droughts, the debate about how to address the escalating climate crisis is increasingly distorted by big-business interests peddling false remedies and promoting deceptive narratives.

The fossil fuel industry is a prime example. In a desperate effort to deflect attention from their historical responsibility for climate change, oil and gas companies have been touting various speculative technological fixes. The stark reality is that these companies are engaging in a stalling tactic meant to enable them to keep polluting.

Given the urgency of the threat posed by climate change, we must rally behind the only real solution: a rapid, equitable and complete phaseout of all fossil fuels. Coal, oil and gas are the primary drivers of climate breakdown, accounting for more than 75 percent of the world's greenhouse gas emissions and nearly 90 percent of all carbon dioxide emissions.

Yet the harm caused by fossil fuels is not limited to climate change. Fossil fuels and petrochemicals such as plastics, fertilizers and pesticides poison our air, water and food, and perpetuate environmental injustices. Air and water pollution from fossil fuels leads to countless deaths and illnesses globally, and the plastic pollution crisis is visible proof of the industry's detrimental impact.

That is why reducing emissions is not enough. Mitigating the multifaceted environmental crises we face requires tackling its root cause: fossil fuels. A complete phaseout of oil, gas and coal represents our greatest opportunity to minimize the catastrophic effects of global warming, limit the average temperature increase to no more than 1.5°C, and safeguard our planet for future generations.

To this end, a growing coalition of governments, civil-society organizations, indigenous communities and concerned citizens around the world is rallying behind the Fossil Fuel Non-Proliferation Treaty. Representing an actionable solution to the climate crisis, this proposed treaty would put us on a path toward a sustainable future by leaving no room for oil and gas companies to continue their reckless activities.

The fossil fuel industry will not go down without a fight. This is evident in its latest greenwashing and delay tactic: the suggestion that we could reduce emissions through technologies such as carbon capture and storage (CCS) and carbon capture and use. Yet CCS currently captures less than 0.1 percent of global emissions, has a decades-long history of overpromising and under-delivering, and is inefficient, costly, and does nothing to accelerate the shift away from fossil fuels. Moreover, carbon-removal technologies that rely on CCS, such as bioenergy with CCS (BECCS) and direct air capture, pose significant risks, come with great uncertainties, and could impede more effective near-term measures.

Those profiting from business as usual have other powerful weapons in their arsenal. A new diversionary tactic gaining traction — primarily in the US and among other major polluters — is solar geoengineering, also known as solar radiation modification (SRM). Advocates of this highly speculative and risky technofix believe that by spraying reflective particles into the stratosphere or by manipulating clouds to "dim the sun," they could mask some of global warming's worst effects, at least temporarily.

This approach, however, represents the ultimate false solution — a large Band-Aid with potentially disastrous consequences, including the potential to alter global precipitation patterns. There is one additional huge concern: while carbon lingers in the atmosphere for thousands of years, sun-dimming particles in the stratosphere would dissipate within a year or less, necessitating



ILLUSTRATION: MOUNTAIN PEOPLE

The fossil fuel industry's obstructionist climate change tactics

The fossil fuel industry's promotion of solar radiation modification is not just a Band-Aid, but an irreversible disaster that distracts from real policy

BY LILI FUHR

constant renewal. Discontinuing solar geoengineering could trigger a catastrophic "termination shock," causing global temperatures to rise so fast that humans and ecosystems could not adapt. In other words, this method would require indefinite maintenance and global governance.

Despite its flaws and risks, SRM is already distracting policymakers from the urgent task of phasing out fossil fuels. With the US and the EU researching and discussing multilateral solar-geoengineering governance, a theoretical climate intervention strategy largely relegated to science fiction has emerged as a real and present danger to climate action and environmental justice.

The correct approach to this high-risk technology is to prevent its development and deployment, as more than 400 leading academics from 50 countries suggested when they called for an international non-use agreement on solar geoengineering last year. Policymakers

must heed these warnings, reject SRM, and refrain from wasting precious time contemplating non-solutions.

Governments play a crucial role in the fight for a safer climate and a sustainable future on this planet. Over the coming weeks and months, political leaders will have a chance to

toward climate justice.

For starters, global leaders must follow the lead of countries like Vanuatu and Tuvalu — as well as numerous cities, health institutions, academics and civil-society organizations around the world — and commit to working toward a robust and clear fossil fuel non-proliferation treaty.

stop supporting the fossil-fuel economy through subsidies for CCS and carbon-removal technologies, which merely serve as cover for further industry expansion and potentially doom us to a toxic future. At the same time, political leaders must heed the call for an international agreement preventing the development and deployment of solar geoengineering and should refrain from normalizing this untested and dangerous technology as a viable climate policy option.

Most importantly, we can and must embark on a rapid and equitable transition away from fossil fuels. Our leaders owe it to all peoples and future generations to address today's climate emergency with real solutions. Dangerous distractions that hinder meaningful action must be rejected. The world is burning and there is no time to waste on illusory remedies.

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demonstrate true climate leadership at key events such as the UN Climate Ambition Summit in New York on Sept. 20 and the UN Climate Change Conference (COP28) in Dubai later this year. They must seize these opportunities to take meaningful steps

By ensuring that no loopholes are left open for the industry to exploit, policymakers can prevent oil, gas and coal producers from postponing the inevitable decline of the fossil-fuel-based economy.

Moreover, governments must