

THE MAKING AND COMING OF THE SECOND COLD WAR – US FOREIGN POLICY TOWARDS CHINA

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Abstract

Given the USA's hegemonic status in world politics, it is generally held by both experts and laypersons alike that the only nation that could both challenge and replace the USA in term of its hierarchical position is China, because of this the War Against Terror is likely to be relegated in terms of US priorities. While it will, very likely, remain a major topic in the globalized mass media, in strategic terms, it will be subdued by a New Cold War for strategic resources, in which the USA will try to dominate and secure precious resources in order to remain the only superpower in the world. This is partially evident by the fact that the US has withdrawn officially from Iraq and is bound to do the same in Afghanistan in 2014. Since the US is a highly militarized society, its elites feel that there is a compulsion to project conflict, weapons, and war globally; how else could they enrich themselves and simultaneously maintain its gigantic permanent military economy? And since the Soviet Union is long gone, US focus has shifted to the Pacific region, namely China, where it hopes to implement a rehash of its old containment policy that was successfully used against the S.U. Such a hegemonial policy could not only lead to a (military) conflict between the USA and China, it could also worsen the arms race between the two economic giants, which is something that the US elite favors as its military-industrial complex depends on it. However, the chances of success for the US policy towards China, in terms of containment and dominance, are likely to be slim, due to several factors discussed in this article.

Introduction

Although it may seem unlikely, the *War on Terror* is soon bound to wind down and play a much less prominent role in

world politics. The reason for such a dramatic change in US foreign policy has everything to do with economics, seen as a zero sum game by the U.S. American elite. In an era of both scarcity of strategic resources¹ (such as oil & gas) and globalization the main reasons for competition, conflict, and war are going to be what has been called “Energy wars”.² The Cold War, which was basically ideological, as it was economic and political, is over but a New Cold War is looming and impending. This New Cold War is about resources, and is non-ideological in nature. Its primary rivals are and will be the USA & China.

Ever since the demise of the Soviet Union, the USA has become a solitary hegemonic superpower. For some 10 years after the demise of the Soviet Union, the world witnessed a severe economic decline by Russia, as China has been on a permanent dynamic rise. So much, as a matter of fact, that knowledgeable observer has claimed that by the year 2035 (some say even sooner [2016]) China’s economy will overtake the USA, and thus become the world’s biggest economy.³ The point is that ever since the demise of the S.U., the USA as a sole superpower has one primary economic competitor and that is China. While it could be claimed that the E.U. is economically still bigger in terms of GDP & population, not just than China but even more than the USA; it doesn’t speak with one voice when it comes to foreign policy making, and is, thus, not united but rather divided into some 27 nations. This leaves only China as the main economic competitor to the USA, even though Russia has made a significant comeback ever since the Putin years began in 2000. In this *New Cold War* economic issues have been dividing the main powers: the USA, China, Russia, and the E.U. The race for scarce resources between them has been on since the demise of the Soviet Union, when the USA, in neo-imperial fashion, attacked Iraq over Kuwait in 1991. What was really a crisis between Iraq and Kuwait, and could have been solved between them and other Arab nations, was deliberately turned into a world crisis because the US elite realized that the Soviets would no longer oppose the USA in world affairs, and could, hence, defeat Iraq militarily and then control the huge oil wealth of that country

along with its geo-strategic position.⁴ It was known that at the time that only Iraq and Iran were in general opposed to the USA's domination of the region.

This was the first real and blatant Energy War of the ending 20th century, which was based on specious humanitarian pretexts.⁵ It clearly set the tone for US dominance in world politics, for the new unipolar world, and indicated that the US elite was prepared to use military power ruthlessly, in order to gain more economical power for itself, as the Clinton years were clearly waged under the banner of *globalization* in world affairs. Thus word had gotten out that ideological and political conflict and competition were out, and economic-financial were in, after the demise of Soviet *communism*.

While Russia failed, at first, to reinvigorate its economy via *capitalism*, the Chinese showed the world how a successful transition from a former *socialist* economy to a capitalist, should look like. Already during the Clinton years, members of the political establishment endorsed the view that China is a new threat to the USA. Jacob Heilbrunn even published an article in the *New Republic* entitled "The Next Cold War" in 1995, in which China was seen as replacing the Soviets as the new threat. In 1999, these fears of a nefarious China came close to hysteria, when the Republican leadership in *Congress* launched a furious campaign alleging that China had stolen crucial nuclear secrets from US labs.⁶ The reason why China did not become the new threat to the USA then, has among other things, to do with the fact that in 1993 a group of Islamic radicals set off a bomb in the basement of the World Trade Center, and afterwards US installations, like embassies, military bases, and even a warship (Cole) were frequently attacked by Islamic radicals. This, along with extensive media coverage (especially in the USA) of such events, led the public to believe that radical Islam was a new threat to the USA in particular and Western societies in general. September 11th 2001 was then the alleged proof that Islamic radicalism was the new threat to the USA & the whole world.⁷

Now that more than 10 years have passed since Bush's *War on Terror*, and the Obama Administration is announcing its withdrawal of troops from Iraq (now officially completed) and in 2014 from Afghanistan, a new outlook is captivating the power elite in the USA. This audacious policy is in favor of reducing the war burden of the *War on Terror*, and instead looking toward China as a threat to US security, especially in economic terms.

China as a New Threat to the USA

As energy and security expert Michael T. Klare has written in his article "Energy Wars 2012": "... a single incident at an energy 'chokepoint' could set a region aflame, provoking bloody encounters, boosting oil prices, and putting the global economy at risk. With energy demand on the rise and sources of supply dwindling, we are, in fact, entering a new epoch --- the Geo-Energy Era, -- in which disputes over vital resources will dominate world affairs."⁸

Klare has recently written about President Obama's 17th November 2011 speech, given at the Australian parliament, which reflects this new sentiment in US strategic thinking. There Obama himself revealed that the wars against both Afghanistan and Iraq have been very costly for the US in economic terms, by asserting: 'After a decade in which we fought two wars that cost us dearly,' ... 'the United States is turning our attention to the vast potential of the Asia-Pacific region.'⁹ Secretary of State Hillary Clinton reiterated what the President said by writing in *Foreign Policy*: 'Over the last 10 years,' ... 'we have allocated immense resources to [Iraq and Afghanistan].'¹⁰ In *The Militarization of America - At What Cost* we can also read that: "In 2010, the United States will spend more on the war in Afghanistan than any other country in the world spends in total on the military."¹¹ And that the US has spent alone on the Afghan war \$101 billion in 2010, while China, being the next largest military spender only spent \$77.9 billion on its defense.¹²

Summarizing the comments by Obama & Clinton an astute observer stated: “President Obama ... announced with remarkable bluntness, a new US strategy aimed at confronting Chinese power in Asia and the Pacific, by declaring ‘As we plan and budget for the future,’ ... ‘we will allocate the resources necessary to maintain our strong military presence in this region.’”¹³ At the heart of this lies establishing “maritime security” in the already volatile South China Sea.¹⁴ In Australia, the American President, thus, announced to the US government, the American people and the world at large a reversal of America’s geo-strategic foreign policy. The essence of Obama’s speech was that the US has to follow a new geopolitical vision, in which it will focus and concentrate its power projection into Asia and the Pacific, instead of the Greater Middle East.

By doing so Obama followed the advice of his mentor Brzezinski, who already in 1997 made Asia the central theme of his book *The Grand Chessboard*. At the Australian parliament the US President stated: ‘My guidance is clear,’. ‘As we plan and budget for the future, we will allocate the resources necessary to maintain our strong military presence in this region.’¹⁵ As Professor Klare, a shrewd observer of US foreign policy, summed it up: “While administration officials insisted that this new policy is not aimed specifically at China, the implication is clear enough: from now on, the primary focus of American military strategy will not be counterterrorism, but the containment of that economically booming land – at whatever risk or cost.”¹⁶

Washington’s New Cold War with China

This also means that a new Cold War is in the making, since the US elite has decided that China is its true rival, whether in economic, geo-strategic military, or political terms. US officials adamantly concur with their President: the new emphasis on Asia and the containment of China “is necessary because the Asia-Pacific region now constitutes the ‘center of gravity’ of world economic activity.”¹⁷ Seen in this perspective, China has had the leeway it needed to expand its influence in

the region, because the USA was bogged down in Iraq and Afghanistan. And for the first time since the Second World War, the USA is no longer a dominant economic actor in this now vital Asia-Pacific region.

Washington's reasoning is, thus, very simple: It must restore its primacy there and roll back Chinese influence. This, it is claimed, will be the most important foreign policy task of the USA. It hardly needs to be said that the Chinese elite will not stand by idle, as Washington tries to restore its hegemony, in what China considers its sphere of influence.

The new Cold War Anti-China policy has already been implemented by what some call "the Manila Declaration," a pledge of closer US military ties with the Philippines. Simultaneously, the US has announced the sale of 24 F-16 fighter jets to Indonesia, while Hillary Clinton has visited Burma, a longstanding solid Chinese ally, and spoken of increased diplomatic and military ties with Singapore, Thailand, and Vietnam. These are all countries surrounding China or overlooking key trade routes that China relies on for importing raw material and exporting manufactured goods. As explained by US officials, these are all moves that are supposed to maximize America's diplomatic and military advantages at a time when China dominates the region economically.¹⁸ President Obama, while in Australia, also announced the establishment of a new US base at Darwin at this nation's northern coast, as well as expanding military ties with Indonesia and the Philippines. More importantly, in January 2012, Obama was at the *Pentagon* to discuss putting special emphasis on projecting US power into Pacific by changing US military posture in the world. This corresponded flawlessly with the new extensive *Defense Strategic Guidance* document, titled "Sustaining US Global Leadership" that Obama and Secretary of Defense Leon Panetta revealed, on January 5th 2012, at the *Pentagon*. While calling for a smaller Army and Marine Corps, it demands an increased emphasis on air and naval capabilities, especially those important to the protection or control of international energy and trade networks. As expected it 'tepidly' reaffirmed historic US ties to

Europe and the Middle East; however, it placed ‘overwhelming emphasis’ on bolstering US power in ‘the arc extending from the Western Pacific and East Asia into the Indian Ocean and South Asia.’¹⁹

To show its muscle and intensions, the USA has also conducted a series of striking military exercises in the strategic South China Sea, which includes joint maneuvers with ships from Vietnam and the Philippines. China has replied with naval exercises of its own, which led one scholar to conclude: “It’s a perfect formula for future ‘incidents’ at sea.”²⁰

Beyond naval power Washington also aims to increase its air power over China. An article published by David Axe, titled “Future War with China”?: New US Bomber Aimed at China?, states that General Gary North, commander of the US Pacific Air Force has hinted of the roles the new US bombers might play in any future war with China. North said that the key to defeating the new J-20 Fighter would be to prevent it from ever taking off from its mainland bases, meaning that US bombers might be used to attack Chinese airfields in the early hours of a conflict. The article goes on to assert:

\$3.7 billion that’s how much the US Air Force proposes to spend over the next five years developing a new, stealthy, long-range, manned bomber likely specifically to penetrate Chinese air defences. The plan, included in the Obama administration’s 2012 budget, could lead to the production of around 100 new bombers by the mid-2020s—and could significantly tip the Pacific balance of power. ...

Last week’s bomber announcement marked the continued escalation of the arms race between the United States and China. Since early 2010, China has debuted a new stealth fighter prototype (the Chengdu J-20), brought ballistic anti-ship missiles into service and at least temporarily matched the

US in sheer number of satellite launches (15). Meanwhile, the United States has deployed long-range spy drones to Guam, test-flown a new carrier-launched drone fighter and begun development of new supersonic anti-ship missiles—all in addition to the new bomber programme. ... The new missiles and planes will be “decades ahead” of what other countries might possess, ...²¹

The author of the article then explains the current bomber situation between the USA and China:

The United States’ current force of some 160 B-1, B-2, and B-52 bombers, armed with guided bombs and missiles, already factors heavily into US Pacific war plans. But of these bombers, only the 20 B-2s have any ability to evade Chinese radars; the B-1s and B-52s could be vulnerable to Chinese fighters and surface-to-air-missiles. The new bomber would likely displace some of the B-1s and B-52s and result in a more survivable long-range force.

The US Air Force base on Guam already hosts a rotating detachment of B-52s and B-2s. As the new bomber nears service, the Air Force might install new “hardened” hangers—either buried or armoured—to protect the valuable planes from Chinese ballistic missiles, according to Gen. Gary North, commander of the US Pacific Air Force.²²

Secretary of State Clinton also warned that an economically weakened US can no longer hope to prevail in multiple regions simultaneously. “It must choose its battlefields carefully and deploy its limited assets – most of them of a military nature – to maximum advantage.” In *Foreign Policy* she admonishes: ‘In the next 10 years, we need to be smart and systematic about where we invest time and energy, so that we put ourselves in the best position to sustain our leadership [and] secure our interests. ... One of the most important tasks of American statecraft over the next decade

will therefore be to lock in a substantially increased investment – diplomatic, economic, strategic, and otherwise in the Asia-Pacific region.’²³ This leads Klare to conclude:

“Given Asia’s strategic centrality to global power, this means concentrating resources there.” ... Such thinking, with its distinctly military focus, appears dangerously provocative. The steps entail an increased military presence in waters bordering China and enhanced military ties with that country’s neighbours – moves certain to arouse alarm in Beijing and strengthen the hand of those in the ruling circle (especially the Chinese military leadership) who favour a more activist, militarized response to US incursions.”²⁴ Whatever forms that takes, one thing is certain: the leadership of the globe’s number two economic power is not going to let itself appear weakened indecisive in the face of an American build-up on the periphery of its country. This, in turn, means that we may be sowing the seeds of a new Cold War in Asia in 2011.²⁵

At the heart of the new geo-strategic struggle between the USA and China lies the aforementioned South China Sea. This vital area is a focal point for 4 continents, by being a primary avenue for commercial shipping between East Asia and Europe, the Middle East and Africa. Moreover, due to oil and natural gas discoveries, it has become important as a potential source of energy, as large reserves of oil and gas are now believed to lie in subsea areas surrounding the Parcels and Spratlys islands. It is thus not surprising that the area has been claimed by half a dozen surrounding nations. As clarified by Klare: “With the discovery of oil and gas deposits, the South China Sea has been transformed into a cockpit of international friction. At least some islands in this energy-rich area are claimed by every one of the surrounding countries, including China – which claims them all, and has demonstrated a willingness to use military force to assert

dominance in the region. Not surprisingly, this has put it in conflict with the other claimants, including several with close military ties to the United States.”²⁶ Notable lately the conflict has been with Japan, which is still the 3rd largest economy and a nation that the USA has a defense treaty with from 1960 that stipulates if Japan is attack it would be the duty of the USA to defend it.

While the USA was previously busy with Iraq and Afghanistan (which also possess tremendous resources), it has now entered the struggle on the side of the ASEAN nations, opposing Chinese dominance of the South China Sea. The US has given full vocal support to these nations in order to negotiate en masse with China. This means that the USA is trying to deny China this crucial geo-strategic area, while simultaneously endeavoring to gain access to it. When two of the world’s largest economies (USA & China’s) are competing for such a geo-strategic piece of real estate, in an era of *globalization* where vital resources have become scarce, it only takes a spark to set off an international crisis between them. And the spheres of influence have already been drawn by either power in opposition to each other, as the Chinese Foreign Minister Yang Jiechi promptly warned the USA not to interfere in this region. His statement that any interference by the USA ‘will only make matters worse and the resolution more difficult,’ led directly to a “war of words” between Beijing and Washington.²⁷ In July 2011, the Chairman of the Joint Chiefs of Staff Admiral Mike Mullen visited China and delivered a “barely concealed threat” by saying when it comes to possible future military action,: ‘The worry, among others that I have,’ ‘is that the ongoing incidents could spark a miscalculation, and an outbreak that no one anticipated.’²⁸

The Newly Enforced Energy Strategy of the USA

Washington’s new containment strategy against China is based on China’s rapidly growing energy needs, most of all in the form of oil – the world’s most precious resource. It was in early 2001, before 9/11, that Vice-President Cheney argued that the US needs to secure new oil resources from regions

besides the Middle East, which was seen as being rather unstable, and thus problematic for America's oil requirements. Cheney emphasized, above all Central Asia, as the new US domain for both oil and gas. It is not surprising that 9/11 finally delivered the near ideal pretext for the neo-cons, like Cheney, to invade this oil and gas rich region of the world. The invasions of both Afghanistan and Iraq are in turn geo-strategic moves of paramount significance, since it means that the USA has secured its oil and gas needs at a fabulous long term cost to its rivals. These rivals are obviously China, the E.U. nations, Japan, and Russia, including to a lesser degree the emerging economies of India and Brazil, who will also need increased supplies of oil and gas. By invading and then controlling the immense oil reserves of Iraq (seen as the largest in the world next to Russia's, and being the most high grade in quality) and invading Afghanistan, which has at least \$1 trillion in precious metals²⁹, the US elite accomplished an imperial goal of classical geo-strategic dimensions.

With this coup in mind, the US elite decided that the time has come to confront China, over what they perceive to be China's oil weakness.³⁰ Some basic statistics will suffice to explain this new strategic thinking. In 2001, China only consumed 5 million barrels per day, and with a domestic output of 3.3 million barrels needed to import only 1.7 million barrels. But as China's booming economy keeps growing at rapid rates things have changed drastically in terms of China's energy needs. With the emergence of a sizable as well as growing middle class, the country's oil consumption is exploding. In 2008, it was running at about 7.8 million barrels per day, and according to recent projections by the *US Department of Energy* it will reach 13.6 million barrels in 2020, and 16.9 million in 2035. While domestic oil production is only expected to grow meagerly from 4 million barrels per day in 2008 to 5.3 million in 2035. This means that in order to keep up the rapid industrialization and modernization of China and its economy Chinese imports are going to take off from 3.8 million barrels per day in 2008 to a projected 11.6 million in 2035 – at which time they will surpass those of the USA.³¹

As already stated the USA, in stark contrast, can be much more relaxed about its energy needs. Not only has it controlled, via war, the tremendous oil resources of Iraq, but it also can look toward an increased exploitation of its own oil fields. In so-called “tough oil” areas such as the Arctic seas off Alaska, the deep waters of the Gulf of Mexico and shale formations in Montana, North Dakota, and Texas; future imports are expected to decline, even as energy consumption rises. Furthermore, more oil is likely to be available from the Western Hemisphere rather than the Middle East or Africa. This is again be done via the “tough oil” areas including the Athabasca tar sands of Canada, Brazilian oil fields in the deep Atlantic, and increasingly pacified energy-rich regions of previously war-torn Colombia. And while almost all areas of the world will be experiencing a decline in oil production, the *US Department of Energy* forecasts that for the USA, Canada, and Brazil combined oil production is going to climb to 10.6 million barrels per day between 2009 and 2035, which constitutes an enormous jump.³²

But even leaving all other (foreign) nations aside, the undeniable fact is that: "At current consumption rates, the United States has enough oil to last into the 23rd century without ever importing a single drop of oil from another country. ... Goldman Sachs is predicting that the United States will be the number one oil producing country in the world by the year 2017."³³ Ever since the days of Jimmy Carter there has been suppressed evidence that the USA has huge oil resources but keeps them hidden³⁴ for future use, when other nations will have depleted theirs to a large extent.³⁵

All of this has emboldened the White House to take a long term step toward “containing” China; much like the former Soviet Union was contained during the Cold War. One cannot fail to notice how the new energy enforcement strategy against China is reminiscent of Washington’s Cold War energy strategy against Japan. At the start of the Cold War, US scholars like George F. Kennan came up with the plan to let Japan develop its economy while keeping a veto power in US hands by making sure that Japan, as a nation without

domestic oil, could always be brought to its knees by the US navy, if it blocked Japan's oil supply routes with its huge navy. Japan was then even more dependent on imported oil than China is today.

Seen from a global perspective, this means that the US elite will be able to envisage a gradual loosening of its military and political ties to the Middle East, which has dominated its foreign policy for so long and led to those costly and destructive wars. The *Arab Spring*, which is primarily initiated by the US elite, will do the rest, it is hoped in Washington to install more pliable rulers and to give the Arab masses the confused *democratic* system that has failed throughout the world.³⁶ It is, thus, indeed as President Obama said in Australia that the US is now in a position to refocus its military capabilities elsewhere. And by elsewhere he clearly mentioned the Asia-Pacific region, which is a euphemism for China, or the region that is dominated by China.

For China this means potential trouble to at least some extent. Although some of Chinese imported oil will travel overland via pipelines from Kazakhstan and Russia, the overwhelming majority of it will still come by tankers from the Middle East, Africa, and Latin America over sea lanes patrolled by the US Navy. Even worse for China, "almost every tanker bringing oil to China travels across the South China Sea, a body of water the Obama administration is now seeking to place under effective naval control."³⁷ As Klare so succinctly outlined: "by securing naval dominance of the South China Sea and adjacent waters, the Obama administration evidently aims to acquire the 21st-century energy equivalent of 20th-century nuclear blackmail. Push us too far, the policy implies, and we'll bring your economy to its knees by blocking your flow of vital energy supplies."³⁸

There is mounting evidence that this is deeply worrying the Chinese leadership, for instance by the fact that the Chinese government has undertaken frantic efforts to build remarkably expensive pipelines across the entire expanse of Asia to the Caspian Sea basin. There should be no doubt that

the Chinese leaders will respond to the US plans by taking steps to ensure the safety of China's energy lifelines. Some of these responses will be economic and diplomatic, however; others will be military ones. Thus a significant military build-up of the Chinese navy seem all but inevitable, especially when compared to the US navy it must still be considered small and backward. Likewise closer military ties between China and Russia, as well as with Central Asian member states of the *Shanghai Cooperation Organization* seem now unavoidable. A clear danger would be that US provocations of this kind could provoke a genuine Cold War like arms-race between the USA and China. Especially in such present recessionary times, it needs hardly be mentioned that neither country could really afford such an arms-race.

Fact of the matter is simply, if the US leaders go ahead with their "containment" energy enforcement policy towards China, then all that is needed to set off a *New Cold War* would be a rather insignificant incident, such as the one in the past, when in 2001 a US spy plane was damaged by a near total collision with a Chinese fighter jet. This resulted in a heated diplomatic row between the two governments, until both decided to bury the incident. However, with regard to the new US strategy the Chinese leadership will hardly be in a position to forget and forgive such violations of what they consider to be their territorial sovereignty. Giving in to the USA would then be hardly conceivable for any top Chinese politician, and seen as weakness in the face of US aggressions and provocations. This is a scenario ripe for potential escalations on both sides, as likewise US politicians are known for their quick response to patriotism, especially in the face of any foreign threat.³⁹

Why the New US 'Containment' Strategy is bound to fail

There are certain, very likely, reasons why the new US 'Containment' strategy is bound to fail. First of all, China is not the former Soviet Union, which was effectively contained most of all by its own ideological and economic system of

communism. It wasn't just the fact that US containment policy blocked the Soviets into their sphere of interest; it was above all Soviet policy not to integrate into the capitalistic world system, which was dominated by their "arch rival" the USA. (While, thus, containment worked after some 45 years of being practiced, the situation today with China is entirely different). Despite the fact that China's oil needs are going to increase in the future, China is clearly not blocked into its own sphere of influence, as it was during the Mao years, during the Cold War. Far from that being the case, China has been integrated into the capitalist world economy since Deng Xiaoping decided to change China's foreign policy and economic development back in 1978.

Second of all: Today China is one of the key countries upon which the world economy relies. Due to this fact, China has often been referred to as the world's factory. There is hardly any doubt that without it supplying vast amounts of goods relatively cheaply the world economy would face an even more severe recession, than is already the case. Therefore, US 'containment' policy of China is likely to hurt the US almost as much as it is China, if it were successful. Since it is a well known fact that the US is importing vast amounts of goods from China every year, without these cheap goods being supplied by China the US public and economy could hardly go on living beyond their means, as they have done so ever since the US went from being the greatest lender nation to the greatest debtor nation in 1984 – during the middle of the Reagan years.

The idea that by limiting and controlling the oil flow to China will somehow give the USA a veto power over China's industrialization and modernization is then a short sighted one. For who is going to replace the very efficient "world factory", once it is no longer able to keep up its industrialization efforts? The USA cannot hope that simply looking for other supplier countries will ever compensate for the huge amount of goods that it receives from China, because there is no single country or even a combination of countries that can replace China as the world's number one

manufacturer of goods. Not only is China able to virtually outperform any other competitor pricewise, but it is also the only country capable of manufacturing such huge amounts of goods, that is unsurpassed by anyone else. Thus any 'containment' of China would automatically backfire at the USA's economy. Thirdly, it is also well known that China is by far the number one country buying US treasury bills thereby keeping the US economy afloat. No other nation can even remotely match the amount of treasure bills that China has been buying in the past decade, for the simple reason that China more than a \$ 3 trillion surplus cash reserve at its disposal. Even nations like Germany and Japan, whose economies have been great export success stories, cannot match such gigantic cash reserves. This is another reason why the US strategic thinking is faulty: Even if the US could cut oil supplies going to China, China could retaliate by simply refusing to buy anymore US treasury bills or even dumping them. This would have devastating consequences for the US economy and most, of all, the *Dollar*. The US economy has become dependent on a few nations and investors world-wide that continue to buy US treasury bills, with which the US borrows money from those nations and investors. Without this happening on a continual basis the US economy would be broke for all practical purposes. At present the US is borrowing at least \$ 2 billion Dollars a day from abroad, in order to stay financially afloat. Even more ominous is that China holds over \$1.3 trillion in US Treasury notes.⁴⁰ Without this money coming in from foreigners the US economy would face very serious consequences, as the only other way of generating it would be to go even further into debt, by simply printing more *dollars*. But this would mean not only increased inflation but also that the trust in the *Dollar* world-wide would start to decline even further. And this is clearly a situation that the US elite is trying to avoid, virtually at all cost.

Fourthly, there is another reason why the USA's containment policy towards China is bound to fail. And this one has to do with so-called rare earth minerals, which China has plenty of (over 90% of the world's) and in the past had

been willing to export, especially to the USA. These rare earth minerals are essential for any industrialization efforts, and are thus indispensable for any modern economy. But recently China has been reducing its exports of rare earth minerals, such as copper and zinc so that the US will feel the difference.⁴¹

Another reason has to do with alternative energies and technologies, such as solar, wind, geo-thermal, electromagnetic, and wave energies. These are renewable energies and China has invested heavily into them so that it becomes far more energy independent than the USA. As the authors of *Red Alert* have written in 2011: “A large part of the country’s 4 billion yuan (\$585 billion, or, more accurately, \$ 2.5 trillion on a purchasing power parity basis) stimulus package was devoted to building up its infrastructure, including substantial spending on alternative energy. This public spending will help boost the country’s long-term growth while leaving it far better positioned to withstand resource scarcity.”⁴² In sharp contrast to the USA, China has a definite alternative energy plan that it plans on achieving by 2020. By this time China’s authorities have planned that 15-20% of its energy needs will be covered by alternative energy sources.⁴³

This plan will affect the USA in two crucial ways. First of all, it means that China will have a huge head start in establishing alternative energy plants. And second, it means that rare earth minerals, such as copper and zinc will become rapidly scarcer, because they are very much needed to build the alternative energy plants. This in turn means that China will be consuming most of the rare earth minerals in the world, while the USA will not be able to get enough of them for its industry, and even more crucially for its own inevitable alternative energy program, once the non-renewable resources such as oil, gas, and coal run out.⁴⁴ Also China is the leading producer of solar panels in the world. This means, as the authors of *Red Alert* state: “The bottom line is that if the United States ever gets serious about solar energy, all roads must go through China. That’s potentially disastrous. For

recently China has indicated that as with rare earths, it's planning to cut back on its exports of the metal."⁴⁵

The irony of it all is that while US foreign policy is now to contain China with the help of oil, it will soon be the USA which will feel a resource pressure. According to *Red Alert*:

it's clear that the United States can no longer assume that fossil fuels are available for the taking. Their growing scarcity has been a major reason that the 2000s were one of the worst decades for Americans economically. And this scarcity will only grow. Without other sources of energy, which require scarce minerals, our lifestyles will continue to decline—perhaps exponentially. ... *We need new energy sources in the worst way to offset this expected decline.* That means renewable energies are going to have to play an increasing role. The two most scalable renewables are wind and solar. Yet we lack the materials to scale up in either one. These essential materials are either monopolized or controlled by the Chinese.⁴⁶

So instead of the USA using strategic resources (like oil) to compel China to act according to US demands, it is far more likely, in the near future, that the Chinese will be the ones who can pressurize the USA by using alternate energy resources. This turns the US strategy of containing China virtually upside down, and shows the many flaws in US strategic thinking, when considering a new Cold War with China.

There is another simple reason why such a war will hardly be able to achieve US goals of containing China, and that is the economic relationship between the two countries. During the Cold War the USA and the Soviets never had much of an economic relationship, as containment prevented this from happening. Even during the *détente* phase of that relationship trade between the two superpowers remained rather limited. Not so with China, since 1978 the US market has been a primary target of the Chinese, and likewise US multinational

companies have invested heavily in China. So the whole idea of a containment strategy towards China is misconceived.

Also strategies like using India to keep China in check in a geo-political and military manner are based on assumptions about the future relationship between China and India. And the future remains uncertain. Whether China and India will be rivals in the future is hard to say, and there is a reason for them to cooperate more than to confront each other. For one thing, India will recall only too well its 1962 defeat at the hands of China. And the China of today is certainly more powerful than it was in 1962, whether looked at in economic or military terms. Perhaps even more important, economically there is a huge potential for trade between China and India, as the 2 giants have rather differentiated economies: the Chinese is primarily a hardware based one, while the Indian is software & service orientated. These are virtually predestined to exchange trade with each other, as both operate on very competitive (low) prices. Thus trade would certainly be mutually beneficial for both countries. Equally both have been making fast technological progress. It is thus not very likely that India is going to take the US bait of confronting China; rather, it is likely to use the USA against Pakistan. This will then mean that US foreign policy has failed to enlist India as a frontline state against China, and; hence, making both the “containment strategy” as well as the US geo-political strategy of India rather futile.

Review

The ideological menace of *Soviet* Communism is no longer around and thus no longer available to justify an arms race with the Soviet Union, but the mighty military-industrial complex (m.i.c.) in the USA is still around and so integrated into the US economy that it needs enemies abroad in order to sustain itself and generate huge profits for big business in the USA, and its few US trans-national corporations.

Since after a dozen years militant, radical, & fundamentalist Islamic terror has reached its limit as a

convincing enemy, a new threat and potential enemy has to be found for the m.i.c., since the entire US economy cannot survive without feeding this entity. However, China is today far more *capitalistic* than communistic so that a revival of a communist threat is not likely to be seen as convincing enough in the eyes of the world. The problem for the US elite is, however, that China, much like Japan, is gaining too rapidly in economic terms for the US power elite to remain complacent.

Hence, the US power elite is reverting back to classical *geo-political realism* by claiming that the world's strategic resources are running out (a claim that has been, at the very least contested, if not repudiated), and by conveniently targeting China as the new threat to its security and dominance. However, the folly of such thinking is that China is the main financier of the USA, and that this world's factory cannot be replaced any time soon. It is, thus, the strategy of the US power elite to cover-up the fact that there are abundant resources in the USA (oil & gas, ect.), and that by doing so the prices for these resources will not only rise in the meantime, but ultimately that the US elite stands to gain enormously once other nations have used up and sold most of their precious resources to the USA for virtually worthless *Dollars*. Yet, it appears that China has recognized this trap and is trying to maneuver out of it; nonetheless, there is now a symbiotic relationship between China being the primary financier of the USA and the USA needing China to live beyond its means, while simultaneously China knows that doesn't want to discard 60% of its *Dollars* out of an astonishing (more than 3.66 trillion valued in *Dollars*)⁴⁷ in foreign exchange earnings that China has earned over the last 3 decades, since that would not only damage the US economy but also China, as these *Dollars* would then be worth much less. However, since about 2010, the US power elite has decided to force China into an arms-race that it hopes will keep China from realizing its potential to become the primary rival to the USA economically speaking. This Cold War mentality is supposed to keep China in line and make it subservient to the US elite. It is primarily via its technological superiority that the USA is trying to dominate China and the

Pacific region, but such a strategy is bound to fail due to China's huge deposits of rare earth minerals, that are needed to develop alternative renewable energy sources, while technologically China is also taking the lead in the marketing and developing such resource based energy sources. It should also be noted that last year, and this year China had the fastest supercomputer in the world, almost twice as fast as the next US one.⁴⁸ Finally, a new Cold War initiated by the USA may force Russia closer to China, since they both feel the overbearing presence of the USA in Central Asia. This would be precisely the phenomenon that US strategist has been trying to avoid all along.

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Notes

¹ There is evidence that resources are deliberately held scarce so that they can be sold for a higher price. At the Kimberly Diamond factory diamonds are for instance destroyed, see for example: Zeitgeist II, 2008. The same can be said about oil production, as the USA for example had the "problem" in the late 1970s & early 1980s that its extraction technology for oil was too efficient; this led to the intentional slowing down of oil production, from especially the Middle East, as Iran, for instance, was politically manipulated during its 1979 revolution so that oil production decreased, thus giving the owners, especially - the Rockefellers - higher prices for oil. See: Blackwood, Peter: *Die Netzwerke der Insider*, Verlag Diagnosen, Leonberg, 1990. Mansur Khan: *Die geheime Geschichte der Amerikanischen Kriege*, 3rd ed., Tübingen 2003.

² Michael T. Klare's 2008 book *Rising Powers, Shrinking Planet – The New Geopolitics of Energy* addresses these issues and themes, with regard to energy hungry newcomers China & India, and a revitalized energy possessing Russia all competing with a hegemonic USA, which is bound to lead to conflict and war if no cooperative solution is found.

³ Usually the *World Bank* is cited with the date given being 2035 when China's economy will overtake the USA's. However, there is also skepticism claiming that in order to achieve this monumental task China's GDP will have to continue to grow by around 10% or so until 2035. While it has done this in the past 15 years, there is doubt because of the current

Great Recession, as well as the fact that China will encounter increasing problems with inflation, forced currency appreciation (mostly by the USA), uprisings by its unemployed, underemployed and unprivileged population and huge environmental degradation taking place. Some also see China's rise as primarily dependent on Western financing and MNCs. James Petras, for instance, sees China's development as an outpost for imperial powers, whose MNCs and banks have extensively bought into China's economy and are already taking over the more lucrative businesses, while leaving the more labor intensive (less profitable) ones to the Chinese. He also sees a huge economic disparity between the few wealthy billionaires at the top and the still impoverished masses. Another view is that China has already surpassed the US economy in real terms (purchasing power parity) and that it's only the service industry that is keeping the USA in a dominant position; however, as I wrote elsewhere the US is primarily dominant because of the Dollar, which is still the vehicle currency of the world. (See my article in *Islamabad Strategic Studies Institute*, 2012.)

⁴ George Bush Senior, as US President, torpedoed all Arab, as well as other (European and Russian) peace and diplomatic efforts to solve the crisis without military force, as that would not have led to the destruction of Iraq's military potential and wouldn't have gotten rid of Saddam Hussein, which is what the US elite thought would happen once his military potential would be destroyed. It was hoped by the US elite that a more pliable Iraqi strong man would take over and let US MNCs take over the Iraqi oil industry, especially since Iraq still owed billions of Dollars to Western MNCs. See my PhD. & book (*Die geheime Geschichte der Amerikanischen Kriege*, 2003) on this important topic.

⁵ Ibid, *Die geheime Geschichte der Amerikanischen Kriege*, 2003.

⁶ Guyatt, Nicholas: Another American Century? New Edition, Zed Books, New York / London, pp. 191, 222-223.

⁷ It would simply be too much to show that both the attack on the W.T.C. in 1993 & again in 2001 doesn't make sense if one has the pertinent and relevant (background) information. For example, the US government claimed right after 9/11 that it had incontrovertible evidence that Osama bin Laden and Al Qaida carried out the terrorist attacks in 2001; however, this so-called evidence was never revealed to the world, which makes everything very suspicious to say the least about the US government's involvement in both 1993 & 2001. One can certainly assert that if the US government had incontrovertible evidence that it would have immediately shown it to the world, as even before 2001, plans existed to attack both Iraq (going back to at least 1992) and Afghanistan before 9/11. See, among plenty other sources, the authors: *Die geheime Geschichte der Amerikanischen Kriege & Das Irak-Komplott – Mit 3 Golfkriegen zur US Weltherrschaft*, Tübingen 2004.

⁸ "Energy Wars 2012", by Michael T. Klare, *The Nation*, (Islamabad) January 13, 2012, p. 8.

⁹ “Osama’s risky oil threat to China”, by Michael T. Klare, *The Nation*, December 8, 2011, p. 8.

¹⁰ Ibid.

¹¹ The Militarization of America – At What Cost? Prepared by Peace Action Montgomery, www.PeaceActionMC.org, p. 19.

¹² Ibid.

¹³ “Energy Wars 2012”, by Michael T. Klare, *The Nation*, January 13, 2012, p. 8.

¹⁴ Ibid.

¹⁵ “Osama’s risky oil threat to China”, by Michael T. Klare, *The Nation*, December 8, 2011, p. 8.

¹⁶ Ibid.

¹⁷ Ibid.

¹⁸ Ibid.

¹⁹ “Energy Wars 2012”, by Michael T. Klare, *The Nation*, January 13, 2012, p. 8.

²⁰ Ibid.

²¹ „Future War with China“?: New US Bomber Aimed at China?, by David Axe, Global Research, February 24, 2011, *The Diplomat*, source: <http://www.globalreserch.ca/index.php?context=va&aid=23360>

²² Ibid.

²³ “Osama’s risky oil threat to China”, by Michael T. Klare, *The Nation*, December 8, 2011, p. 8.

²⁴ Ibid.

²⁵ Ibid.

²⁶ “Energy Wars 2012”, by Michael T. Klare, *The Nation*, January 13, 2012, p. 8.

²⁷ Ibid.

²⁸ Ibid.

²⁹ Some reports put the mineral wealth of Afghanistan at \$3 trillion; those estimates are based on Soviet exploration done in the 1960s. See Leeb, Stephen / Dorsey Gregory: *Red Alert – How China’s Growing Prosperity will strangle World Growth*, Business Plus, New York / Boston 2011.

³⁰ This is the basic theme of the book by Leeb, Stephen / Dorsey Gregory: *Red Alert – How China’s Growing Prosperity will strangle World Growth*, Business Plus, New York / Boston 2011.

³¹ “Osama’s risky oil threat to China”, by Michael T. Klare, *The Nation*, December, 8, 2011, p. 8.

³² There is also plenty of evidence, too numerous to mention, that the USA has itself large reserves of oil (some claim for about 200 years or more), but its strategy is to use up oil from the rest of the world by giving it highly inflated Dollars. See among other sources: Blackwood, Peter: *Die Netzwerke der Insider*, Verlag Diagnosen, Leonberg, 1990.

³³ <http://endoftheamericandream.com/archives/the-united-states-has-plenty-of-oil-10-facts-about-americas-energy-resources-that-will-blow-your-mind> [Newspaper articles have also articulated this astonishing fact.]

³⁴ See among other sources: Williams, Lindsey/Clifford Wilson: *The Energy Non-Crisis*, Worth Publishing; 2nd Rev., Sub. Edition (July 1, 1980).

³⁵ As told to the author in class while in a US high school by his 11th grade history teacher.

³⁶ Chua, Amy: *World on Fire – How Exporting Free Market Democracy Breeds Ethnic Hatred and Global Instability*, Random House, New York 2003. This is an excellent source for refuting the US governmental mantra that democracy & “free market” neo-liberal economics are a panacea for all who adopt them. The harsh reality has been historically that the advanced (post) industrialized nations, like USA & U.K. thrived on protectionism not “free trade” and that even after 150 years for both the USA & U.K. these nations are still not running their economic systems on “free trade”. On this crucial point see: Chomsky, Noam: *Profit over People*.

³⁷ “Osama’s risky oil threat to China”, by Michael T. Klare, *The Nation*, December, 8, 2011, p. 8.

³⁸ *Ibid.*

³⁹ *Die geheime Geschichte der Amerikanischen Kriege*, 2003.

⁴⁰ <http://blogs.barron.com/incomeinvesting/2013/12/16/wjs-china-still-buying-u-s-bonds/>

⁴¹ Leeb, Stephen / Dorsey, Gregory: *Red Alert – How China’s growing prosperity will strangle world growth*, Business Plus, New York / Boston, 2011, pp. 73-84.

⁴² *Ibid.*, p. 192.

⁴³ *Ibid.*, p. 69.

⁴⁴ *Ibid.* pp. 70-71. [This is another theme of the book *Red Alert – How China’s growing prosperity will strangle world growth*, Business Plus, New York / Boston, 2011]

⁴⁵ *Ibid.*, p. 83.

⁴⁶ *Ibid.*, pp. 83-84.

⁴⁷ *China’s US debt holding pass \$1.3 trillion*, By Michael Barris, New York, (China Daily USA) 2013-12-17 cited from: http://usa.chinadaily.com.cn/us/2013-12/17/content_17178139.htm

⁴⁸ *China beats America to the world’s fastest supercomputer title- and it’s faster than 338 Million ordinary PCs put together*, by Vicoria Woollaston, 17 June, 2013, cited from: <http://www.dailymail.co.uk/scienceetech/article-2343265/New-Chinese-supercomputer-worlds-fastest-speeds-equivalent-338-million-ordinary-PCs-together.html>