

2018 HALIFAX PAPERS

NOVEMBER 16-18, 2018

2009  2018
HALIFAX
INTERNATIONAL SECURITY FORUM

PRESENT TENSE: TREACHERY IN TECH, TROUBLE IN TRADE

— Janice Gross Stein

The gloves are off, and the new Cold War is out in the open. Presidents Donald Trump and Xi Jinping have each weaponized trade and technology in an effort to make their countries great again.

What makes their conflict so dangerous is the enhanced and simultaneous competition over trade, technology, and the South China Sea. In a process of reciprocal escalation, both countries are now firing on all cylinders. In that kind of process, by-standers can get hurt, and badly.

Ask Canada and Mexico. After a bruising renegotiation of NAFTA, where President Trump's team weaponized trade with allies and forced both countries into a defensive crouch, an agreement was finally reached. A little noticed clause, just out of the line of sight, lined up smaller allies of the United States to shut China out of freer trade with North America. Peter Navarro, a key advisor to the president, put it succinctly: economic security is national security.

Clause 32:10 requires any participant in the new United States-Mexico-Canada-Agreement (USMCA) that enters into a free trade negotiation with a "non-market economy" to advise the other two parties 90 days before the negotiation begins. Parties must also provide each other with the full text of such an agreement before signing. And if one party objects to the terms, it can signal its intention to withdraw from USMCA. The text that made its way into the final draft agreement, moreover, is a pale version of what US negotiators originally put on the table.

You do not need to be Hercule Poirot to figure out that the "non-market economy" in the line of sight is China. Even though China joined the WTO, the United States continues to designate China as a non-market economy. It is the United States that will decide whether or not China is a non-market economy. And it is beyond laughable to think that either Mexico or Canada would withdraw from USMCA were the United States to conclude a trade agreement with China. The new agreement clearly gives the United States a veto over agreements that Mexico and Canada might want to make with China on trade.

The same kind of clause was accepted by Japan when it finally agreed to bilateral trade talks with the United States. The two agreed to better protect Japanese and American companies and workers from non-market policies and practices by third countries. The examples include intellectual property theft, forced technology transfer, trade-distorting industrial subsidies, distortions created by state-owned enterprises, and overcapacity. Trade and tech intersect behind the new global wall that President Trump and his team want to build around China. And he wants his closest allies to pay for this wall in foregone opportunities.

Tech issues are high on the United States agenda with China. Trump's team views China as a strategic competitor in advanced technologies like quantum computing, artificial intelligence, and 5G networks. It sees Xi Jinping's *Made in China 2025* strategy as a deft attempt by China to surpass the United States in technology that will increasingly shape national power and strategic reach. United States pressure on Canada to exclude Huawei from

government and university research networks is part of a larger strategic effort to pressure allies to decouple the supply chains of their big technology companies from China. The risk of a global tech cold war with China, the Eurasia Group recently concluded, is growing.

If there is any doubt about US strategy, US Commerce Secretary Wilbur Ross made it clear. He said that the “poison pill” in the agreement with Mexico and Canada was an attempt to close the loopholes in trade deals that have “legitimized” China’s trade, intellectual property, and industrial subsidies.

It is not only the United States that has weaponized trade and tech. China has done the same. It has long required companies coming into Chinese markets to transfer technology, it has engaged in sophisticated industrial espionage, and it has used non-tariff barriers to avoid opening sensitive markets to foreign investors. The world’s two biggest economic powers now have mirror images of each other where economic, trade, and technology issues are all wrapped up in the language of national security as their competition deepens.

Overlay the weaponization of trade and tech by China as well as the United States with the game of chicken the two navies are playing in the South China Sea. Beijing has fortified islands and reefs in the South China Sea and made extensive territorial claims that almost all its neighbors reject. The United States routinely conducts freedom of navigation exercises to challenge these claims. Recently, a Chinese warship came within 45 yards of an American warship, far too close for safety. In the context of the broadening and deepening conflict between China and the United States, one miscalculation by either navy could push this one over the edge.

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