

Yan Xuetong predicts Trump & China-U.S. competition

Tsinghua professor forecast deeper trade conflicts, reduced communication, and a race in technological advancements & domestic reforms in the next four years of China-U.S. relations.



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[Yan Xuetong](#) (阎学通), Honorary Dean of the [Institute of International Relations](#) at Tsinghua University and a leading figure in China's international relations (IR) field, [delivered](#) his predictions on China-U.S. relations and the evolving world order over the coming four years, at the [2024 Sohu Annual Finance Conference](#) on November 28, 2024, before Donald Trump was sworn into office.



Mourning over the trend of de-globalisation and the decline of liberalism, Yan predicted a sustained rise of populism, escalating technological competition and trade conflicts, further erosion of communication channels between China and the United States, yet a minimal likelihood of proxy wars or conflict over the Taiwan Strait.

Although Yan emphasised technological competition as a central pillar of the U.S.-China rivalry—so much so that technological superiority could ultimately determine its outcome—he also placed significant importance on domestic government reform, citing Elon Musk’s government efficiency campaign.

According to Yan, the nation capable of implementing deeper, more effective reforms to enhance efficiency and strengthen national capacity would gain a decisive competitive edge—inexplicitly kicking the ball into the Chinese government’s court.

Yan, as in the past, has blessed our sharing of his content. He didn’t review the translation, though. - Yuxuan JIA



2024 搜狐财经
搜狐财经年度论坛
2024 Sohu Annual Finance Conference

清华大学阎学通：中美竞争核心是技术，美国跟中国战略竞争的核心就是防止中美技术差距缩小

Tsinghua University's Yan Xuetong: The core of U.S.-China competition is technology, and the essence of the strategic rivalry between the U.S. and China is to prevent the technological gap between the two countries from narrowing

First of all, thank you, Chairman Charles Zhang of SOHU.COM, for the kind invitation to share my perspective on the current state of international relations. As many of you have likely observed, recent international headlines have been dominated by topics such as Trump's reelection, the war in Ukraine, and the Gaza conflict. It seems increasingly challenging to make the front page without some connection to Trump.

Why is the international community so focused on this particular U.S. leadership change—namely, Trump's return to power? Many governments, businesses, and individuals have voiced significant concern over this possibility, and if Harris had won the presidency, the level of anxiety would likely have been far lower. Why is this the case? Let us delve into this question together.

First, based on the outcome of this U.S. election, it's not just a change in leadership, but a change in the type of leadership. What does this mean for the global order?

As shown in the chart, based on the latest published statistics, Trump has amassed significant power: both houses of Congress, the Supreme Court, and the executive branch are all fully controlled by the Republican Party. We might think that Trump now has substantial authority, which would allow him to more easily implement his policy agenda. However, this raises a critical question: where does Trump derive this immense power?

Many analyses focus on economic factors, arguing that Biden's perceived failure to effectively manage the economy played a decisive role. However, this perspective does not fully account for the narrow vote margin between Trump and Harris. Trump secured over 76 million votes, while Harris garnered over 74 million—a difference of just 2.5 million votes. Out of 150 million votes cast, this represents a margin of only 1.6%. Such a slim gap does not signal a sweeping societal consensus but rather highlights a deeply divided nation.

The fundamental reason behind Trump's victory is not the economic situation but the deep political divide within the U.S., often referred to as a political split. At its core, this division arises from the clash between liberalism and populism, two distinct and opposing worldviews and political lines.

Ideologically, there is little difference between the U.S. Republican and Democratic parties. Both support capitalism, private ownership, Western-style freedom and democracy, and the preservation of U.S. global dominance. So what distinguishes them? The difference lies in the methods they use to achieve these goals.

From my understanding, the Democratic Party's approach is well known. Since 1991, when American liberals gained prominence, liberalism has shaped U.S. foreign policy by prioritising globalisation and committing to zero tariffs, zero trade barriers, and zero subsidies. This globalisation process has been widely known to most people.

Trump's return to power, however, signifies the force of American populism. To sustain U.S. global dominance, the approach under Trump will depart from traditional liberal frameworks. Instead, it will emphasise political isolationism and economic protectionism, abandoning the old free trade framework.

The difference between the two parties lies in their approaches, not their political objectives. So why has this difference in approach resulted in such a profound divide in the United States? The answer lies in the polarising contrast between the international and domestic aspects of globalisation.

Globalisation has not significantly improved the self-perceived circumstances and status of the middle class and lower-income groups in the U.S. While these groups are not in a state of absolute decline, their rate of improvement has been excessively slow. In contrast, the wealth and status of the upper class—those with financial power, political influence, and intellectual capital—have advanced at a much faster pace. This phenomenon is often described as relative poverty, as opposed to absolute poverty.

In today's world where overcapacity has largely addressed basic survival needs such as food and clothing in developed countries, absolute poverty is no longer the primary concern. Instead, the focus has shifted to relative poverty—as Confucius said, “People do not worry over poverty but instead over equal distribution of wealth.” It's not that my standard of living hasn't improved, but rather that your standard of living is higher than mine. Your wealth makes me unhappy. If your life were worse than mine, I'd be happier.

This aspect of human nature has fuelled growing dissatisfaction with the liberal globalist policies of the U.S. government, a sentiment increasingly reflected in the ballots. Whether Trump is in power or not, his support base has steadily expanded. In 2016, Trump garnered 62 million votes. By 2021, despite losing the election, his support had risen from 64 million to 74 million—a remarkable increase of 12 million votes. In the most recent election, while the growth was smaller—rising from 74 million to 76 million—it still demonstrates an increase in support for populist political agendas within the U.S.

The world's focus on the U.S. stems from its position as the most powerful country in the world rather than because the U.S. initiated the wave of de-globalisation. The first significant move of de-globalisation came from the U.K. with Brexit in 2017. Yet, the U.K.'s global influence is too limited, and Brexit alone did not create a perception of a major shift in the trend of globalisation.

It wasn't until Trump assumed power in the U.S. and launched a trade war with China that the global shift became undeniable. With the two largest economies

engaging in a trade war, trade protectionism emerged as a dominant trend, and globalisation gave way to de-globalisation.

Given the enormous influence and power of the U.S. on the global stage, there is widespread concern about the consequences of its decision to prioritise de-globalisation over globalisation. In my view, this choice will have far-reaching effects that extend well beyond the U.S. to reshape the global landscape.

Many Chinese businesses are concerned about the potential impact of Trump's tariff increases on the Chinese economy. However, upon closer consideration, the group most directly affected by Trump's election is the American people. The most immediate consequence will be changes to both U.S. domestic and foreign policies. With Elon Musk openly expressing plans to cut government jobs, it is unsurprising that public anxiety in the U.S. is intensifying.

The second group affected is America's allies. U.S. allies fear that the U.S. may no longer uphold its traditional security commitments. This would represent a shift not in the extent but in the nature of the relationship.

Countries like China are only third in line to be affected. The U.S.-China relationship is already strained, and under Trump, it is likely to deteriorate further, moving from bad to worse. However, this represents a change in degree rather than direction.

Therefore, upon analysis, it is clear that global concern about Trump's leadership is centred more on political and security implications than purely economic ones.

Surveys conducted in Europe reveal that Denmark is among the most resistant to leaders like Trump. Denmark has embraced highly progressive values where excessive wealth is often seen as a moral failing. Wealth, if not shared, is viewed as a sign of poor character. Trump's policies, which prioritised enabling the wealthy to accumulate even more wealth rather than addressing societal inequality, starkly contrast with these values. Consequently, countries like Denmark and many other European nations perceive the values Trump represents as fundamentally incompatible with their own.

I believe the impact of Trump's presidency extends far beyond international trade and tariffs, carrying significant implications for the international order. It is closely tied to the question of whether the world will continue on the path of globalisation or shift toward de-globalisation. The global landscape has already begun to pivot, and the debate over this direction did not start recently. Trump's previous term set this shift in motion, and his return to power is likely to accelerate the trend toward de-globalisation.

Polarisation has fuelled widespread dissatisfaction among the majority of the population, particularly the middle class in developed countries. Most of the middle class feel that they have not been the primary beneficiaries of globalisation; instead, the wealthy have reaped most of the rewards. Hence the rise of populism. The term "populism" originates from the English word "populace," referring to the general populace—those who lack significant knowledge, power, or wealth.

Populists argue that liberal elites should not control the country—after all, it was these elites who championed globalisation. They advocate resisting the influence of these elites and supporting populist leaders. Interestingly, populism did not originate in non-Western countries but has thrived in Western nations. As a result, the rise of populism in Western countries has brought populist leaders to power, who have proposed the concept of economic security. To safeguard economic security, populist leaders argue that it is best achieved by reducing interactions with other countries and making de-globalisation policies a central feature of their agendas.

To maintain their hold on power, populist leaders focus on preventing the liberal elite class from regaining influence. Meanwhile, large countries, through mutual observation and imitation, have collectively driven the global shift toward de-globalisation. Therefore, the impact of Trump's presidency is likely to persist for another 10 to 20 years. This is not a short-term phenomenon that can be resolved in the near future.

In the context of de-globalisation, what trajectory will the relationship between China and the U.S. take? Interestingly, this current period coincides with the de-globalisation phase of the digital age. During the Cold War, neither

globalisation nor de-globalisation existed. Globalisation only emerged after the Cold War, and de-globalisation arose afterwards.

One key feature of de-globalisation is its focus on technological competition, which is also at the core of Sino-American rivalry—specifically, the country that can achieve lower technological costs is seen as having an upper hand in technological advancements. This marks a significant shift, as ideological expansion or competition—central to the Cold War era—is no longer the primary driver of great power rivalry, representing a fundamental departure from the dynamics of that period.

While Trump and Biden differ in many ways, they share several common priorities. Notably, under Trump, the U.S.-China strategic rivalry will continue to focus on preventing the technological gap between the two countries from narrowing. Given the close ties between technology and the economy, this focus will inevitably intensify economic conflict.

What will be the result of escalating economic conflict? Given Trump's track record of political isolationism, it is highly likely that he will significantly reduce engagement with China, specifically, by terminating all communication channels established by Biden.

Previously, during the Obama administration, there were over 90 official communication channels between the U.S. and China. Under Trump, all of these were cancelled and rebuilt, but by the later stages of his term, the number of functioning channels had fallen to zero, with even the few that were established ceasing to operate. When Biden took office, efforts were made to restore these channels, and nearly 20 have been re-established so far. However, when Trump returns to power, it is almost certain that these channels will once again be dismantled and replaced with new ones.

Regardless of how many official dialogue mechanisms are put in place, the number of active channels during Trump's administration will inevitably be fewer than under Biden's leadership. This reduction in official trade and communication channels will likely lead to heightened technological competition and increased mutual recriminations, further fueling hostility between the two nations.

In my view, populism is not a unique ideology in the U.S. and Europe; it has spread globally. A defining characteristic of populism is the belief that foreign countries are inherently bad. Consequently, political, economic, and technological conflicts between China and the U.S. are intensifying the opposing sentiments among their populations—fueling growing hostility among both the American and Chinese public.

However, a common concern is whether this rivalry might escalate into war. Personally, I believe that while competition and rivalry between the two countries are becoming fiercer, a proxy war is unlikely. The reason is simple: in the digital age, the outcome of U.S.-China competition will be determined by technological superiority. A proxy war cannot advance either side's technological innovation, nor can it diminish one side's dependence on the other's technology. Thus, proxy wars would be an ineffective strategy in this context.

Many also wonder whether Trump's approach to the Taiwan question would differ from Biden's, potentially leading to a conflict in the Taiwan Strait. In my view, there is a fundamental difference between Trump and Biden, as well as every U.S. president since the end of the Cold War in 1991. Trump is the only president who did not involve the country in a new war during his time in office, whereas all other presidents, including Obama, were involved in new conflicts.

Trump's unique perspective lies in his belief that war does not consolidate America's status as the world's dominant power or enhance its global leadership. This is why he has repeatedly stated that, if re-elected, he would prioritise ending the war in Ukraine. Trump's incoming national security advisor has even mentioned that Trump is considering addressing the Ukraine conflict on his first day in office, aiming to bring it to a swift resolution. Given this approach, a conflict over the Taiwan Strait would be inconsistent with Trump's belief that war does not enhance America's global dominance.

Lastly, one particularly noteworthy aspect of Sino-American competition is the project Elon Musk is currently working on. Just a few days ago, an article in [*The Washington Post*](#) outlined this project's three main objectives: reducing the number of civil servants, cutting government spending, and decreasing administrative regulations to benefit private enterprises. I don't know if this will

succeed, but it is clear that Trump currently has both the desire and the power to make it happen. The question is whether his strategy can achieve his goals.

The likelihood of Trump's goals succeeding is relatively low. Historically, major reforms undertaken by nations have more often failed than succeeded—success is the exception, not the rule. From a purely probabilistic standpoint, the chances of success are slim.

However, even if these reforms do not achieve their intended outcomes, they are likely to bring significant changes to the U.S. to some extent. If positive changes emerge, these reforms could accelerate U.S. economic development and strengthen its overall national power.

In the next four years, Sino-American competition will extend beyond diplomacy to include a race between the two nations in domestic government reforms. The country that succeeds in implementing deeper, more effective reforms, achieving higher efficiency, and enhancing its overall national strength will gain a clear advantage in this rivalry. If China can reform more effectively than the U.S., the gap in power between the two nations will narrow. Conversely, if the U.S. carries out more successful reforms, the gap will widen.

Why is this so crucial? The answer lies in the pivotal role of domestic politics. Transformations in the U.S. originate from profound changes within the country, where no single value system holds absolute dominance anymore. Since 1991, liberalism thrived as an unshakable stronghold. However, it is now in decline, increasingly overshadowed by populism. The global rise of populist movements and the emergence of populist leaders in many nations reflect this downward trajectory of liberalism.

History does not follow a linear progressive path—it alternates between progress and regression. Following the outbreak of World War I, imperialist ideology became dominant, accompanied by imperialist leaders in major powers. This was succeeded by the rise of fascism, and in the 1990s, liberalism emerged as the prevailing ideology. Now, liberalism is being challenged by the rise of populism. The current wave of de-globalisation, which has persisted for two or three decades, will eventually come to an end. What ideology will replace it remains uncertain, but one can only hope it leads to a brighter future.