

The US-China Competition: China's Strategy to Regain Its Position as a Global Power

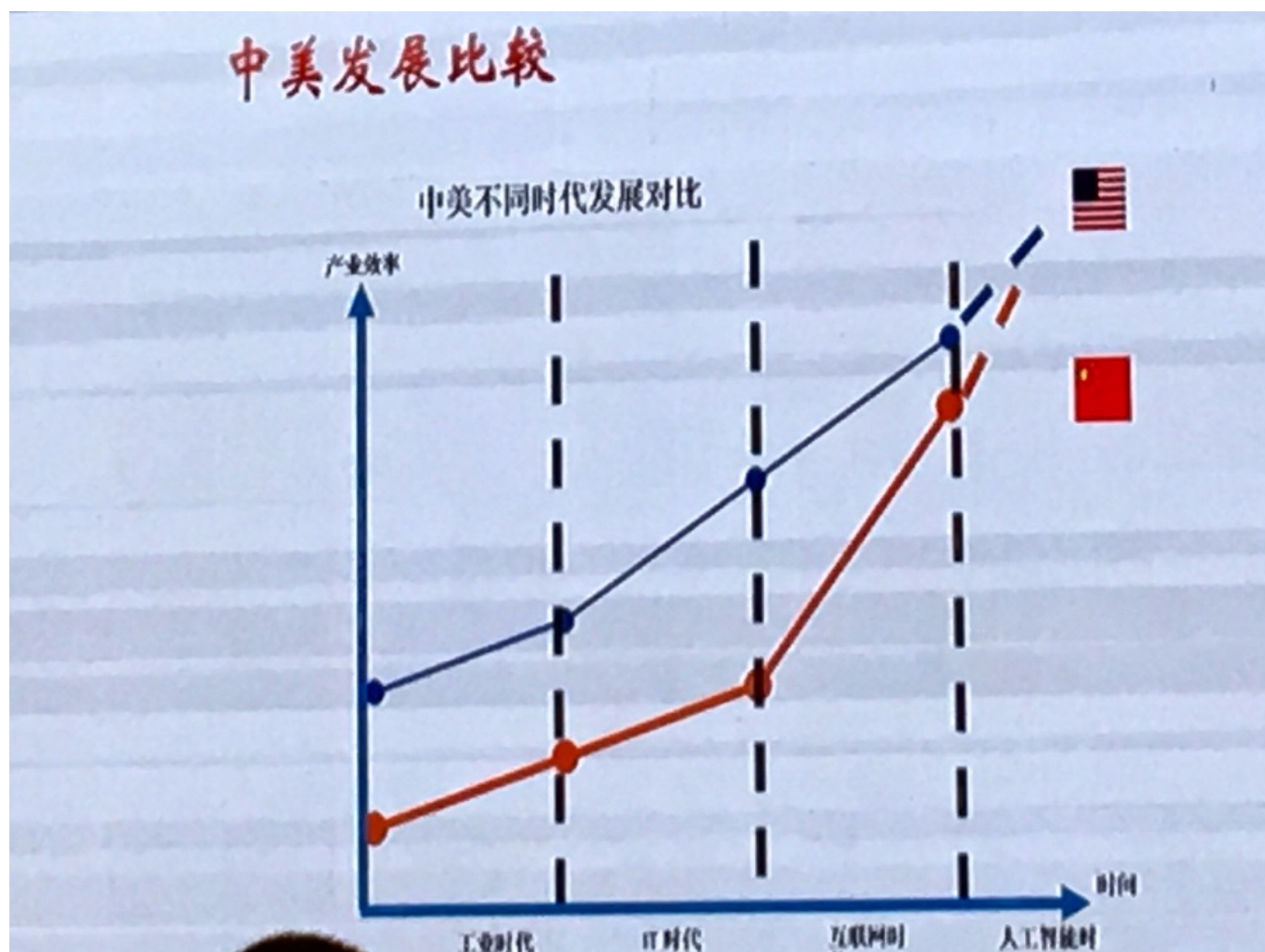
Prof. Peter Fong

3.2022

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永遠名譽會長黃友嘉博士（左一）主持了座談環節，與復旦大學中國研究院院長張維為教授（左二），香港科技大學經濟學系雷鼎鳴
文大學香港亞太研究所名譽高級研究員王卓祺博士（左四）一起交流對國家發展以至全球治理的看法。



如何解释中国的成功？

- 一、劳动力便宜？(Cheap labor?)
- 二、大量外资？(FDI?)
- 三、市场经济？(Market economy?)
- 四、威权主义？(Authoritarianism?)
- 五、国家资本主义？(State Capitalism?)

中国找到了成功之路：中国模式

1、政治领域：(selection+election)

- 代表人民整体利益的政治力量
- “选拔+选举”超越仅仅依靠“选举”

2、经济领域：(mixed economy)

- “混合经济”超越“华盛顿共识”
(拒绝市场原教旨主义)

3、社会领域：(state-society interactions)

- “社会与国家良性互动”超越“两者高度对抗”
(西方的“分而治之”与中国的“合而治之”)

把中国的事情说清楚

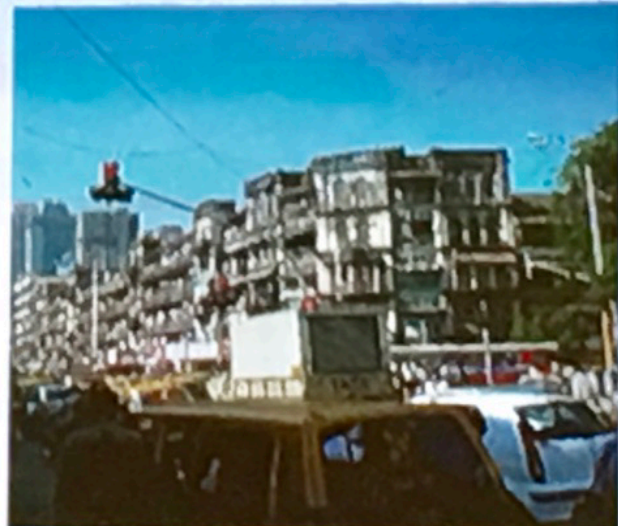
解构西方话语、建构中国话语：

（目标）建构全面、透彻、强势的中国话语

（类型）建构学术、大众、国际的中国话语

中国话语案例1：政治范式之争

- 从“民主还是专制”到“良政还是劣政”？



中国话语案例2：民主制度之争

- 形式民主与实质民主
(形式民主的基本困境：参选率低、支持率低)
- 议程设置（比较美国国会和中国“两会”）
- 民主决策（“走出去，请进来”）
- 西方民主制度在实践中的三个基因缺陷：
 - 一人是理性的
 - 一权利是绝对的
 - 一程序是万能的

中国话语案例3、政党制度之争

- 中共与西方政党不同：
“整体利益党” vs. “部分利益党”
- 历史基因：
“百国之合”与统一的儒家执政集团
- 合法性的来源：
民心向背（民意 vs. 民心）、选贤任能

中国话语案例4：成功标准之争

- 一、解读A：
 - 人均GDP低，但社会发展指数高
 - 中位家庭净资产
 - 人均预期寿命
 - 社会治安
 - 对未来是否乐观
 - 结论：社会主义制度在中国的成功（人类历史上第一次…）
- 二、解读B：
 - 除了制度优势外，GDP的计算方法有问题
- 三、解读C：
 - 指标创新：“新社会发展指数”

中国话语案例5：国家性质之争

- 普通国家（民族国家）与文明型国家
- 文明型国家的特征：四“超”
 - 超大型的人口规模
 - 超广阔的疆域国土
 - 超悠久的历史传承
 - 超丰富的文化底蕴

中国话语案例6： 价值顺序之争

社会价值优先顺序的比较（资料来源：D. Hutchcock's survey, 1994）

东亚

- 1、社会秩序
- 2、和谐
- 3、政府问责制
- 4、接受新思想
- 5、言论自由
- 6、尊重权威

美国

言论自由
个人权利
个人自由
公开辩论
生存
政府问责制

中国和平崛起的世界意义

1. 世界最大经济体、最大消费市场
2. 十年内中产阶层将是美国人口的两倍
3. 基本实现了全民医保和养老
4. 世界最高的住房自有率之一
5. 可再生能源世界领先
6. 新工业革命的领跑者
7. 中国模式将鼓励越来越多的国家走自己的路
8. 软硬实力变化使世界秩序从纵向结构转向横向结构



The Rise of China

China's GDP

- Grow 34 times in 40 years (1978-2018)
- Rank 2 in 2021**, from rank 11 in 2001.

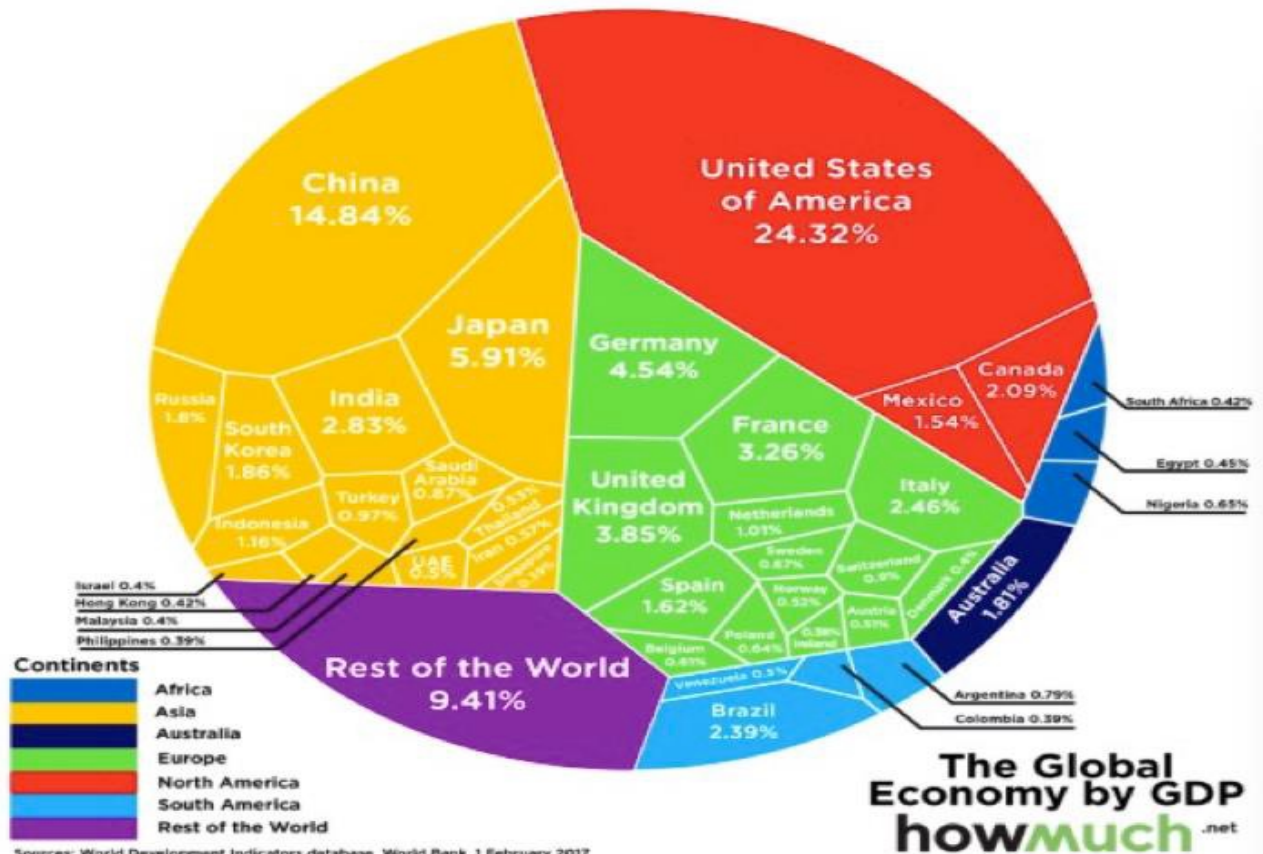
China focus on:

- Peaceful development, won't seek hegemony, prefer co-development to win, create human common destination.
- Use soft power: move with humanity, charm with principles, convince with virtue, values and ethics.

US & the West thinks differently:

- Over-power with authority, buy people with money.
- Weak in human rights, lack freedom & rule of law.

The Global Economy by GDP (Source: The World Bank 2017)

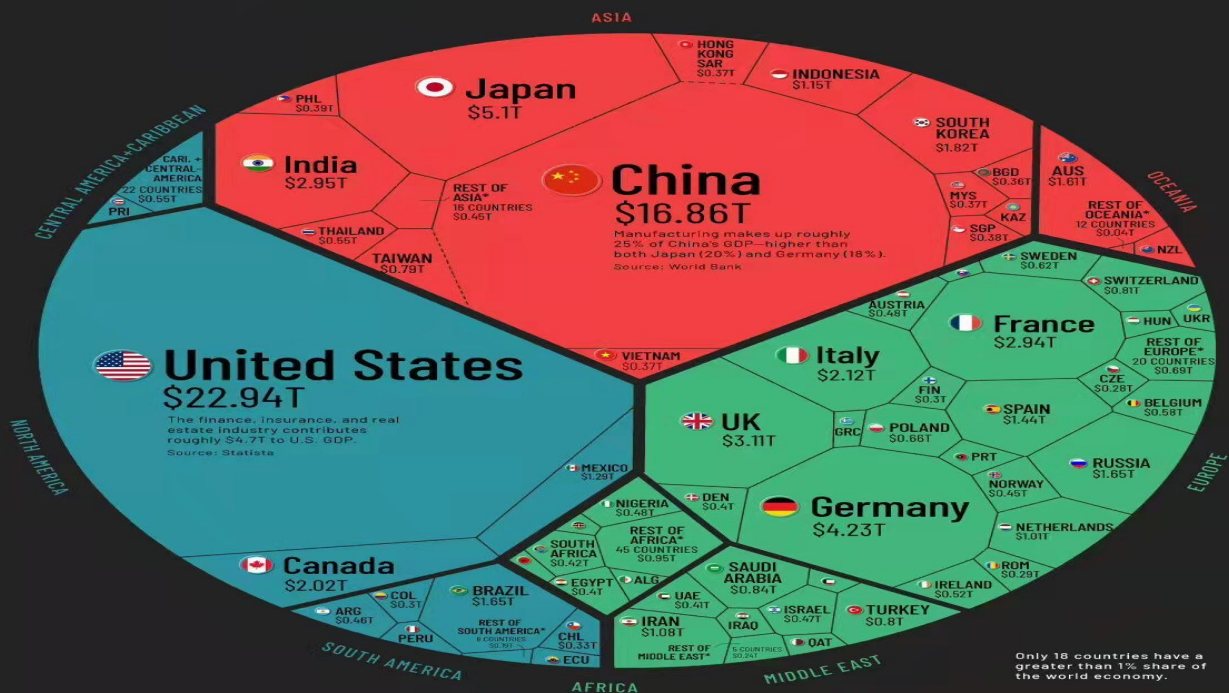


GLOBAL GDP 2021

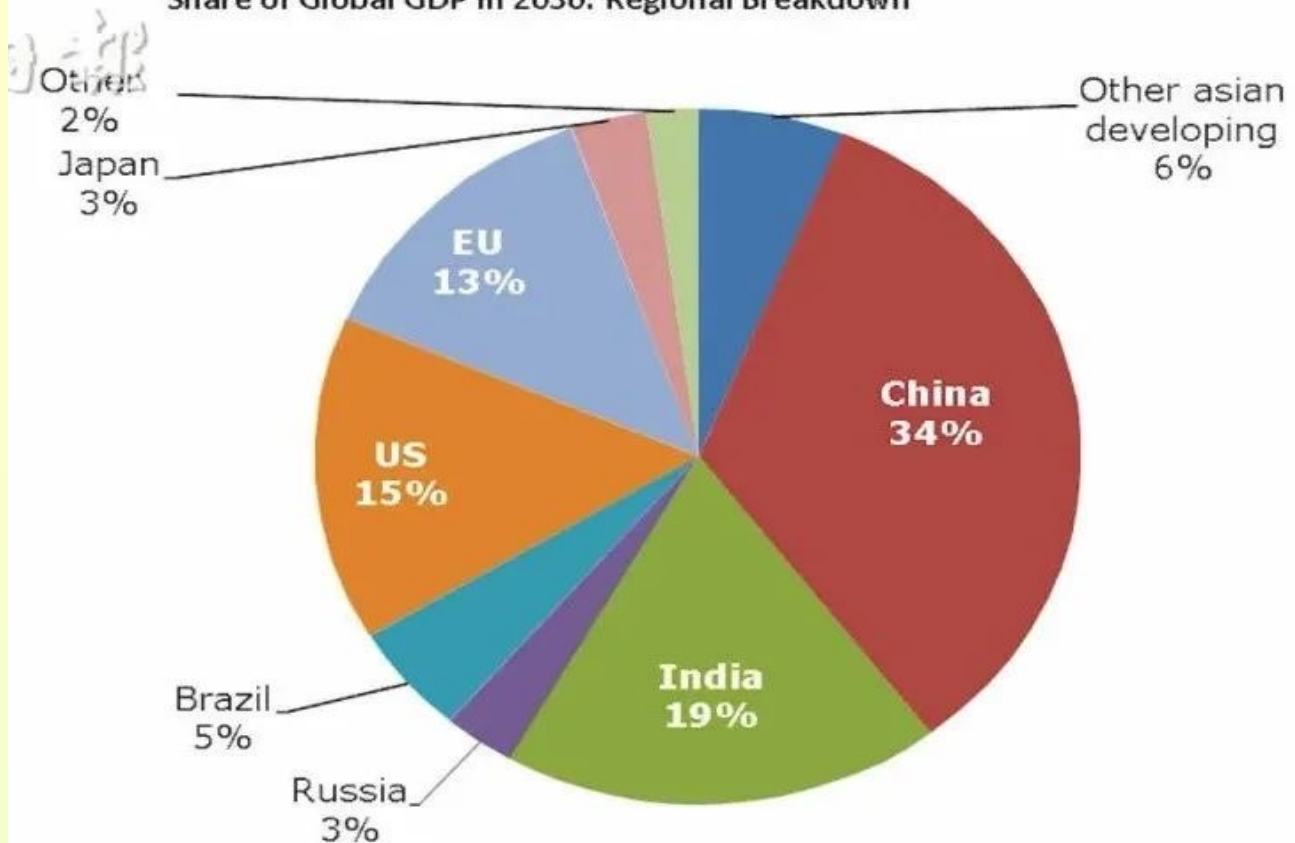


Gross domestic product (GDP) serves as a barometer for a country's economic health. It measures the total market value of final goods and services produced in a country during a given year.

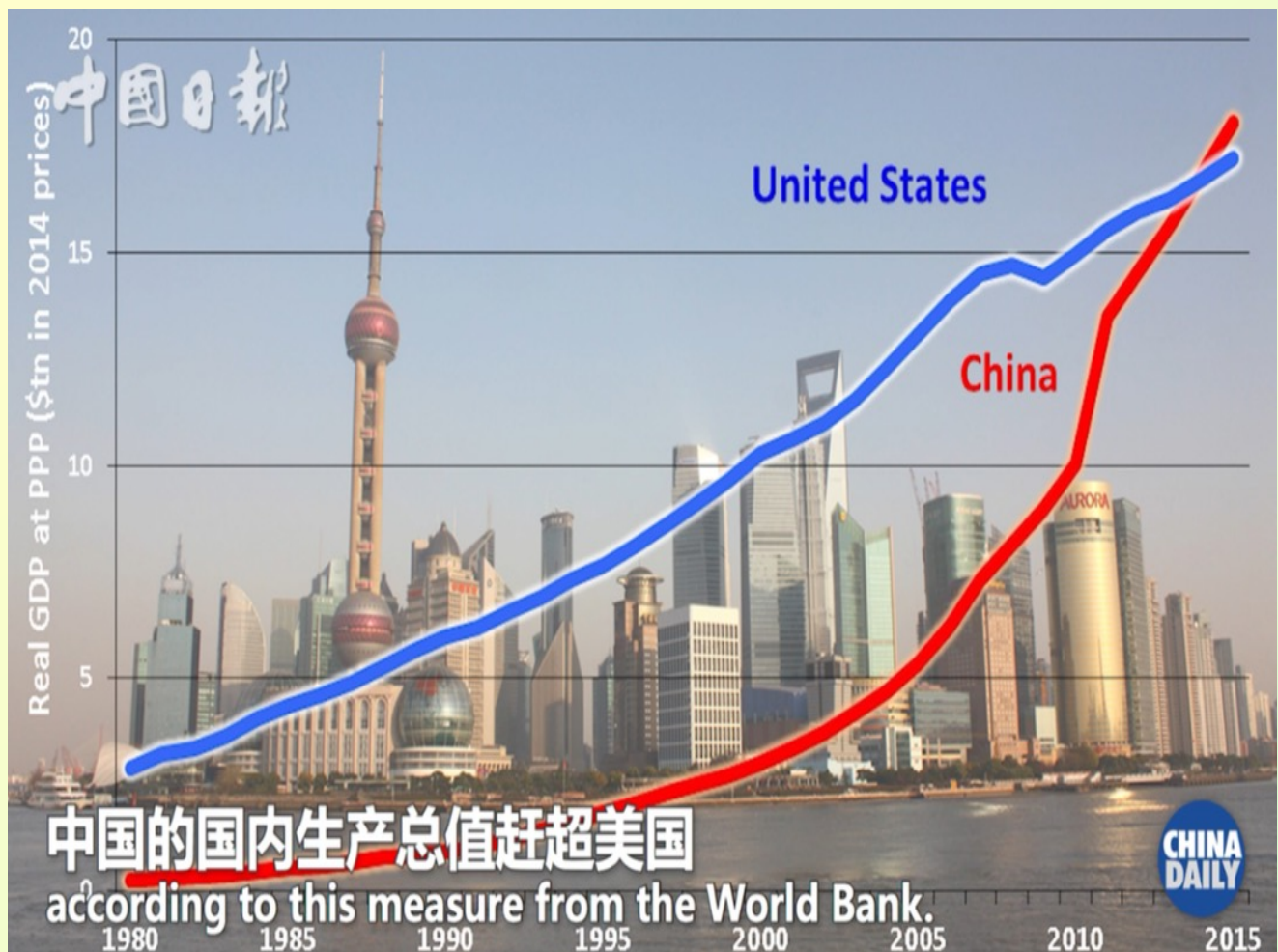
Together, the U.S. and China account for 42% of global GDP. Here is GDP by country according to IMF estimates.



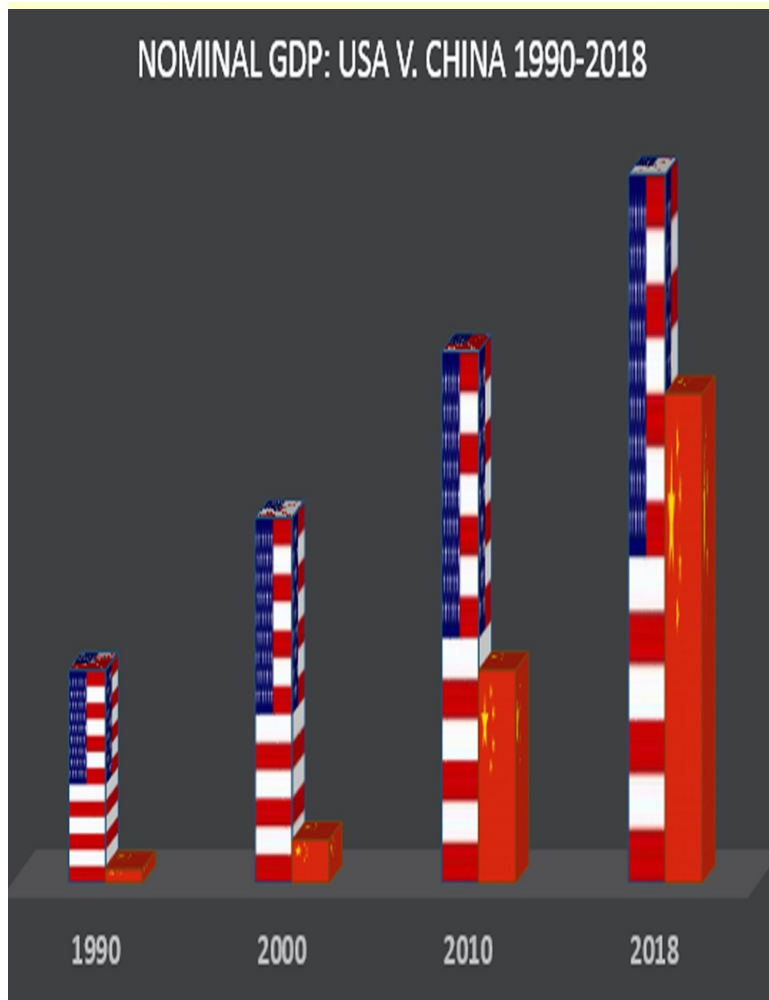
Share of Global GDP in 2030: Regional Breakdown



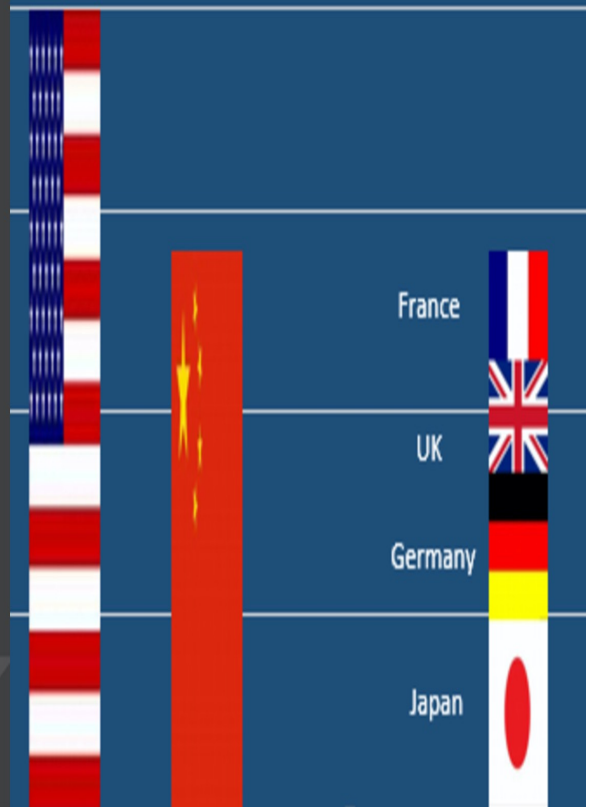
Martin Jacques, *When China Rules the World: the End of the Western World and the Rise of a New Global Order*



NOMINAL GDP: USA V. CHINA 1990-2018



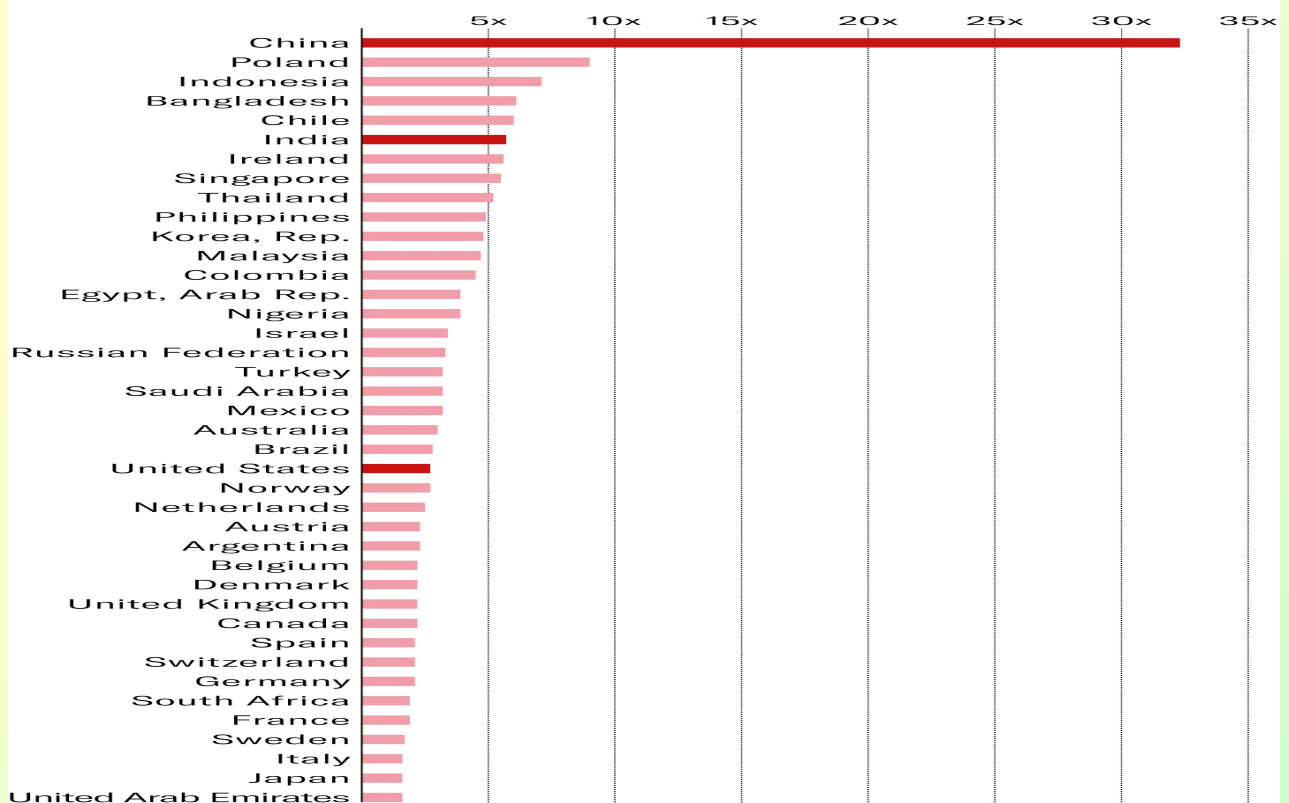
GDP of Top 6 Countries

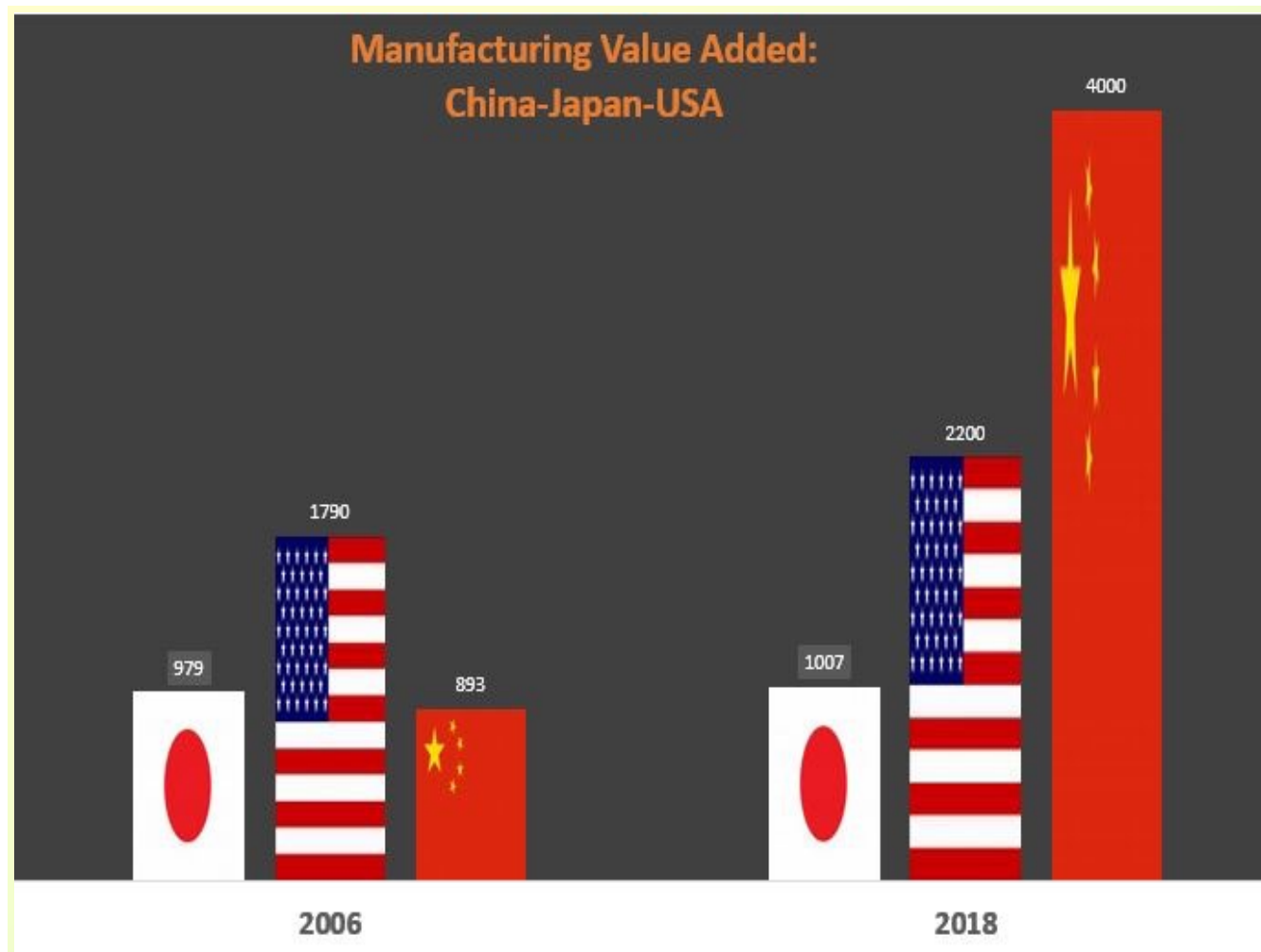
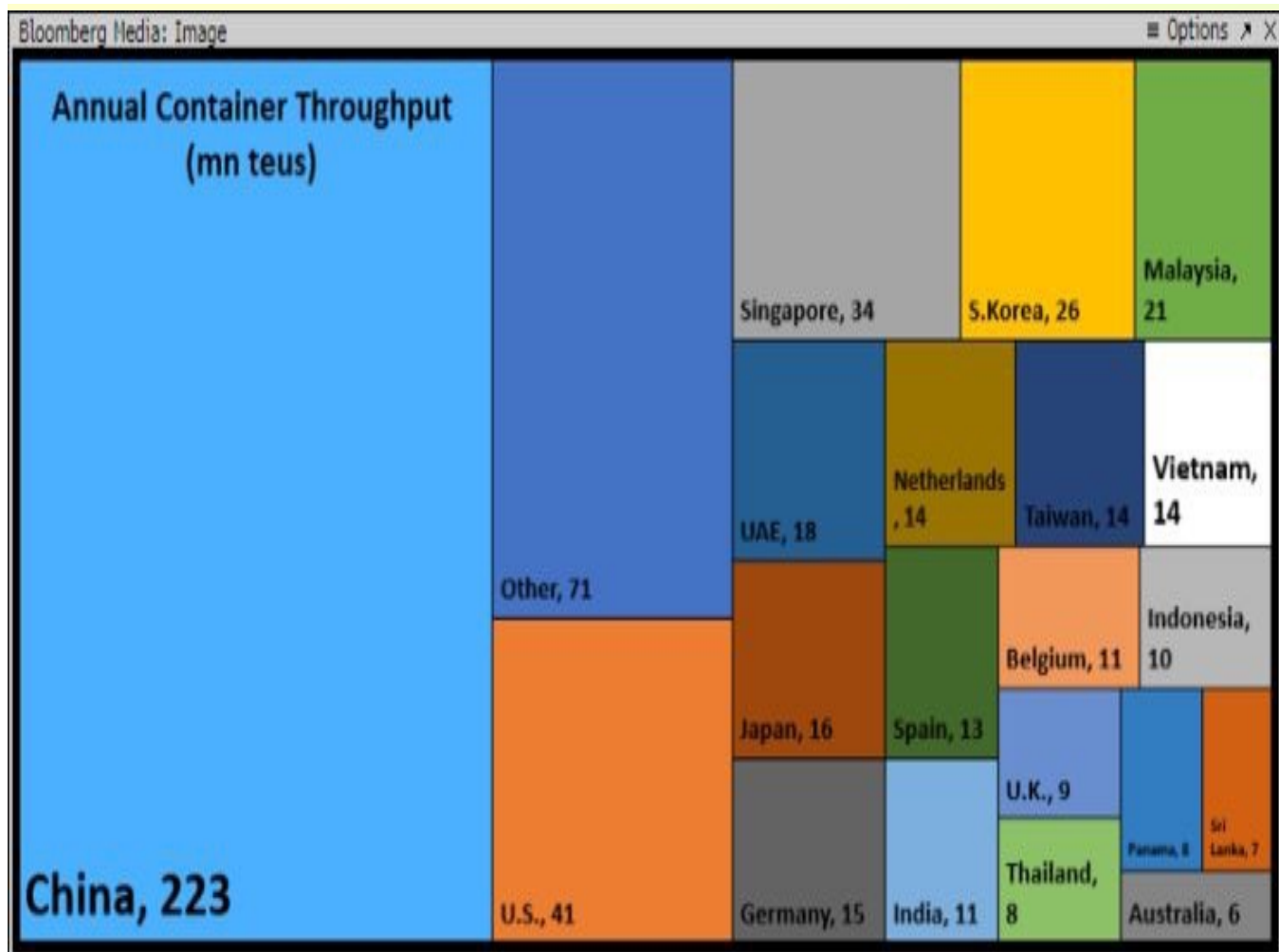


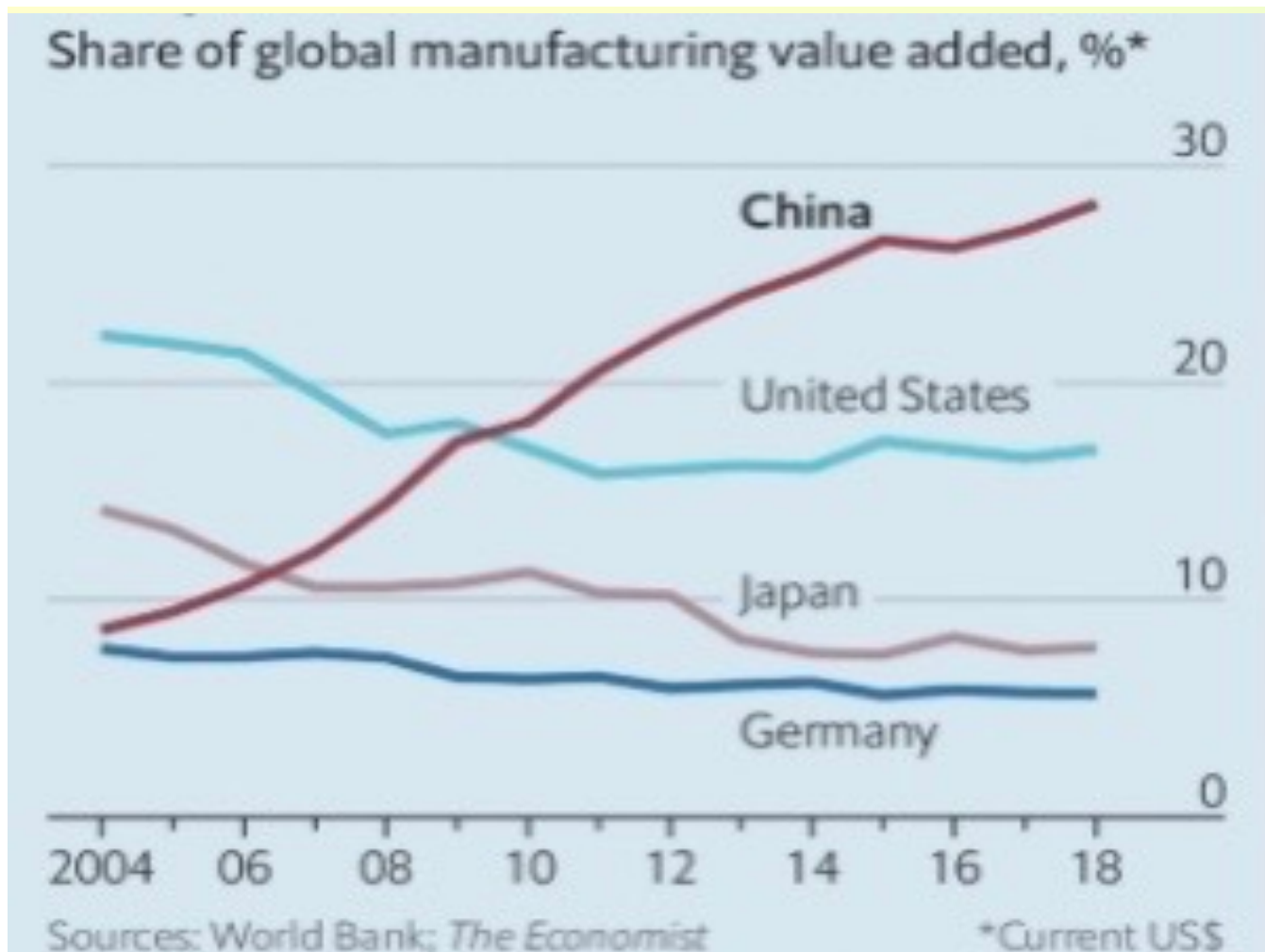
The Lived Change Index

The index uses lifetime per capita GDP to track how much economic change a population has experienced. Over the past three decades China has changed more quickly than any other place on earth.

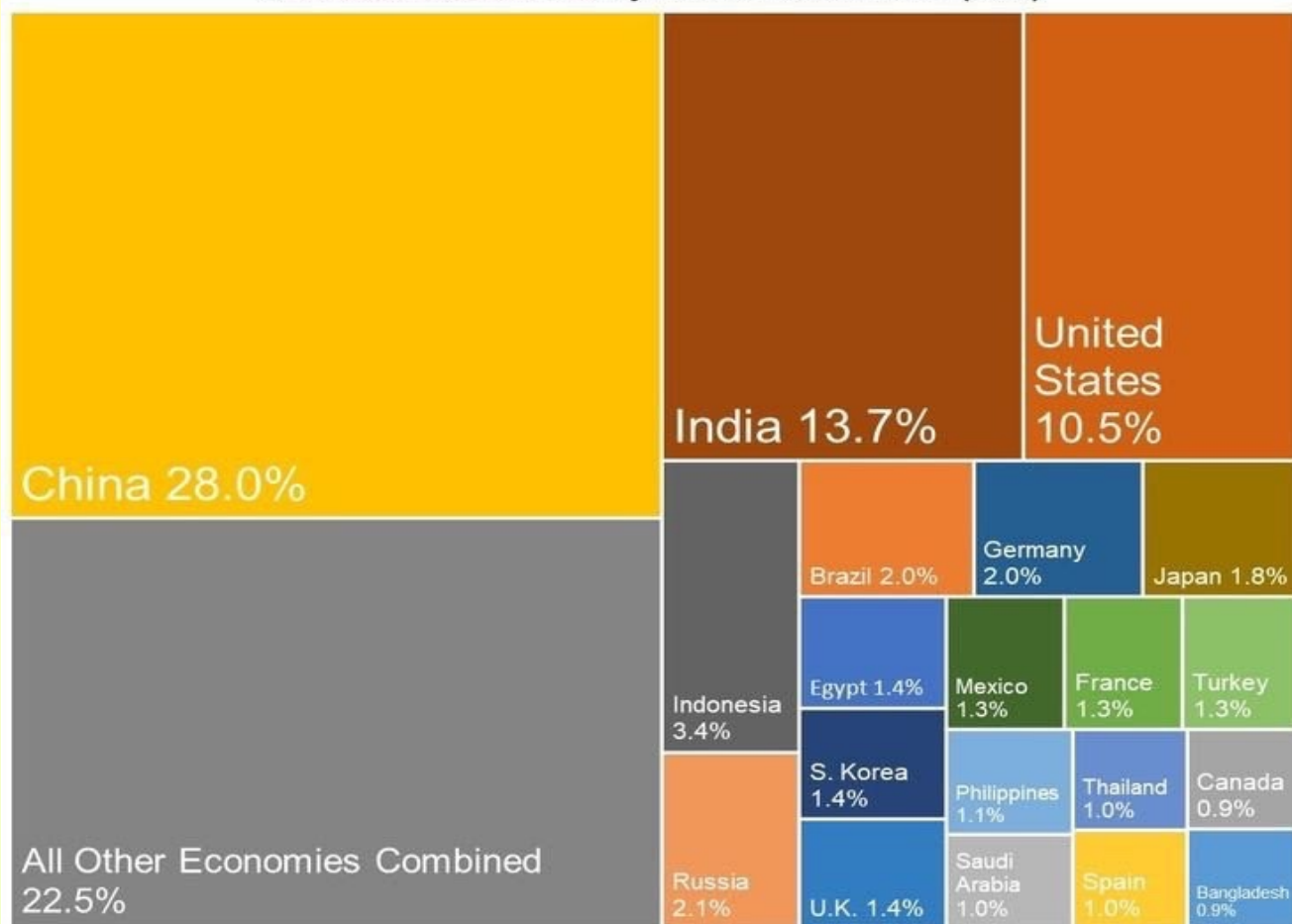
Per capita GDP growth in the top 40 global economies, 1990–2019







2019-2020 World Economy Growth Contribution (Intl\$)



Source: IMF WEO April, 2019

Bloomberg

Top 10 Countries, Ranked by Retail Ecommerce Sales, 2018 & 2019

billions and % change

	2018	2019	% change
1. China*	\$1,520.10	\$1,934.78	27.3%
2. US	\$514.84	\$586.92	14.0%
3. UK	\$127.98	\$141.93	10.9%
4. Japan	\$110.96	\$115.40	4.0%
5. South Korea	\$87.60	\$103.48	18.1%
6. Germany	\$75.93	\$81.85	7.8%
7. France	\$62.27	\$69.43	11.5%
8. Canada	\$41.12	\$49.80	21.1%
9. India	\$34.91	\$46.05	31.9%
10. Russia	\$22.68	\$26.92	18.7%

Note: includes products or services ordered using the internet via any device, regardless of the method of payment or fulfillment; excludes travel and event tickets, payments such as bill pay, taxes or money transfers, food services and drinking place sales, gambling and other vice good sales;

**excludes Hong Kong*

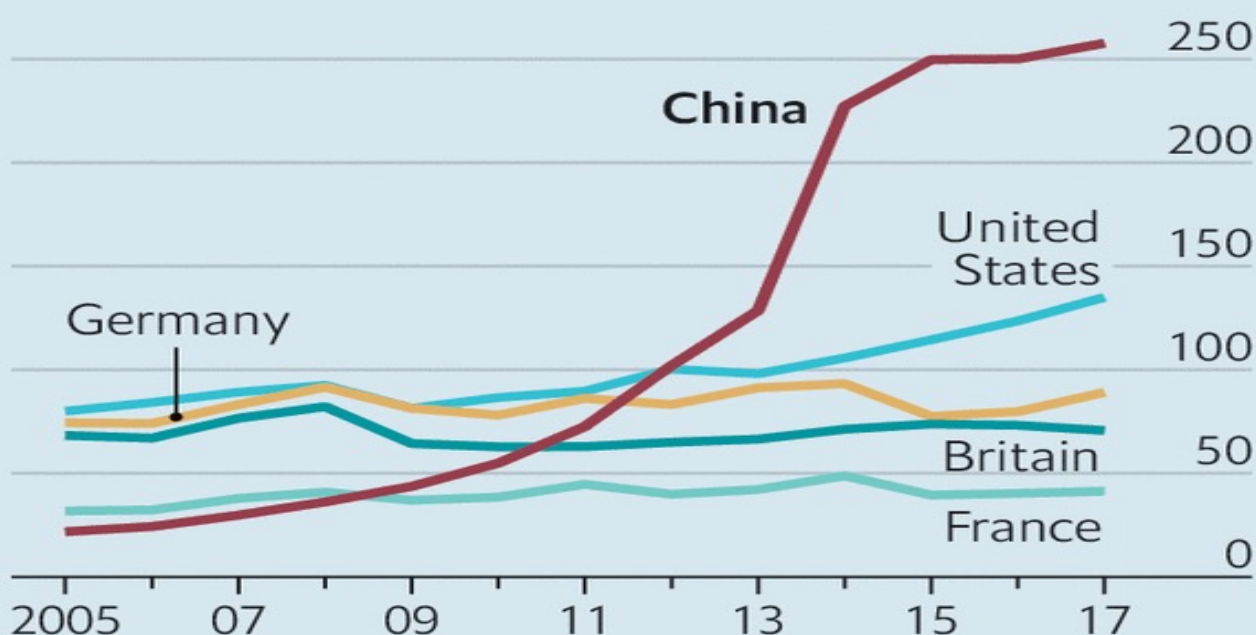
Source: eMarketer, May 2019

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www.eMarketer.com

The red dollar

Tourism spending abroad
By country of residence, \$bn

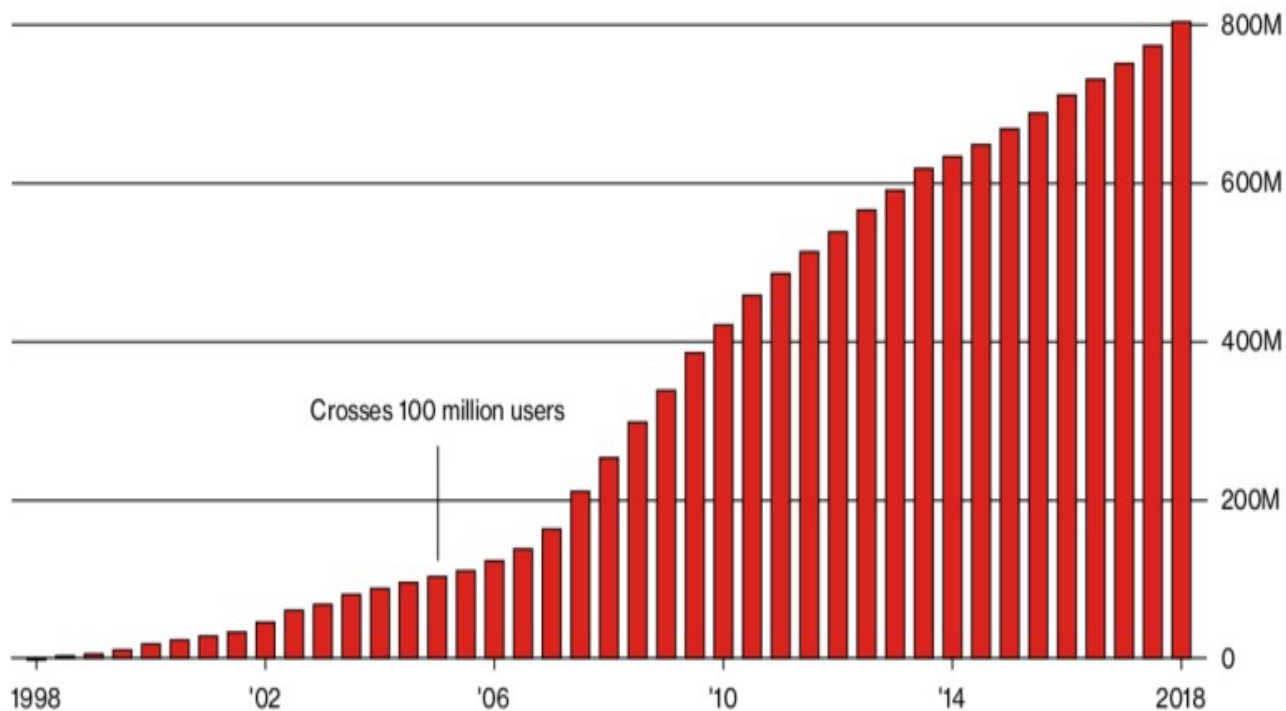


Source: UNWTO

Web Supremacy

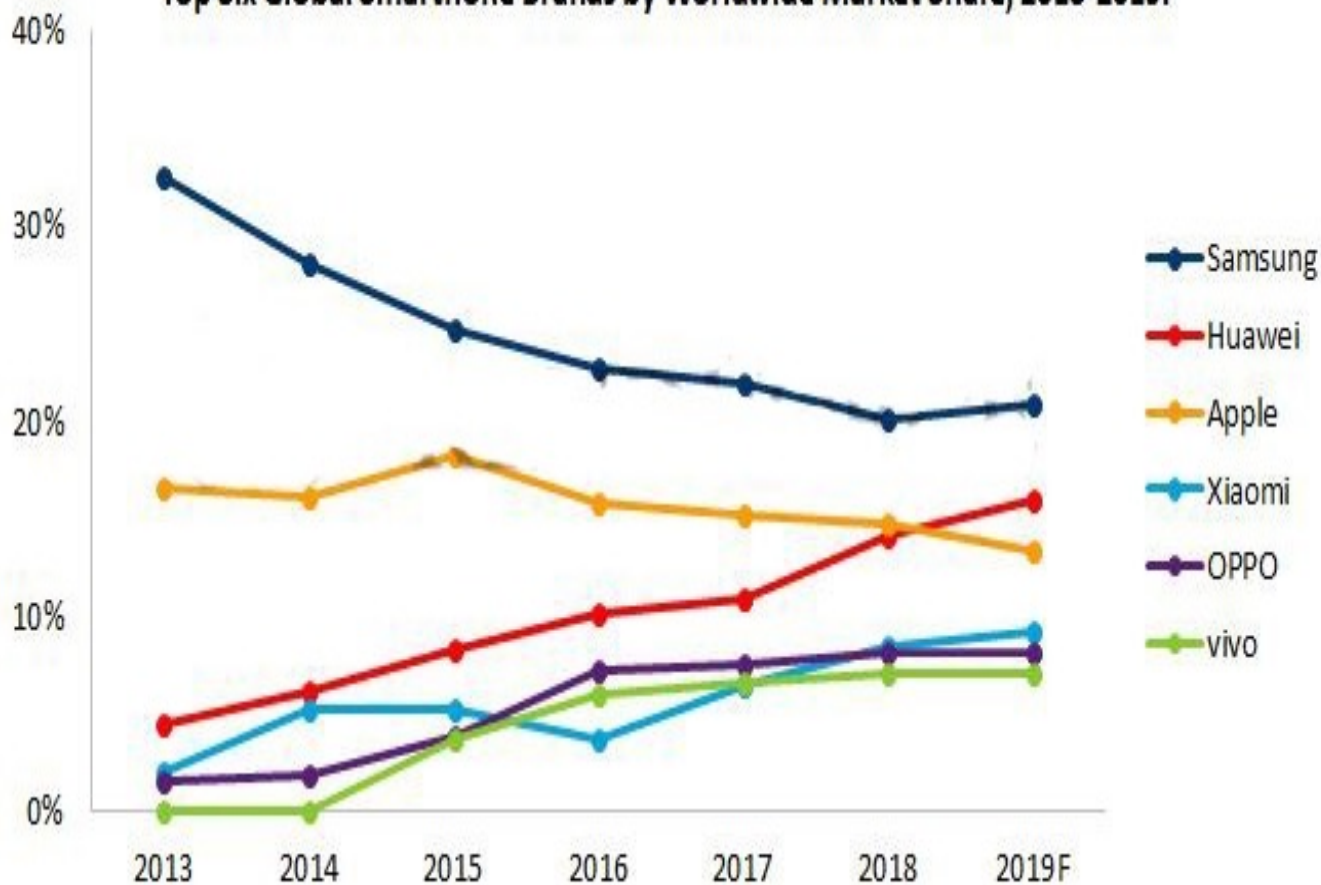
China internet users top combined population of Japan, Russia, Mexico and U.S.

■ Number of internet users in China



Data: China Internet Network Information Center; graphic by Bloomberg Businessweek

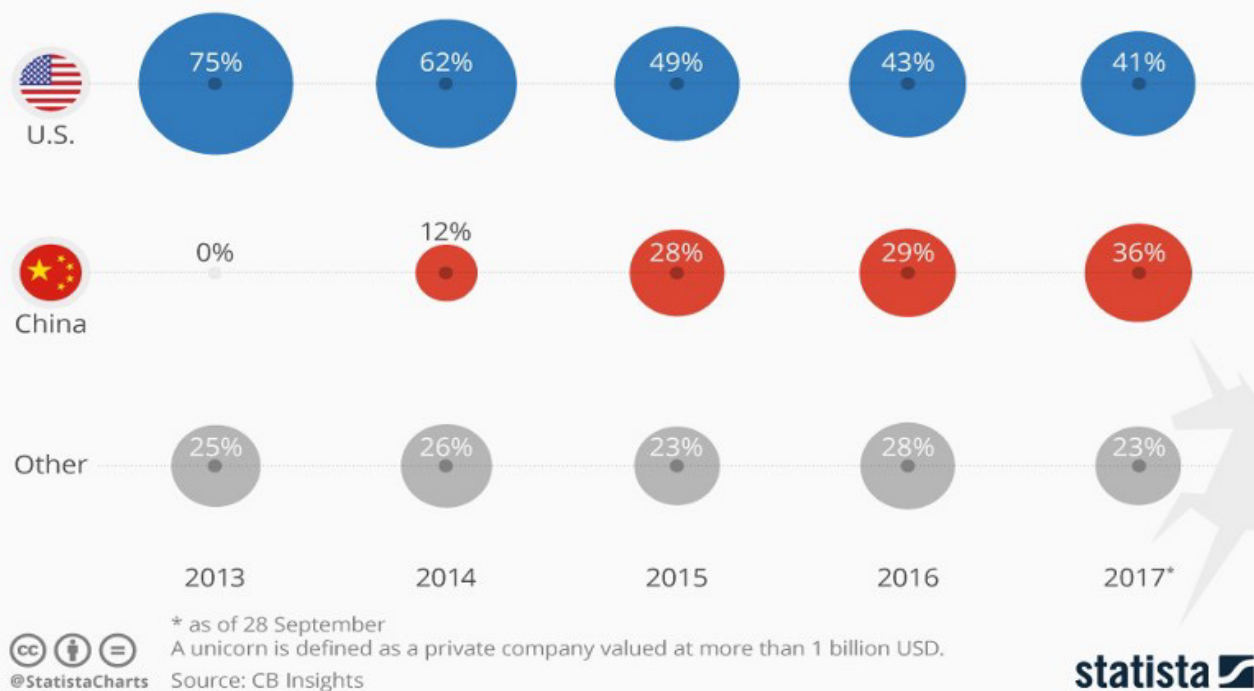
Top Six Global Smartphone Brands by Worldwide Market Share, 2013-2019F



Source: TrendForce, Jan., 2019

China is Threatening America's Unicorn Dominance

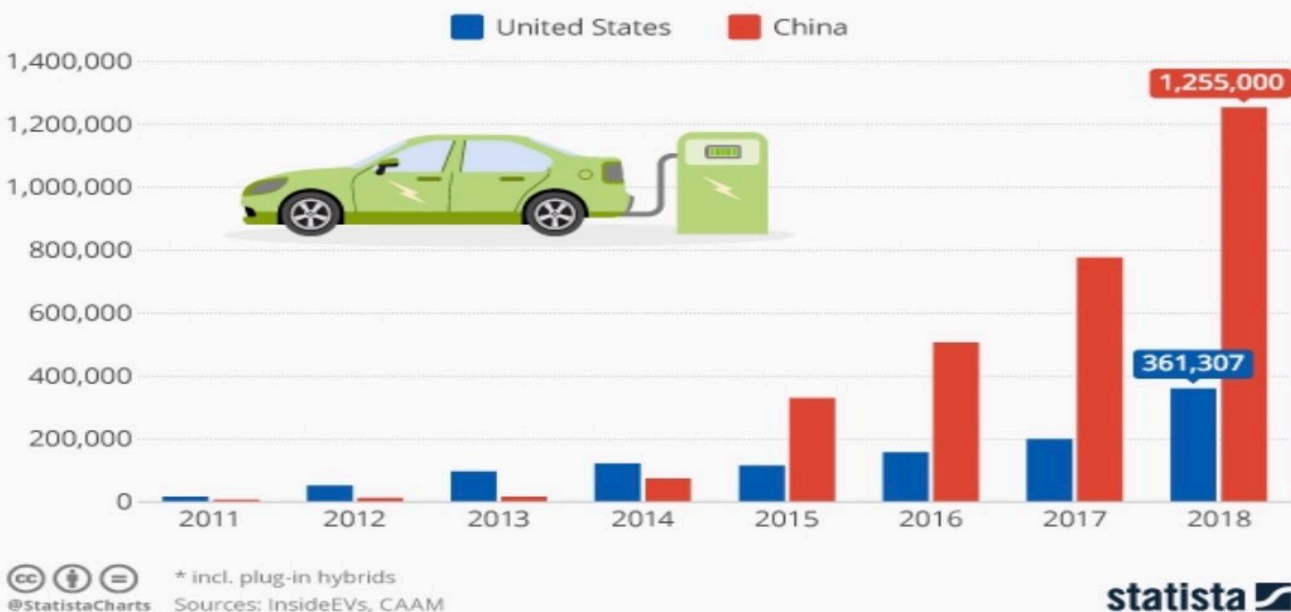
Distribution of unicorns 'born' from 2013 to 2017, by country



=> #2 in **Unicorns** (startup companies worth more than \$1 billion). In 2020, the number of Unicorns are [227 in China versus 233 in the USA](#)). Interestingly, 16 31 Unicorns in the US were founded by Chinese immigrants or Chinese Americans.

China's Electric Vehicle Market Races Ahead

Estimated plug-in electric vehicle sales in the United States and China*



- => #1 in **electric cars** – manufacturing and sales
- => #1 in **consumer drones** ([70% of global market](#))
- => #1 in **supercomputers** ([227 out of the 500](#) supercomputers are Chinese)
- => #1 in **mobile payments** ([50x larger than the US](#))

Share of German Cars Sold Globally

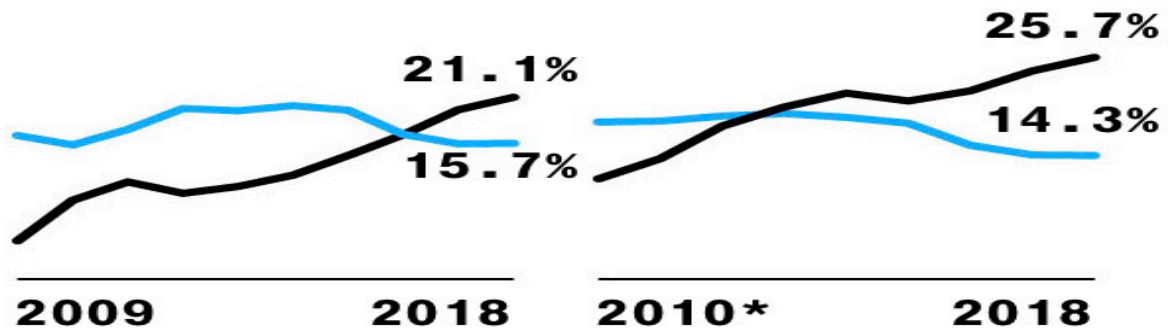
U.S. CHINA



DAIMLER



BMW



=> #1 luxury car market (Example: 400,000 BMW's manufactured and sold in China in 2017)

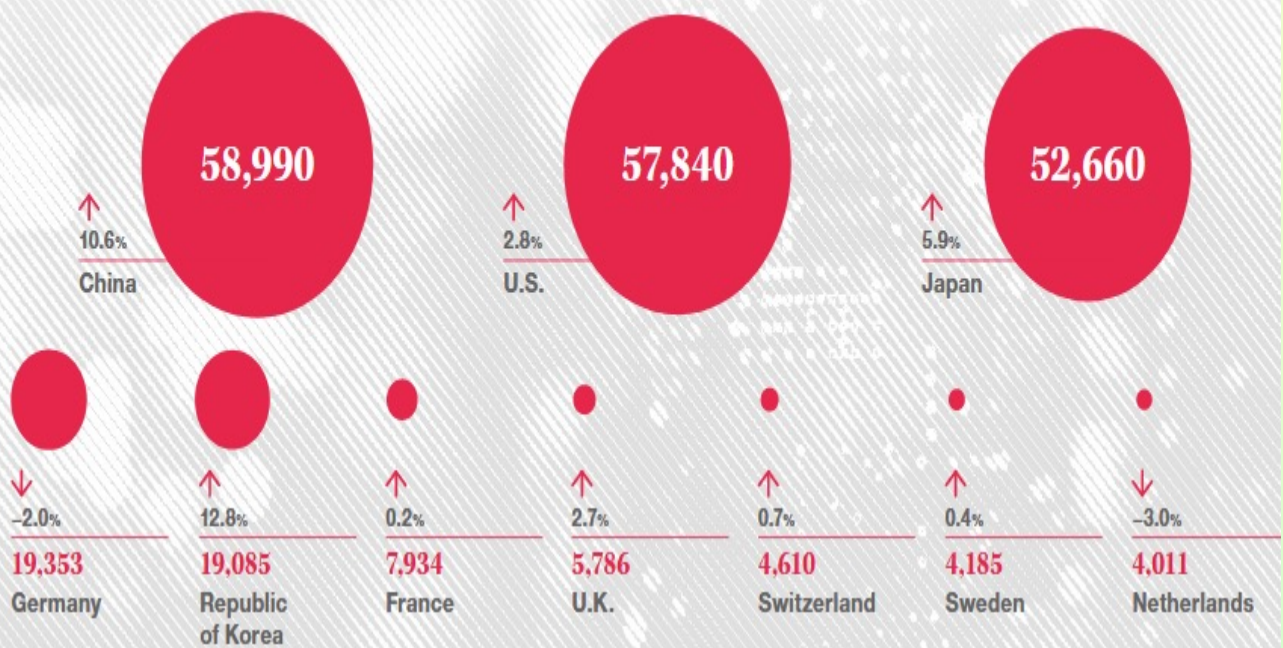
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The Belt & Road Initiative - land routes



Top 10 countries

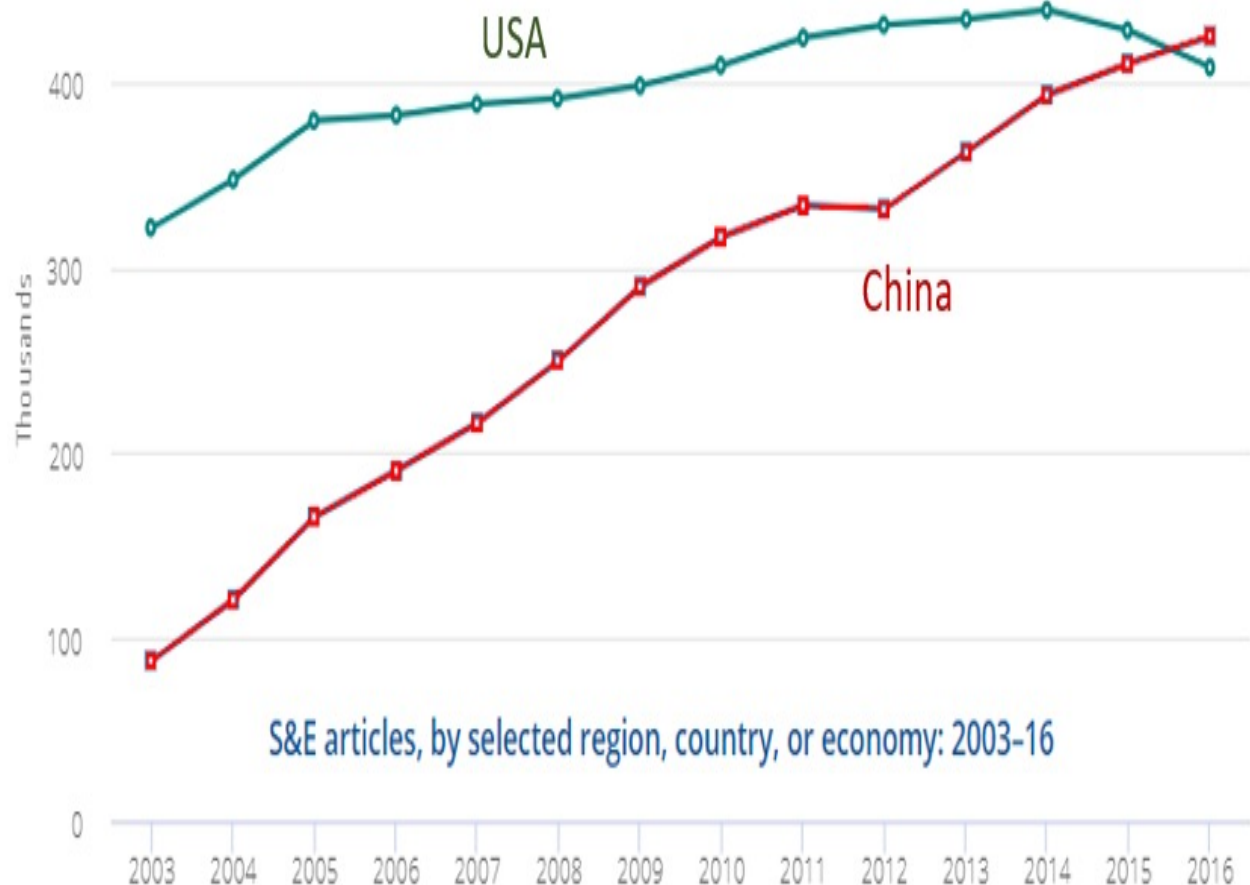
Number of PCT applications and percent growth since 2018



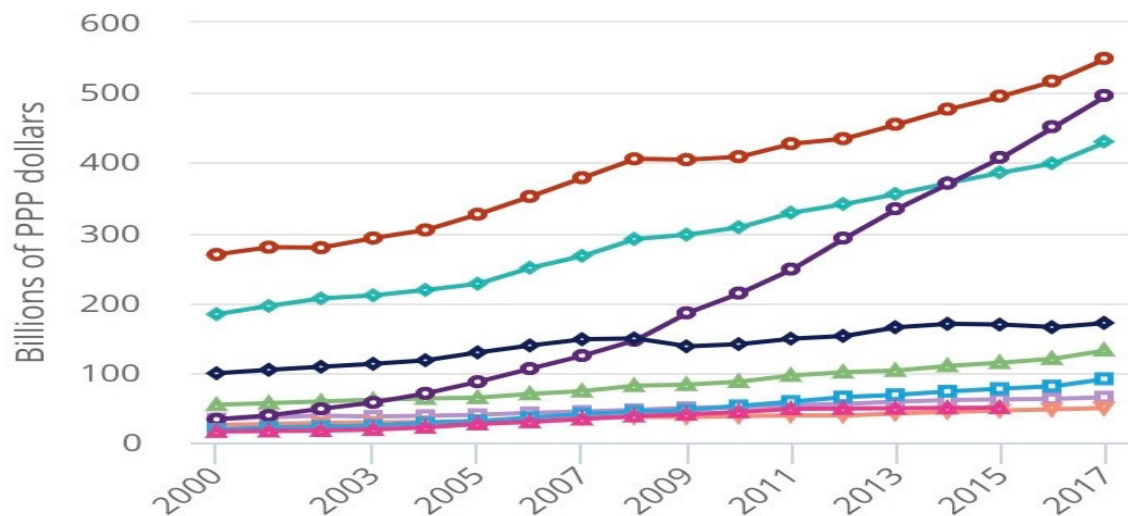
=> #1 in **patents** — accounting for almost half of all patents in the world!

=> #1 in **international patents** – according to World Intellectual Property Organization (WIPO). The US had been #1 since 1978 when WIPO/Patent Cooperation Treaty (PCT) was established. China had 58,990 international patents in 2019.

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Gross domestic expenditures on R&D, by selected region, country, or economy: 2000–17

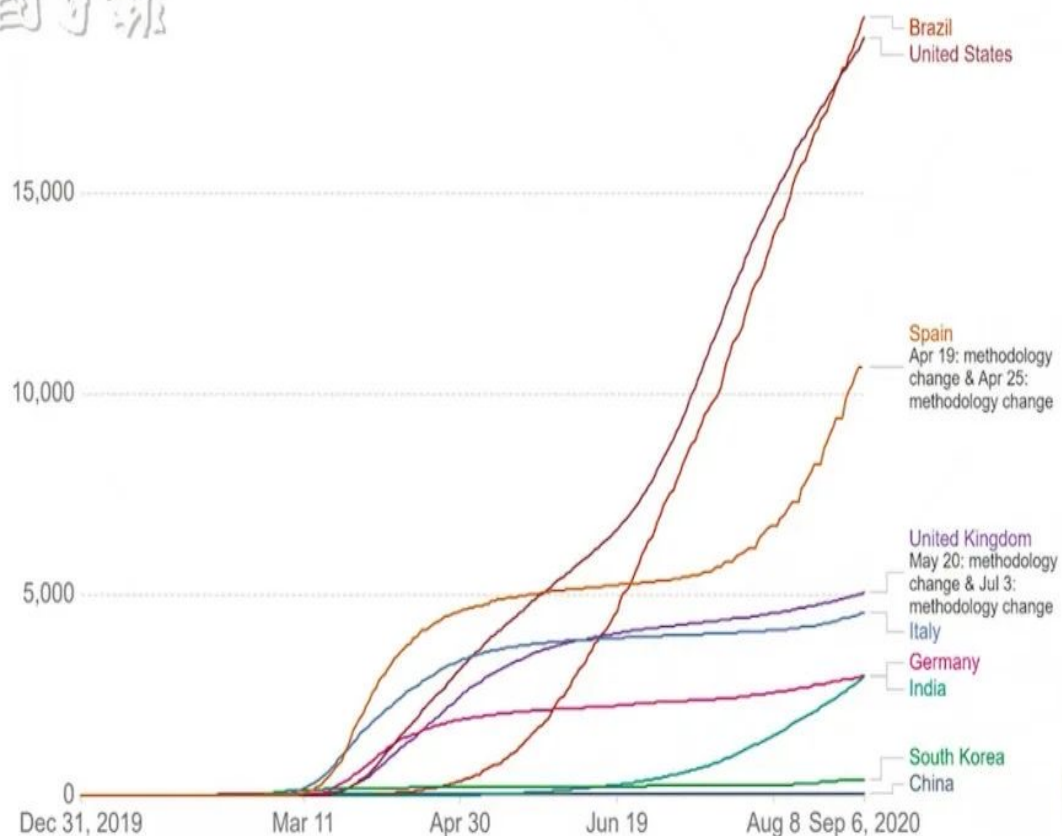


=> #1 in **R&D spending** in 2019 – [according to US National Science Board](#); here's an [updated article](#) for 2020. In the chart below, brown = USA and purple = China. The chart shows only up to 2017.

=> #2 in number of **satellites** in orbit/space ([280 satellites as of 2018](#)). In 2018, China became the first country to land on the far side of the moon. In both 2018 and 2019, China was #1 in rocket launches. 37

Cumulative confirmed COVID-19 cases per million people

The number of confirmed cases is lower than the number of actual cases; the main reason for that is limited testing.



Source: European CDC – Situation Update Worldwide – Last updated 6 September, 16:04 (London time)

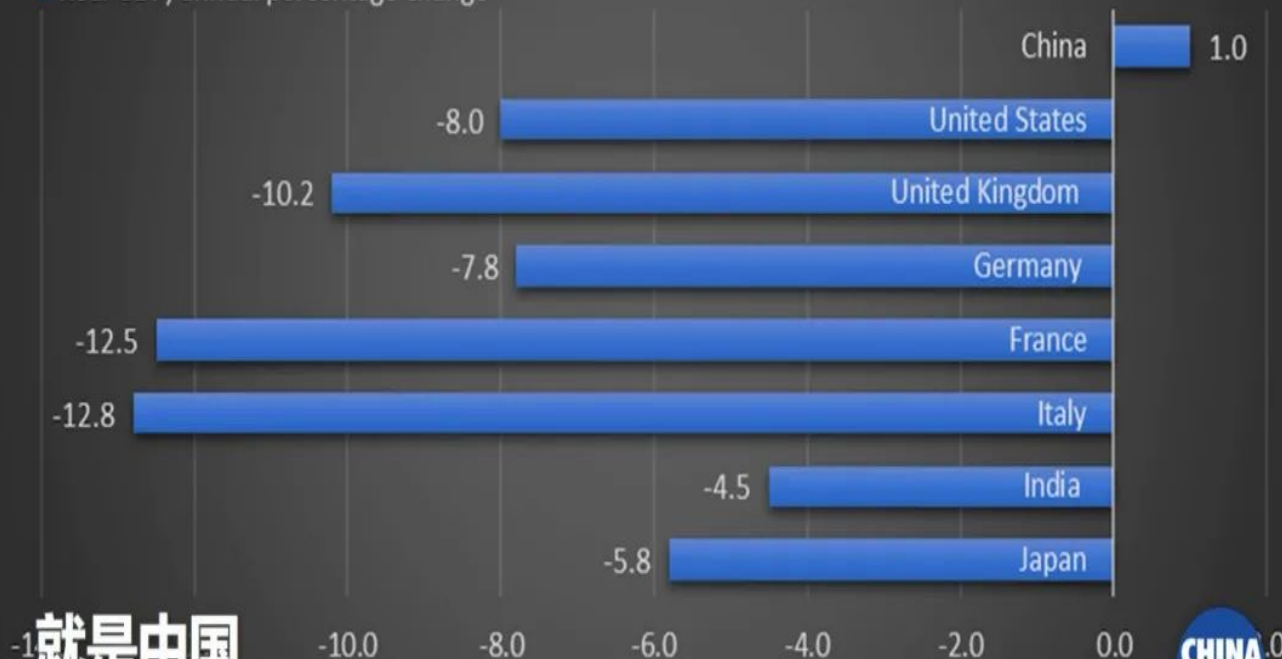
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中國日報

IMF World Economic Outlook Growth Projection in 2020*

■ Real GDP, annual percentage change



就是中国

And that is China.

*Source: IMF World Economic Outlook Update, June 2020

CHINA DAILY

Biggest U.S. trade deficits, by country 2017 deficit in goods, in billions (services are excluded)



RANK	COUNTRY	2017	2016	CHANGE	BIGGEST IMPORT
1	China 	\$375.2	\$347	+28.2	Consumer electronics
2	Mexico 	\$71.1	\$64.4	+6.7	Autos, electronics
3	Japan 	\$68.8	\$68.8	0	Autos, electronics
4	Germany 	\$64.3	\$64.7	-0.4	Autos, transportation
5	Vietnam 	\$38.3	\$32	+6.3	Rice, crops
6	Ireland 	\$38.1	\$36	+2.1	Chemicals, drugs
7	Italy 	\$31.6	\$28.6	+3	Machinery
8	Malaysia 	\$24.6	\$24.8	-0.2	Consumer electronics
9	Netherlands 	\$24.5	\$23.6	+0.9	Chemicals, machinery
10 (tie)	India 	\$22.9	\$24.4	-1.5	Manufacturing, clothes
10 (tie)	South Korea 	\$22.9	\$27.6	-4.7	Autos, electronics

Source: Bureau of Economic Analysis, U.S. Census

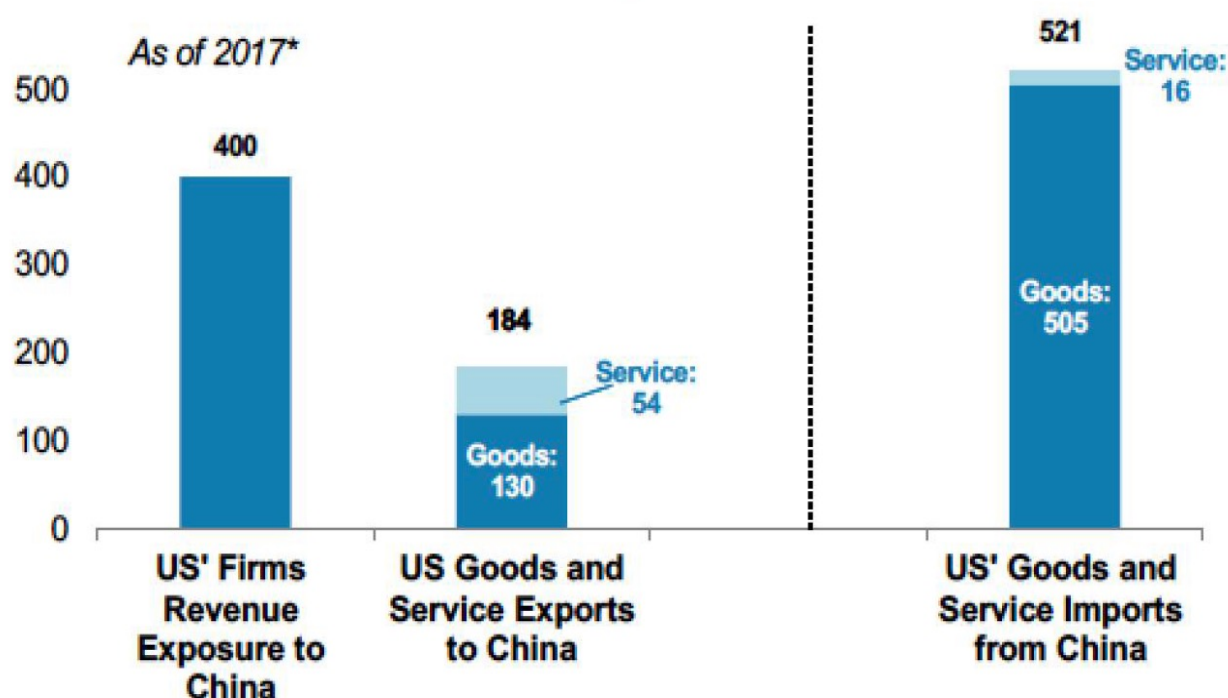
Figure 17: A contrast of household asset structure in China and the US

	China	US
Composition of household assets (%)		
Non-financial assets	6	6
Real estate	54	24
Financial assets	41	71
Composition of household financial assets (%)		
Cash and savings	75.7	14.4
Stock shares	15.5	21.7
Wealth management products of banks and funds	6.5	10.2
insurances	-	28.9
Others	2.3	24.8

Sources: Wind, US Federal Reserve, 'China Household Finance Survey 2017', Morgan Stanley

Fig 1. US business interests in China

Source: Morgan Stanley, 2018

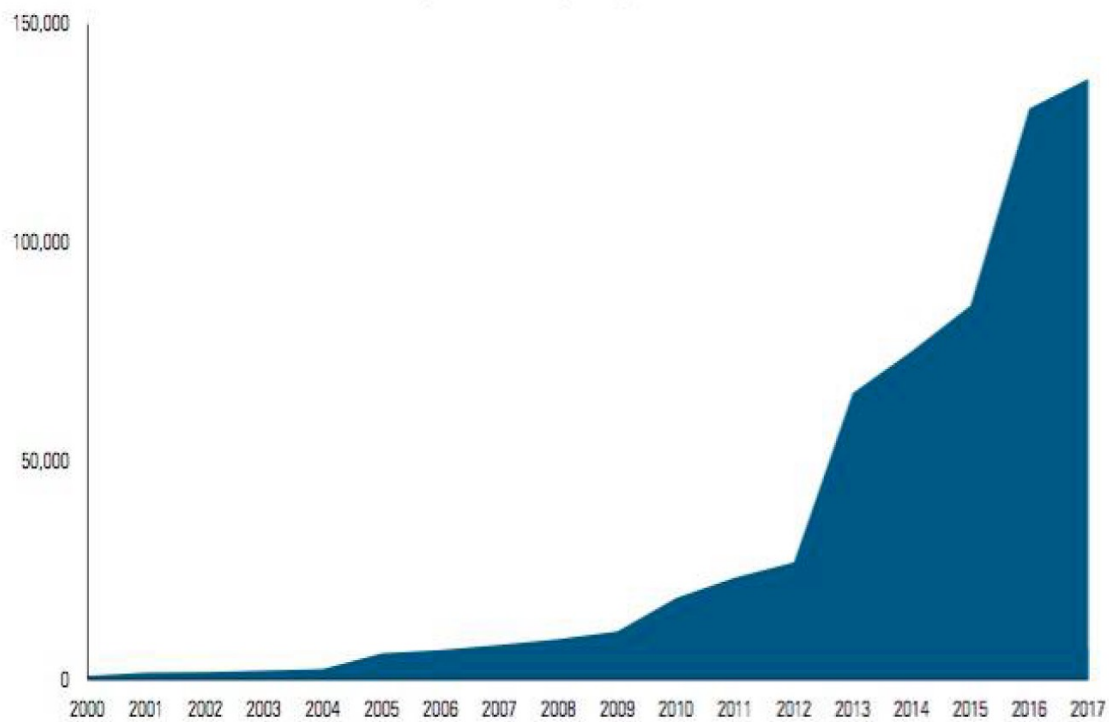


Employment at Chinese-owned Companies in the US

Source: Rhodium Group

Employment at Chinese-owned Companies in the US

Number of full-time direct US jobs at majority Chinese-owned firms

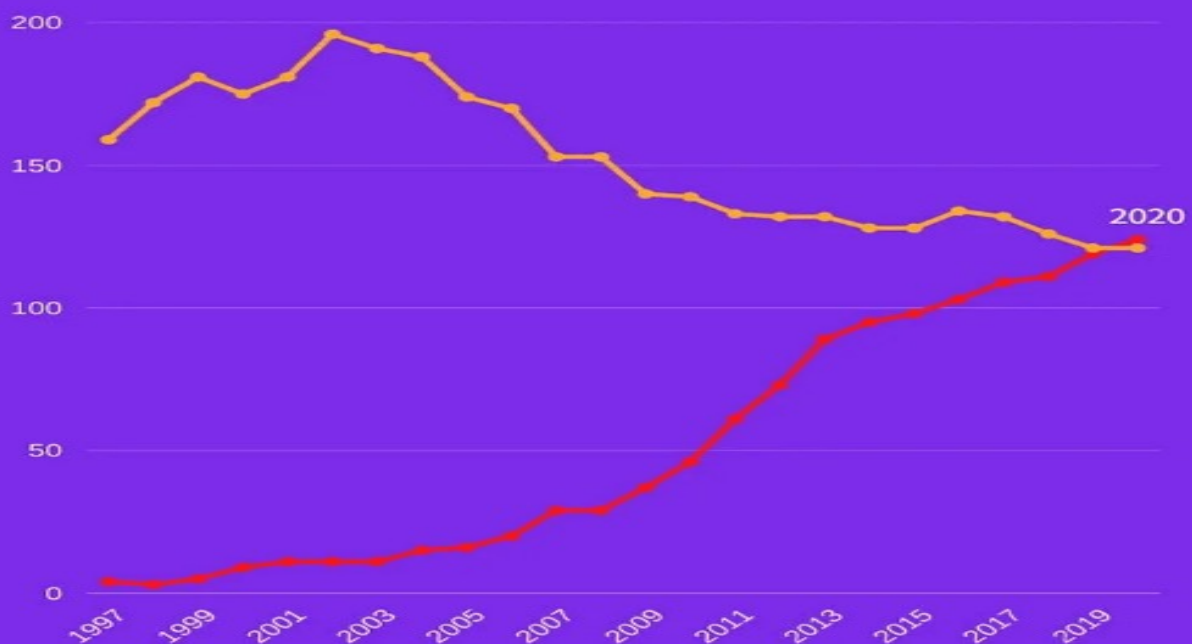


Fortune Top 500 companies (2020)

中国大陆和美国上榜公司数量对比

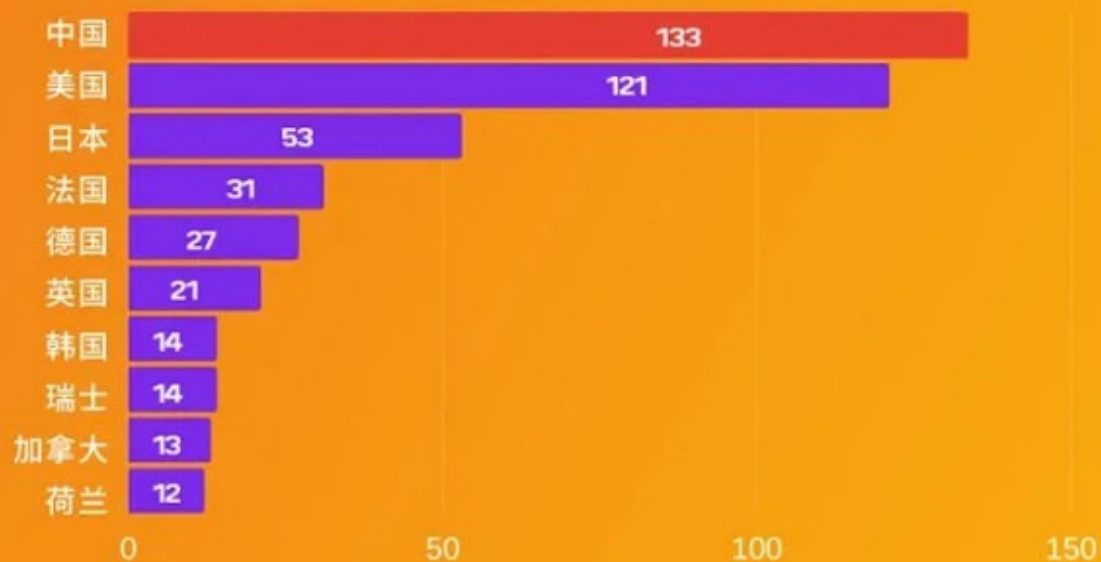
1997年-2020年《财富》世界500强榜

— 中国大陆
— 美国



Fortune Top 500 companies (2020)

2020年上榜公司数量前10名的国家



Fortune Top 500 companies (2020)



Fortune Top 500 companies (2020)

2020年
中国上榜
互联网公司
数量超过美国



Fortune Top 500 companies (10.2019)

- China -129 (8) (1999)
- USA - 121

Top 10 largest companies

- China - 3
- USA - 2
- Netherlands, Saudi Arabia, UK,
Germany, Japan - 1

Top 10 largest banks

- China - 5
- US - 4
- Spain - 1

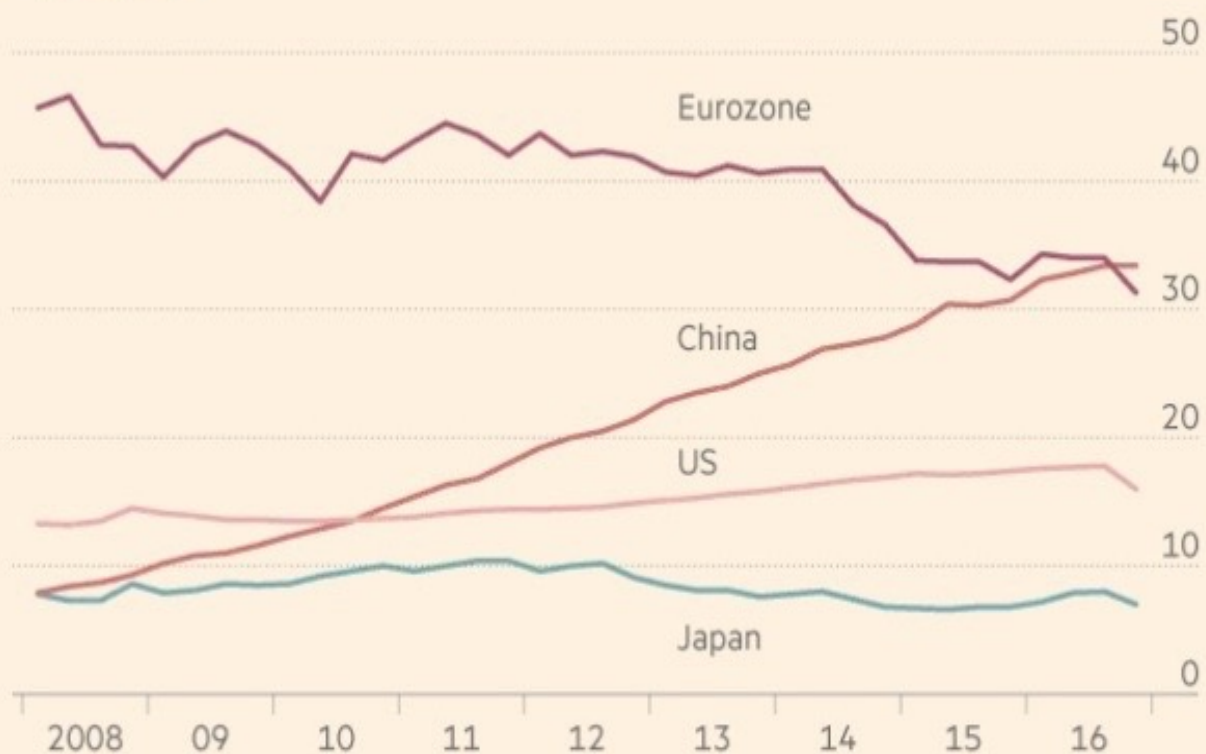
Fortune Top Ten in Top 500 companies (10.2019)

1. Walmart (USA)
2. Sinopec Group (China)
3. Shell (Netherlands)
4. China Petroleum (China)
5. State Grid (China)
6. Saudi Aramco (Saudi Arabia)
7. British Petroleum (UK)
8. Exxon Mobile (USA)
9. Volkswagen (Germany)
10. Toyota (Japan)

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China's banks overtake rivals

Assets (\$tn)



Sources: European Central Bank; Federal Reserve; China Banking Regulatory Commission; Bank of Japan; Thomson Reuters Eikon; CEIC

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Top 10 largest bank in the world (10.2019)

1. ICBC
2. CCB
3. ABC
4. JP Morgan Chase
5. Bank of China
6. Bank of America
7. China Development Bank
8. Wells Fargo
9. Citigroup
10. Banco Santander

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Size of its diplomatic network

China has **276** diplomatic posts—including embassies, consulates, and permanent missions to international organizations. United States' network stands at **273**, down one post since 2017.

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HOW CHINA WIN FRIENDS

- China's ascent to the top spot has been rapid. The Lowy Institute's [Global Diplomacy Index](#) tracks diplomatic networks around the world.
- 2011, Beijing lagged 23 posts behind Washington.
- 2016, it was only eight posts behind, in third place behind the United States and France.
- 2017, climbed to 2nd place, overtaking France,
- 2019 moving into first place ahead of 60 other major diplomatic networks.

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Factors for China's rapid rise (By Martin Jacques)

1. A mix of socialism and capitalism with strong party leadership under party supervision.
2. The hybrid model: public-owned and market economy, is quite effective.
3. Many people are patriotic to the country. They may quarrel on internal issues, but when they face an external enemy, they are united to fight for national interest. The THAAD incident caused South Korea to lose two-fifths of its market.

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Factors for China's rapid rise

4. Most high-level officials are dedicated to serve the people. They perform well in agricultural taxation reduction, poverty alleviation, and disaster relief.
5. China's leadership selection mechanism focusing on meritocracy produces good leaders.
6. China's strong government can mobilise national financial, human and material resources to do important projects without too many obstacles.

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Factors for China's rapid rise

7. The new generation of young talents is becoming the pillars of the national development. In the fields of China's aerospace, nuclear energy, electronics, chips, and high-speed rail, the average age of those in charge is 40 years old, and 40% are overseas returnees.
8. China has a very complete industrial system covering all sectors.
9. China has huge financial reserves of 4 trillion U.S. dollars and has fiscal surplus. Bank deposits and other reserves are about 8 trillion yuan in total.

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Factors for China's rapid rise

10. The West refers to individual excellent products as brands, while China takes new business model as a brand. The business models created by e-commerce, Alipay, Wechat pay in a short period with high value.
11. China has stable macro-control capabilities. Neither the Asian financial turmoil nor the subprime mortgage crisis created by the US had negative impacts on China's financial market.

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Factors for China's rapid rise

12. China has a huge domestic market & can rely on consumption to drive the economic growth.
13. China has long term five-year & ten-year plans. The Belt and Road Initiative is for several decades.
14. Good policies & plans are passed on for generations of leaders. "Serving the people", "reform & opening up" last for many decades.
15. China's huge infrastructure investment in the past 40 years is a good comprehensive national development strategy.

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World's No.1 Super Power

- 18th Century: Netherlands
- 19th Century: United Kingdom
- 20th Century: USA
- 21st Century: China (?)

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World's No.1 Super Power

- The UK replaced Netherlands in the 19th Century and US replaced UK and became the No.1 super power in the early 20th Century.
- US has been challenged by Germany, USSR, and Japan along the way but US managed to fend off these challenges.
- There is little problem for UK to replace Netherlands, and US to replace UK as they share similar Values, political system, culture, and ethnicity.
- US does not like to be over taken by China which has very different Values, political ideology & system, culture, ethnicity.

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How US became No.1 Super Power

- US gets the best students from other countries such as India, China, Israel to study in its top universities (50% of Ph.D students are foreign born) and allows them to stay after graduation.
- It uses the H1B visa to import special skill and talent technology workers.
- US protects its domestic market, providing financial subsidies to its companies, stole technologies from UK and Germany.
- With the help of the government, US companies GE passed Siemens, GM passed VW, Exxon/Mobile passed BP & Shell.

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The benefits of being no.1

- Dictate the global rule of the game.
- Extend domestic law beyond its border.
- Influence its allies.
- Protect the US dollar as the dominant international currency.
- Dominate the world media, culture and value system.

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China's Strategy to Regain its Position

- China's think tanks studied how the US became no.1 and then followed all the US's strategies.
- China received advice from the World Bank's Beijing office.
- China did not privatize its SOEs like the USSR did.
- China set up its financial system, central bank, stock market, capital market, currency market, and mortgage systems with the help of experts from Hong Kong and the US.

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US strategies to keep its no.1 position

- Using similar strategies to stop the challenge of USSR and Japan in the 1980s and 1990s. For Japan, forced the Yen to rise, weakened the competitiveness of Japanese products, targeted and attacked the top technology companies like Toshiba. For USSR, political breakdown of the Union's states.

US's Strategies: Facing Challenge from China

- Slowdown China's rising speed,
- Target China's top technology companies, like Huawei.
- Team up with its allies to put pressure on China
- Engage China in a trade war
- Engage China in a cold war

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The US-China competition

- **The China 2025 plan alerted the US.**
- Trump's goal is to disrupt the plan & slowdown China's development.
- Trade war is only part of a wide competition between US and China. Other areas including **currency war, technology war, political ideology, culture and value systems.**
- Both US political parties view China as a major competitor and policy towards China won't change regardless which party is in power.
- Biden keeps most of the policies from Trump.
- The China market is too big for any US companies to give up.

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The US-China competition

- The costs of the trade war reflect the structural realities that underpin the relationship between the U.S. and Chinese economies.
- The two great powers should try to find a new equilibrium.
- **The logic of nuclear deterrence ensured that a full-scale war between the two sides would never take place.**

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US-China Trade War

- More than just on trade
- All out competition for No. 1 in the world

The competition areas:

1. Trade
2. Finance, currency, monetary
3. Technology - 5G
4. Military - South China Sea
5. Geopolitics – Hong Kong, Taiwan, Tibet, Xinjiang
6. International organization rules - World bank, IMF, WTO, UN
7. Media - 7 of top 10 English media groups are from US

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#1 NATIONAL BESTSELLER

"[Pillsbury] is correct to assert that China constitutes, by far, the biggest national challenge to America's position in the world today." —THE WALL STREET JOURNAL

The Hundred-Year Marathon

CHINA'S SECRET
STRATEGY TO REPLACE
AMERICA AS THE
GLOBAL SUPERPOWER



Michael Pillsbury

WITH A NEW AFTERWORD

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TRUMP WAS URGED TO HOLD BACK ON TAIWAN

White House adviser told president-elect to have no more phone calls with Tsai Ing-wen only to see the US leader break protocol and infuriate Beijing

Wendy Wu
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White House adviser Michael Pillsbury says even before Donald Trump took office, he told the US president-elect to show restraint in managing America's relations with China – including no more phone calls with Taiwanese leader Tsai Ing-wen. And Trump took his advice to build constructive ties with the country and a personal relationship with President Xi Jinping, Pillsbury said.

But Trump abandoned decades of protocol on December 2016 – about a month before he took office – by taking a phone call from Tsai congratulating him on winning the presidency.

It was the first such conversation between a US president or president-elect and a Taiwanese leader since 1979, when Washington switched formal diplomatic relations from Taipei to Beijing.

After the call, Trump tweeted: "Interesting how the US sells Taiwan billions of dollars of military equipment but I should accept a congratulatory call."

The call infuriated Beijing, which warned the foundation of China-US relations would be jeopardised if the one-China policy was not respected.

Pillsbury called it a "mistake" to accept the call, saying at the time he was the only China expert in the Trump transition team advising against further phone conversations with Tsai.

"One of my suggestions was no more phone talks with Tsai," Pillsbury said. "At that time, I received a lot of criticism from the hawkish camp in the US – they said you should talk to Tsai once a month, and invite Tsai to the US."

Two months later, the White House said Trump had agreed, at Xi's request, to honour the US' one-China policy, under which the US "acknowledges" Beijing's stance but takes no position on Taiwan's sovereignty.

Pillsbury said Trump had taken a different approach to China relations than his predecessors, who "all repeat, like robots, the exact words of the three communiques". He was referring to three joint statements made by the US and China in

1972, 1979 and 1982, which have served as the basis of bilateral ties.

Under the US' one-China policy, first stated in the Shanghai communique of 1972, "The United States acknowledges that Chinese on either side of the Taiwan Strait maintain there is but one China and that Taiwan is a part of China. The United States does not challenge that position."

According to Pillsbury, Trump said he would abide by the one-China policy not because previ-



White House adviser Michael Pillsbury. Photo: Wendy Wu

ous presidents had done so, but because "it was a request from his friend, President Xi".

"In other words, he's negotiating with President Xi," Pillsbury said. "He probably has closer relations with a Chinese leader than any other [US] president."

"There is some kind of admiration Trump has for Xi," he said, drawing "a little bit of parallel" between the two leaders who were both pushing "patriotic" movements – Trump's "Make America Great Again" and Xi's Chinese dream of national rejuvenation.

Although there have been more phone calls between Trump and Tsai, Washington has taken steps to elevate US relations with Taiwan, including encouraging more exchanges between senior officials from the two sides.

Last month, Brent Christensen, director of the American Institute in Taiwan, the de facto US embassy in Taipei, announced the US and Taiwan had agreed to set up an annual dialogue on Indo-Pacific Democratic Governance Consultations.

"It's understood in China as a provocation and undermines the one-China principle," he said. "But from the American point of view, it is consistent with what President Trump calls one-China policy," he said.

China's development strategy

1840 - 1949 Suffered humiliation by the West

1949 - 2049 Regain its position in the world

1. Mao started the great leap forward with the aim of overtaking Britain & US.
2. 1950-60: Didn't want to be under no. 2 USSR but used USSR to help its development.
3. Benefited from the cold war between US & USSR.
4. 1970-2000: Using US assistance to develop its four modernizations.

China's development strategy

1. 1971 Nixon's visit to China, started to get US aid on foreign investment, technology, political support and access to US market for its products.
2. The US policy makers believed that the economic reform would be followed by a political reform for a democratic government like the US but China didn't not follow that.
3. President Carter sent all kind of assistance to China, including scientists from MIT, Columbia, Stamford; receiving students to study science & technology in US universities, providing weapons & intelligence to counter the USSR.

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China's development strategy

1. US helped China's development to counter the influence of the USSR.
2. Since the breakup of USSR in the early 1991 and the rise of China, US's relationship with China has also changed.
3. When China was not that strong, US treated it as a partner and market for the US companies.
4. Now China is the no.2 economy trying to overtake the US, US regards it as a competitor to be contained.

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RUSH DOSHI

THE LONG GAME

CHINA'S GRAND STRATEGY
TO DISPLACE
AMERICAN ORDER

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Rush Doshi is the founding director of the Brookings China Strategy Initiative and a fellow (on leave) at Yale Law School's Paul Tsai China Center. Previously, he was a member of the Asia policy working groups for the Biden and Clinton presidential campaigns and a Fulbright Fellow in China. His research has appeared in *The New York Times*, *The Wall Street Journal*, *The Washington Post*, *Foreign Affairs*, and *International Organization*, among other publications. Proficient in Mandarin, Doshi received his PhD from Harvard University focusing on Chinese foreign policy and his bachelor's from Princeton University. He is currently serving as Director for China on the Biden Administration's National Security Council (NSC), but this work was completed before his government service, is based entirely on open sources, and does not necessarily reflect the views of the US Government or NSC.

The Long Game (By Rush Doshi, OUP, 2021)

- No adversaries- Nazi Germany, Imperial Japan, or the Soviet Union- has ever reached 60% of US GDP. China is the sole exception, and it is fast emerging into a global superpower that could rival, if not eclipse the US.
- What does China want, does it have a grand strategy to achieve it, and what should the US do about it?

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The Long Game

- China's long methodical game to displace US's hegemonic position through **3 sequential strategy of displacement**.
- 1. In the beginning of **1980s**, China focused for two decades on “hiding capabilities and biding time” (韜光養晦).
- 2. After the 2008 Global Financial Crisis, it became more assertive regionally, following a policy of “actually accomplishing something”(積極有所作為).
- 3. Finally, in the aftermath populist elections of 2016, China shifted to an even more aggressive strategy for undermining US hegemony, adopting the phase “great changes unseen in a century”(百年變局).

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The Long Game

- After charting how China's long game has evolved, Doshi offers a comprehensive asymmetric plan for an effective US response.
- His Proposed approach take a page from Beijing's own strategic playbook to undermine China's ambitions and strengthen US order without competing dollar-for-dollar, ship-for-ship. Or loan-for-loan.

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The Long Game

Accommodating China

1. Full unilateral territorial accommodation;
2. A maximalist grand bargain;
3. A more careful minimalist grand bargain that phases in mutual accommodation.

Asymmetric strategy- Full court press

1. Tactical or operational reassurance at political and military level.

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US Employs a Full-court Press Strategy to compete with China

后E视野 8.2021 李霏
中国民生银行华南区域首席审计官,哈尔滨工业大学客座教授

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I. What is the US worry about?

1. As China's GDP is getting closer, US is worry about losing its no. 1 position and hegemony.

- China's GDP approaches the US at a rate of about 4% per year. In 2019, it was 66% , 2020 was 70%, and it is predicted to reach 74% in 2021.
- In terms of purchasing power parity terms, China's GDP in 2017 has surpassed the US, and was 1.15 times in 2020.
- The US has successfully dismantled the two approaching challengers of the former Soviet Union and Japan, but facing a stronger China, it feels uncomfortable to do so.

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I. What is the US worry about?

2. US worries that the socialist system with Chinese characteristics will impact the Western democratic political system.

- Although China has pursued a strategy of not exporting ideologies and values to other countries but the US still worries. If China becomes the world's top economy it will show the **superiority of the Chinese socialist political system and values.**
- This may lead some countries to abandon the Western system and follow the Chinese one.

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I. What is the US worry about?

3. US's inability to face China's initiation of the reunification with Taiwan.

- If the Chinese economy and military continue to grow rapidly and when its strength reaches the level that the US cannot intervene, China will naturally complete the reunification of Taiwan, making US's role valueless.
- In the first island chain in China's coastal waters, US's military force has no confidence in winning the battle.

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II. Why Does US Use Full-court Press Strategy?

- Since China's GDP has reached about 66% of that of the US, it begun to adopt a comprehensive containment strategy against China, just like dealing with the Soviet Union, which reached 60%, and Japan, 70%.
- US politicians use China as an external enemy to diffuse the domestic deep-seated problems, such as excessive debt, inflation, racial conflicts, hollowing out of industries, and poor performance in dealing with the COVID-19 pandemic.

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III. What tactics do the US use: All out war

1. Encircle China through forming many alliance groups

- AUKUS.
- Five Eyes.
- G7 warships frequently enter the South China Sea.
- Four-party security talks between the United States, Australia, Japan, and India.
- Instigate and disintegrate the relationship between ASEAN and China.
- Support India in provoking and confronting China.
- Suppress China's new energy developments in Myanmar and Pakistan.
- Disrupt the construction of Myanmar's Kyaukphyu port and Pakistan's Gwadar port.
- Support Myanmar civil disturbance and Pakistan's terrorist attacks.
- Disrupt the Belt and Road Initiatives.

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III. What tactics do the US use: All out war

2. Technology war

- Blacklist Chinese high-tech companies.
- Disrupt the industrial supply chain.
- Ban Chinese high-tech companies such as Huawei, Tencent, and Tiktok.

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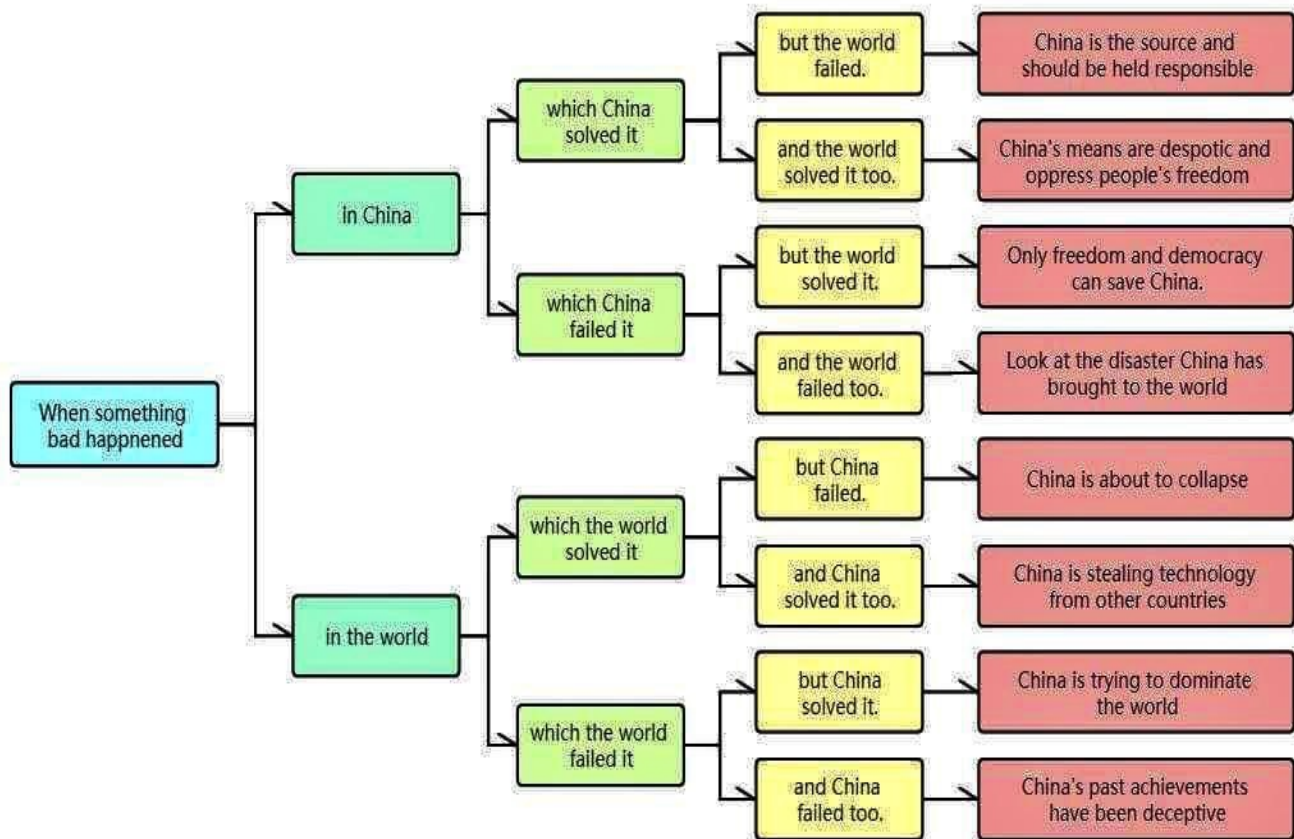
III. What tactics do the US use: All out war

3. Use bias Western media to demonize China

- Create false human rights issues in Xinjiang, Hong Kong, and Tibet.
- Sanction Mainland and Hong Kong officials.
- Blame China for originating the COVID-19 virus.
- Call for the boycott the Beijing Olympic Winter Games in 2022.

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HOW TO PUT THE BLAME ON CHINA



III. What tactics do the US use: All out war

4. Military moves in China's door step

- Withdraw troops from Afghanistan and the Middle East to concentrate its strength in the Pacific on East and South China Seas.
- Conduct military exercises in the East and South China Seas to contain and disturb China.
- Play with fire and may risk a hot military war.

III. What tactics do the US use: All out war

5. Financial war

- Prohibit or restrict Chinese companies from listing in New York Stock Exchange.
- Remove Hong Kong's tariff preferential treatment status.
- Try to weaken HK's status as an international financial center.
- Sanction financial institutions in dealing with Iran.

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III. What tactics do the US use: All out war

6. Create troubles in China's neighbours

- Instigate and support social unrest in Hong Kong.
- Remove East Turkistan terrorist group from the global terrorist organizations.
- Support territorial border disputes against China with India, Vietnam, the Philippines, and Japan.

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III. What tactics do the US use: All out war

7. The Taiwan card

- Send military ships to cross the Taiwan Strait frequently.
- US military aircrafts to land at Taiwan's airport to test the Chinese red line.
- Pass laws to ban printing Taiwan and the South China Sea islands on the map of China.
- Continue arm sales to Taiwan.
- Strengthen the Taiwan independence forces.
- Support and encourage Lithuania to lead the change the name of its office to Taiwan.
- Threaten to invite Taiwan to participate in the World Summit on democracy.

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IV. What does the US really want to achieve?

1. Suppress China's economic growth so that its GDP cannot surpass the US for a long time.

- Gradually close the market, forcing US companies to shut down or relocate from China.
- Suppress existing high-tech companies by technology blockade.

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IV. What does the US really want to achieve?

2. Request China to cooperate with the US to divert its economic crisis and reduce inflationary pressure.

- The US has a high debt of 28 trillion US dollars.
- The hollowing out of the manufacturing industries.
- Accumulate huge bubbles in the financial market.
- The pandemic causes heavy blow on consumption.
- The US economy is on the verge of a crisis.
- It can only respond by issuing additional US dollar notes and using the US dollar hegemony to defer the crisis.
- US needs China's support in reducing export tariffs, providing cheap goods, and purchasing US agricultural products.

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IV. What does the US really want to achieve?

3. By suppressing China, US hope to maintain its leadership position as the sole super power.

- To defuse the adverse image of the dying manufacturing industries, high debt bubbles, losing military actions around the world, declining national power, especially in the Trump administration who advocated the American first, selfishness, and evasion of the responsibilities.

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IV. What does the US really want to achieve?

4. Maintaining the dominance of the U.S. dollar in the international settlement and payment system.

- The U.S. dollar's global status has been declining. The share of U.S. dollar foreign exchange reserves has dropped from 85% during the peak period to 58% in 2021.
- The dollar's share of international settlements and payments has been surpassed by the euro. US must suppress the EU and China to maintain the dominance of the US dollar.
- The U.S. dollar is vital for the US to maintain its hegemony. If it continues to decline, it will definitely hit the hegemony status.

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IV. What does the US really want to achieve?

5. Maintain its global dominance in technological innovation and high-end sector, forcing China to continue to complement in the low-end and mid-range sectors.

- For decades, China and the United States have formed complementary cooperation.
- High-end technology and manufacturing are dominated by the US, while low-end technology and manufacturing are dominated by China.
- In this division of labour, both parties have achieved considerable development in a win-win situation.
- Things has changed in recent decades, China's total industrial output value has reached 3 times of the US and leading in the internet, aerospace technology, 5G, and AI.
- China will not compromise its development .

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IV. What does the US really want to achieve?

6. Stop the momentum of China's rise by creating its internal breakdown, attempting to replicate the Soviet Union's collapse in China.

- US through the Western controlled media, create divisions in public opinion and ideology amongst the Chinese in Hong Kong, Taiwan, and other parts of the world.
- Arouse dissatisfactions against the Chinese government and the CCP.
- Fabricate human rights issues in Xinjiang, supports East Turkistan terrorist organization to create social instabilities.
- Instigate social unrest through the color revolution in Hong Kong.
- Incite Taiwan's mainstream to promote its independence.
- Support the Dalai Lama's exile forces in India.

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V. US China competition: potential outcomes

The confrontation between the no.1 and no.2 powers will most likely end with a lose-lose result.

- As China's overall strength is relatively not as strong as the US, it is not willing to confront the US.
- Facing US's all out attack, China can only try to mitigate and defend.
- The US-China competition will be a long-term battle with a full court press strategy used by the US.
- It would be a long battle and whoever makes fewer mistakes will gain the upper position.
- The US-China competition may end up with the following three potential outcomes:

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V. US China competition: potential outcomes

1. China will become the world's largest economy and enter the developed countries club.

- China continues to grow at an annual growth rate of more than 5% , while the United States still maintains a growth rate of less than 3%. China GDP will surpass that of the US in 8 to 10 years and become the world's largest economy.
- China's GDP per capita will increase from US\$10,000 to US\$20,000 in 15 years or so, thus entering the clubs of developed countries.
- These have been written into China's mid-term plan for 2035 and long term strategies for 2050.
- China will become the new world leader, reunited with Taiwan with no one dared to intervene.

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V. US China competition: potential outcomes

2. Under the US's suppression, China's fast economic growth momentum has been curbed, and it will maintain its status as the second largest economy for a long time.

- Through its military and currency hegemonic power, US successfully overcomes its economic crisis and inflation.
- China's economic growth slows down further. China's GDP will not be able to surpass the United States for a long time.

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V. US China competition: potential outcomes

3. China and the US compromise and lead the world forward in a healthy competition and cooperation.

- In the past forty years, China and the US have both been the world's biggest beneficiaries of cooperation.
- The two countries' current GDP accounts for 38% of the world.
- Both countries are aware of cooperation with win-win result while confrontation will result in a lose-lose situation.
- US acknowledges that their heyday is over, unable to act as the world's policeman, can't impose its values on other countries.
- Both countries accept normal competition, abandon the zero-sum game, step out of the Thucydides trap, and achieve win-win results.
- The share of the GDP of the two countries will also continue to grow, and may reach 50% of the world in a few years.
- The result of a healthy competition and cooperation will lead the world forward with a bigger pie for all.

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Conclusions: Global Super Powers-US & China

- US will try to maintain its no.1 position as long as possible.
- Hong Kong was used to disrupt China's development pace since US can't do anything in other Chinese cities.
- The all out competition between China and US will continue but a real military war is unlikely to happen as both side has the capability of destroying the other.
- The political issues in HK will be tackled by the Central government as the HKSARG is too weak and incapable of making effective changes.
- Business between China and US companies will continue as the two markets are too big and difficult to decouple.
- The bi-polar world by the US and China will continue in the next couple decades.
- The US is in the decline and is not likely to win the Long Game.
- China's strategic goal of winning the hundred year marathon is more likely to be achieved by 2049.

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