China's strategy to replace America as the global superpower & The US-China trade war

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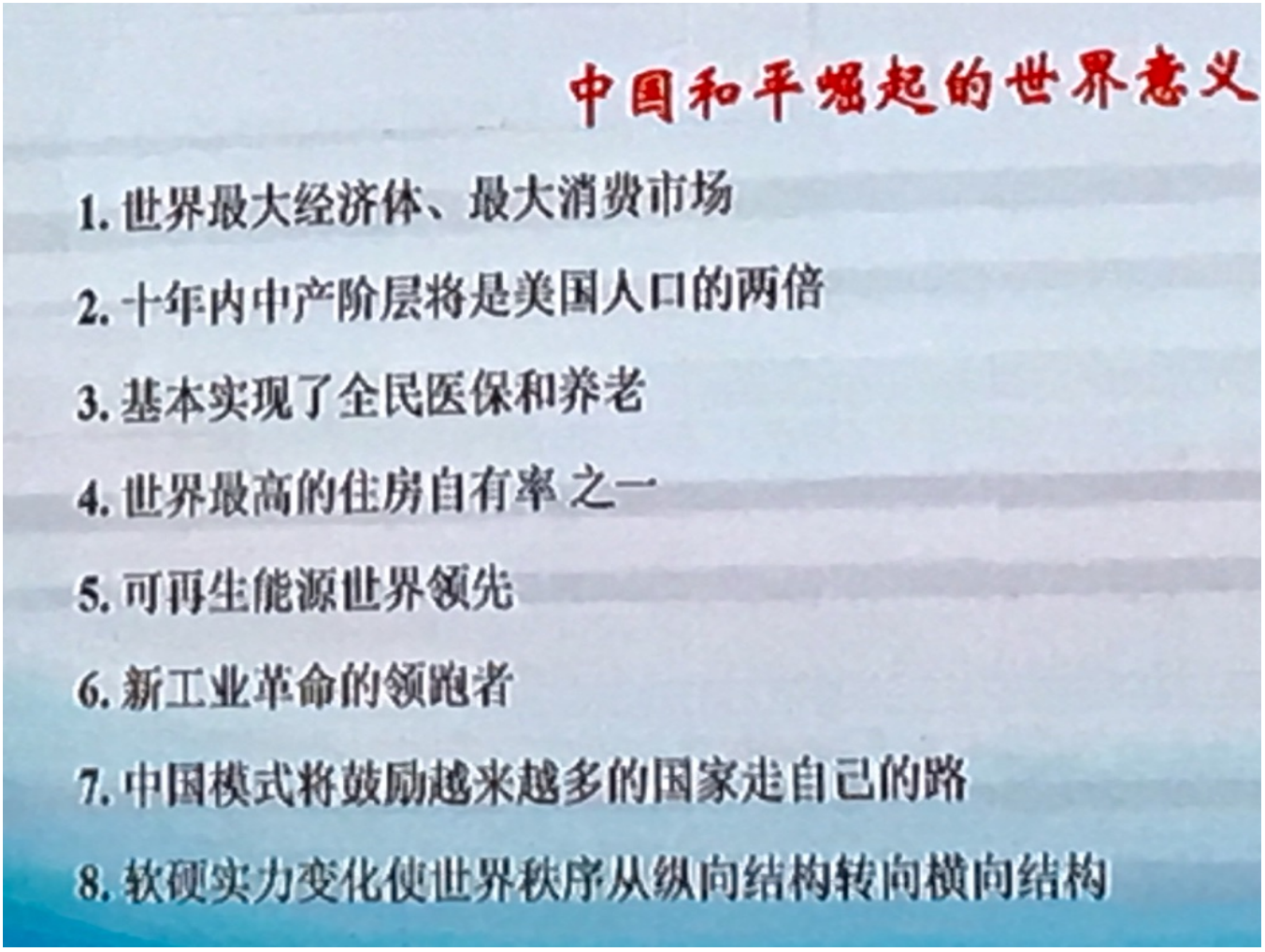
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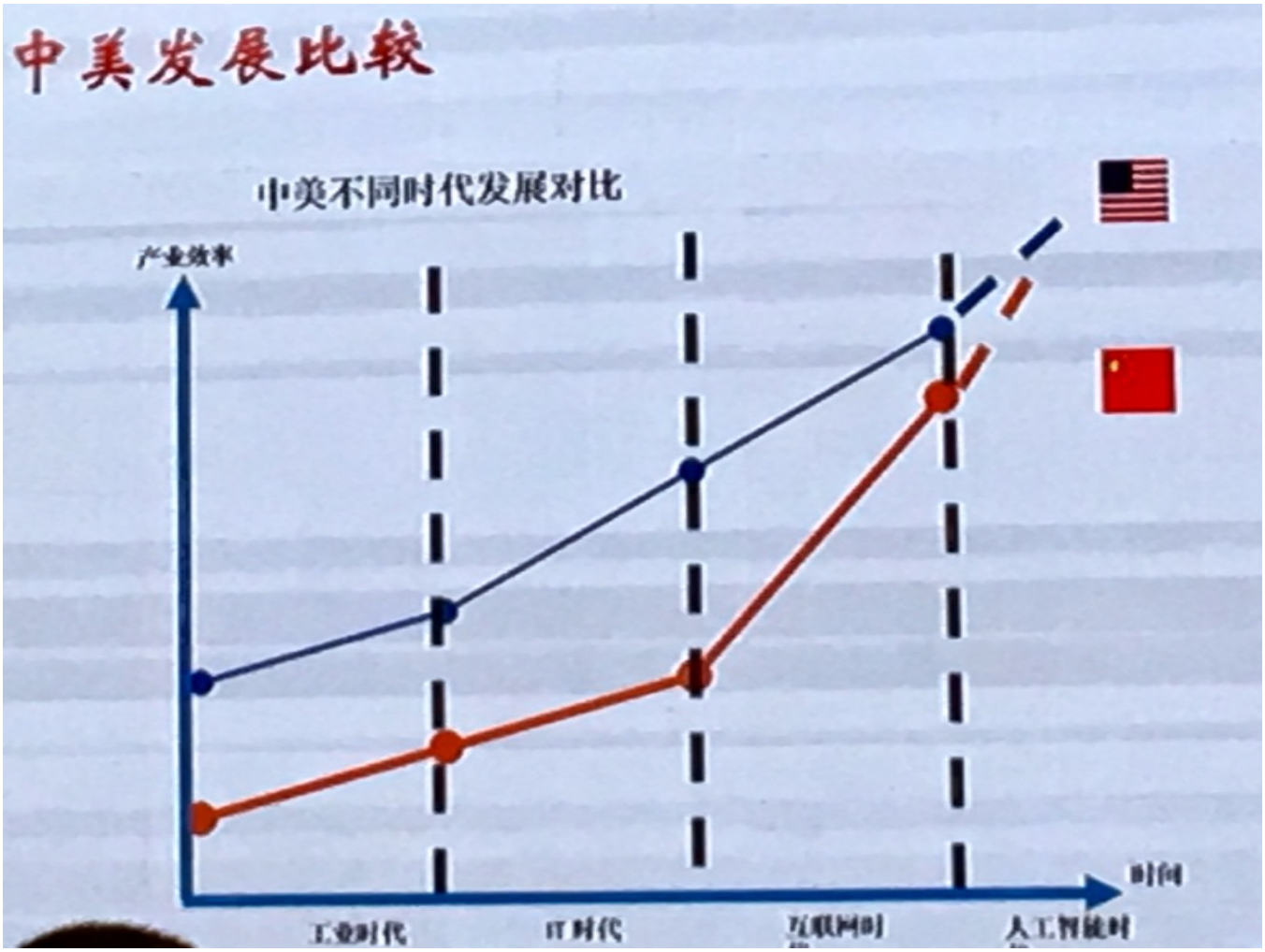
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永遠名譽會長黃友嘉博士（左一）主持了座談環節，與復旦大學中國研究院院長張維為教授（左二），香港科技大學經濟學系雷鼎鳴
文大學香港亞太研究所名譽高級研究員王卓祺博士（左四）一起交流對國家發展以至全球治理的看法。


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國崛起


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 Global Economy by GDP

Source: World Economic Forum

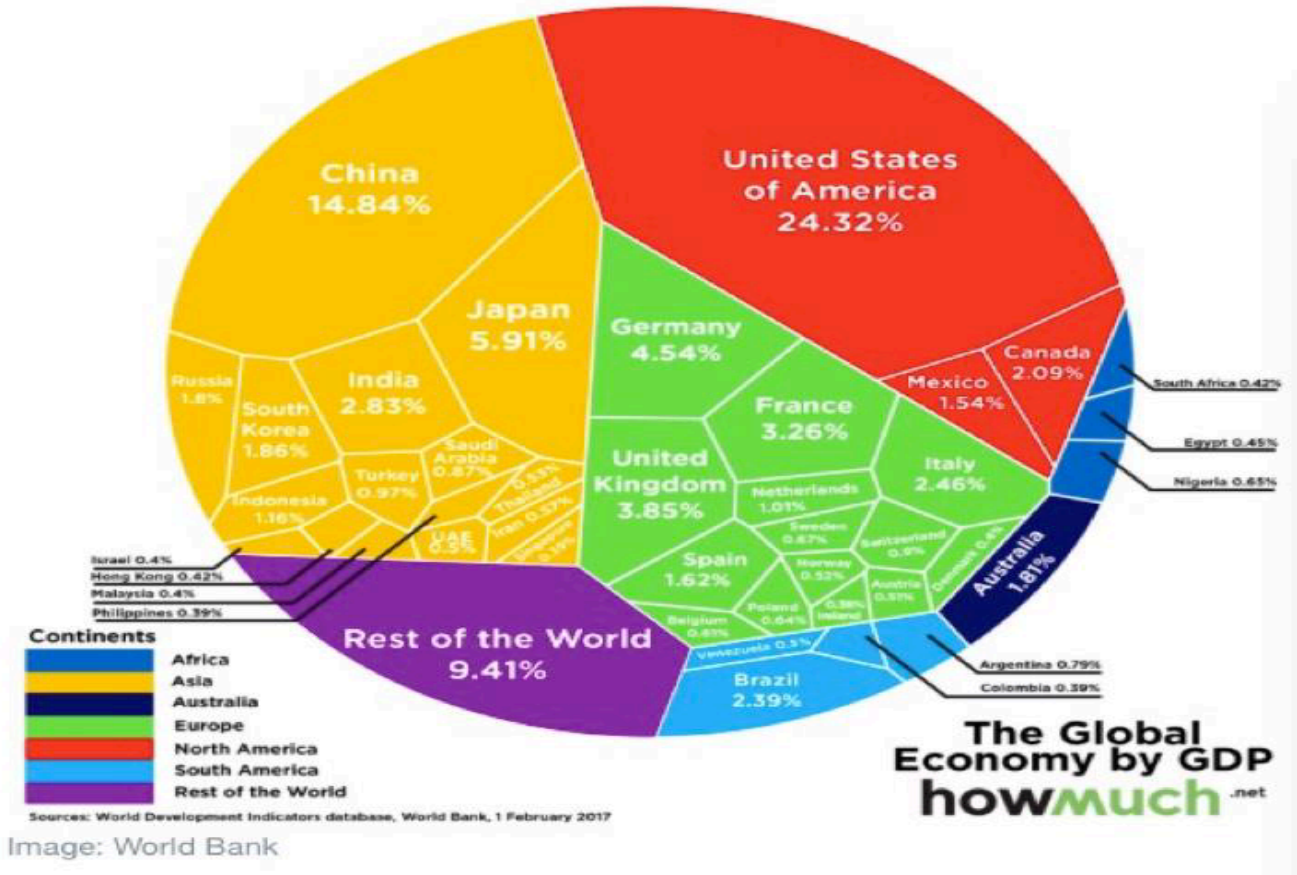


Image: World Bank

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

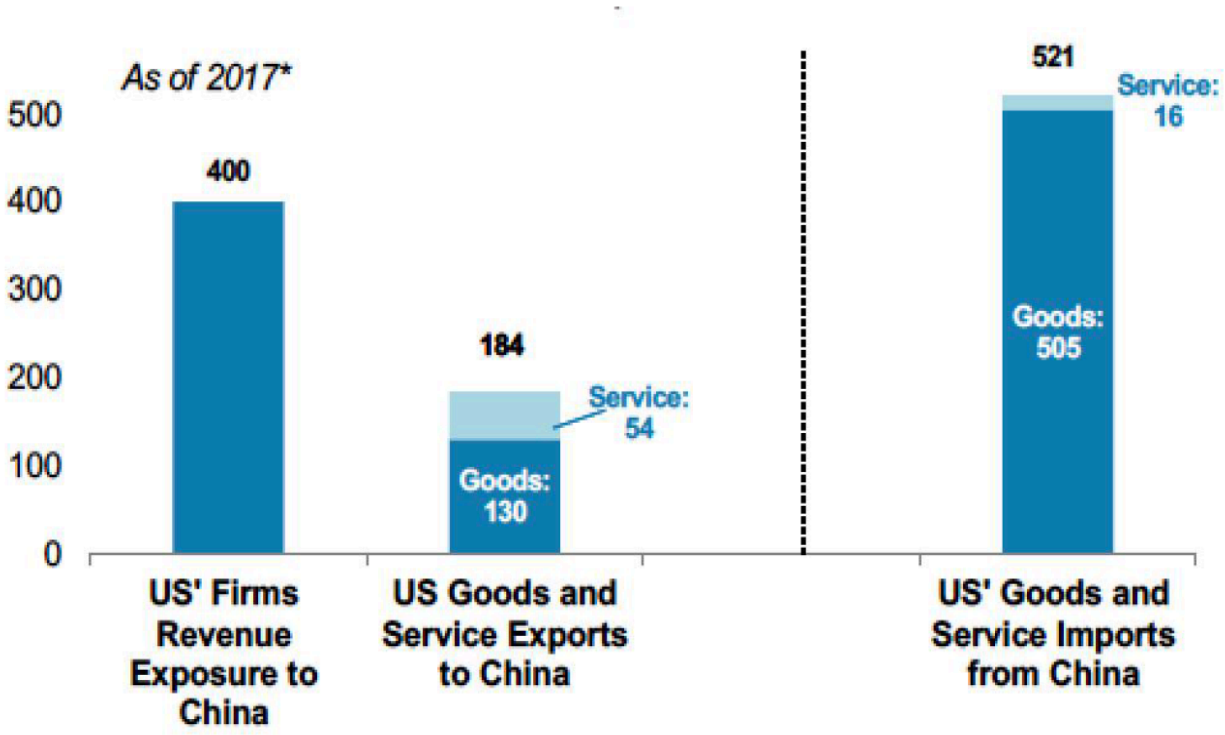
Source: Bureau of Economic Analysis, U.S. Census

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

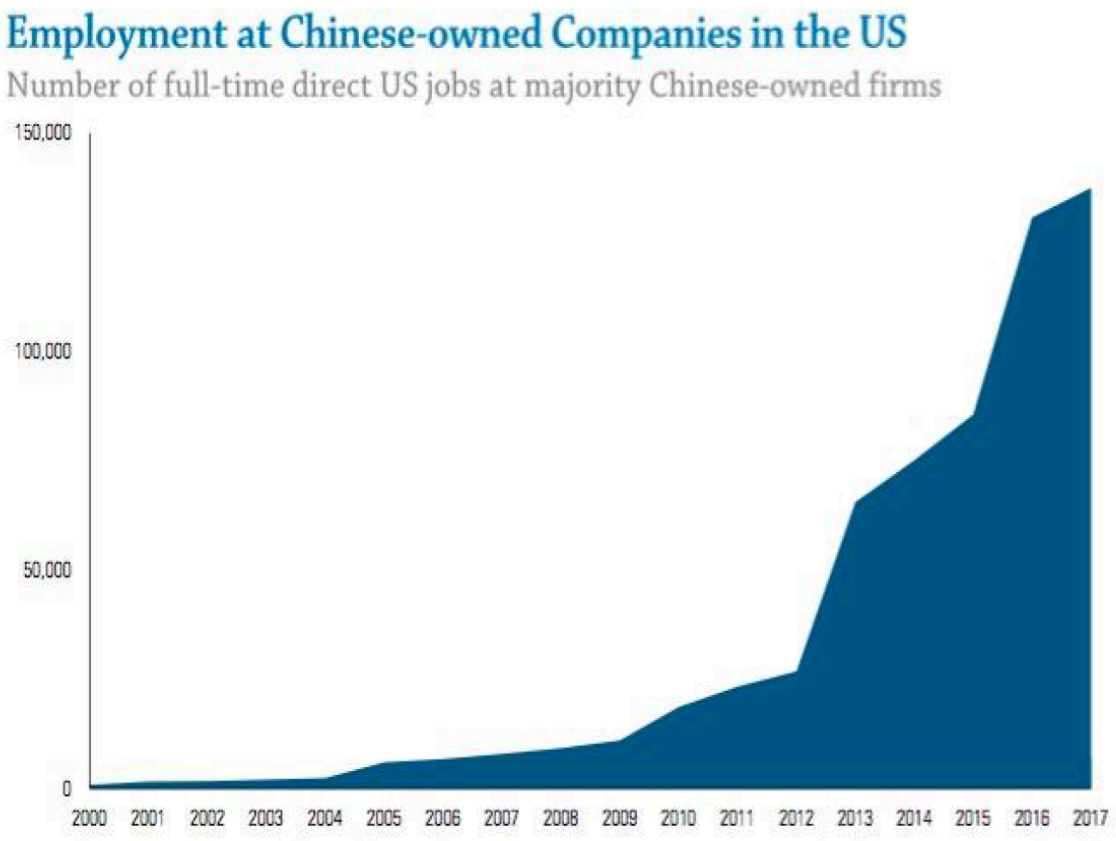
	China	US
Composition of household assets (%)		
Non-financial assets	6	6
Real estate	54	24
Financial assets	41	71
Composition of household financial assets (%)		
Cash and savings	75.7	14.4
Stock shares	15.5	21.7
Wealth management products of banks and funds	6.5	10.2
insurances	-	28.9
Others	2.3	24.8

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



#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

DIPLOMACY

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 ties from Taipei to Beijing.

After the call, Trump tweeted: "Interesting how the US sells Taiwan billions of dollars of military equipment but I should not 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 previous presidents had done so, but because "it was a request from his friend, President Xi".



White House adviser Michael Pillsbury. Photo: Wendy Wu

"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 provocation and undermining the one-China principle and call it. But from the American point of view, it is consistent with what President Trump called 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, political reform would be followed by a political reform for a democratic government like the US but China didn't not follow that.
3. 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.

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 contented.

World's No.1 Super Power in Recent Centuries

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

- 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.
- Can US do the same and remain No.1 against China?
- There is little problem for UK to replace Netherlands, and US to replace UK as they share similar political system, culture, language, and ethnicity.

How the US became the 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. Also 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.

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.

China's Strategy to Regain its Position in the World

- 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 privatized its SOEs like the USSR did.
- 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.

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

The China-US 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.
- US Presidential election in 2020: Both US parties view China as a major competitor and policy towards China won't change regardless who wins the election.
- The China market is too big for any US companies to give up. They will maintain a working relationship.



The Rise of China

China's GDP

- Growth 34 times in 40 years (1978-2018)
- Rank 2 in 2019, from rank 11 in 2001.

China focus on:

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

US & the West thinks differently:

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

Fortune Top 500 companies (10.2019)



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)

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

The Rise of China

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.

The Rise of China

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, it climbed to second place, overtaking France,
- 2019 moving into first place ahead of 60 other major diplomatic networks.

US-China relations

US's 6 T Issues with China:

- Trade/tariff, Taiwan, Technology/IPR, Territory/South China Sea, Temperature control, Trust.

Republican and Democratic Parties' views:

- Back to Asia policy to rebalance the power in Asia.
- Not happy with opening up of market after entering WTO as promised,
- Democratic development, human rights issue.

Fourth US Committee on the Present Danger: China (CPDC) 2019



Fourth US Committee on the Present Danger: China (CPDC) 2019

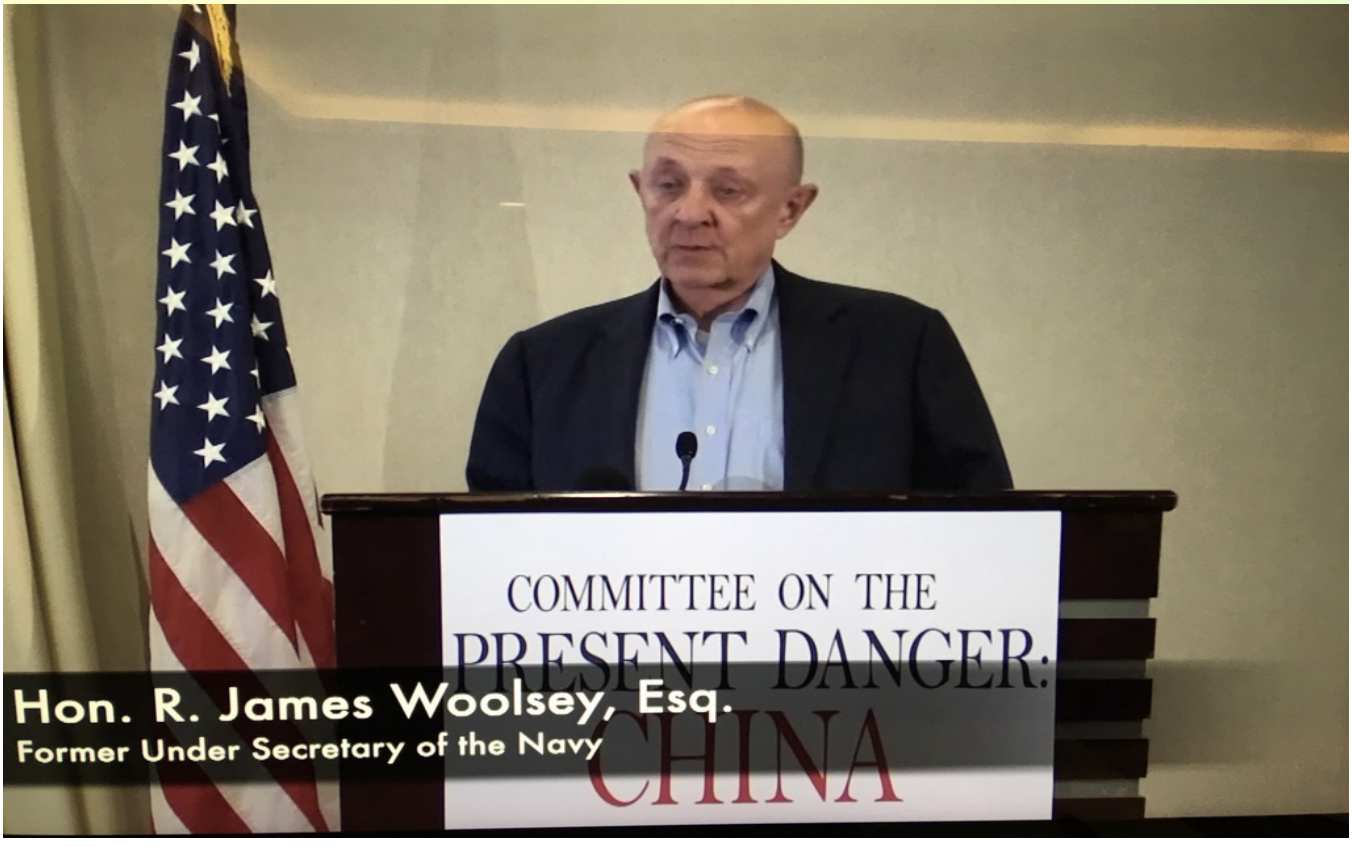


Committee on the Present Danger(CPD)

(**CPD**) is a right-wing American foreign policy interest group. Throughout its four iterations—in the 1950s, the 1970s, the 2000s, and 2019, it has tried to influence all presidential administrations since Harry Truman.

The focus of the committee is to lobby Washington to take action to counter a perceived present danger to the United States and its sphere of influence.

Fourth US Committee on the Present Danger: China (CPDC) 2019



First CPD (1950s)

On 12 December 1950, the creation of the Committee on the Present Danger to support the Truman Administration's remilitarization plans to contain "the aggressive designs of the Soviet Union"

Second CPD (1970s)

On 11 November 1976, the second iteration was announced, 'Common Sense and the Common Danger-The USSR'. CPD provided 33 officials of the Reagan administration, including Director of Central Intelligence William Casey, National Security Advisor Richard V. Allen, United States Ambassador to the United Nations Jeane Kirkpatrick, Secretary of the Navy John Lehman, Secretary of State George Shultz and Assistant Secretary of Defense Richard Perle. Reagan himself was a member in 1979.

Third CPD (2004)

In June 2004, a third incarnation of CPD was to address the War on Terrorism. Its stated goal was "to stiffen American resolve to confront the challenge presented by terrorism and the ideologies that drive it" through "education and advocacy".

Fourth CPD (2019)

Committee on the Present Danger: China 2019

The fourth CPD was established on March 25, 2019 named "Committee on the Present Danger: China." It aims to help defend America through public education and advocacy against the full array of conventional and non-conventional dangers posed by the ruling Communist Party of the People's Republic of China which represents an existential and ideological threat to the United States and to the idea of freedom.

Committee on the Present Danger: China 2019

WHO: **The Committee on the Present Danger: China**
WHAT: **Presentations on the threats posed by** the Chinese Communist Party and their mitigation
WHERE: Reserve Officers Association, Ballroom, One Constitution Ave, NE, Washington, DC 20002
WHEN: 1 to 2:30 p.m. Monday, March 25
WHY: **To arouse the American people and their elected representatives to the immense challenge now faces from the Peoples Republic of China and how we must respond.**
HOW: **For media to register, contact** media@hamiltonstrategies.com
Live-stream the event at www.facebook.com/securefreedom

Committee on the Present Danger: China 2019

The Mission of the Committee

The mission of the "Committee on the Present Danger: China" is to help defend America through public education and advocacy against the full array of conventional and non-conventional dangers posed by the People's Republic of China. As with the Soviet Union in the past, Communist China represents an existential and ideological threat to the United States and to the idea of freedom—one that requires a new American consensus regarding the policies and priorities required to defeat this threat. And for this purpose, it is necessary to bring to bear the collective skills, expertise and energies of a diverse group of experts on China, national security practitioners, human rights and religious freedom activists and others who have joined forces under the umbrella of the "Committee on Present Danger: China."

Committee on the Present Danger: China 2019

Guiding Principles of the Committee

•Global hegemony has been the longstanding goal of the Chinese Communist Party the pursuit of which has become, under the leadership of Xi Jinping, increasingly brazen, blatant, and aggressive.

•The Chinese Communist Party (CCP), especially the party-controlled Chinese military, regards the United States as the only real impediment to its aspirations.

•For decades, the PRC has used an array of asymmetric financial, economic, cyber, information, influence, espionage, political warfare and other techniques (including unconventional ones) to weaken and ultimately defeat America.

•Increasingly, China can also project power globally and decisively using a combination of: stolen, purchased and indigenously developed hardware; a growing collection of strategically located overseas ports, airfields and bases; denial of access to strategic minerals and other resources; space and space-related capabilities; predatory investment and finance for global strategic gain; modernized and probably clandestine nuclear forces; state and non-state proxies; and a new way of warfare based on cyber operations and electromagnetic pulse (EMP) to neutralize others' defense capabilities.

Committee on the Present Danger: China 2019

Guiding Principles of the Committee

- The United States is likely to face in the foreseeable future a determined and aggressive superpower adversary, prepared and willing to use force, as well as non-military forms of warfare, to defeat this country decisively. The PRC's aggressive actions are increasingly putting at risk its own people and environment and that of the rest of the world.
- Particularly ominous has been the CCP's success of late in undermining and subverting Western democracies from within through its: control, domination and exploitation of Chinese diaspora communities, including overseas students, professors and researchers; influence operations in the Western media and in academia; and the use of American and other corporations and even individuals invested in or doing business with China as advocates for accommodating Beijing.

Committee on the Present Danger: China 2019

Guiding Principles of the Committee

- To steal the personal information of ordinary American citizens and to subvert their perceptions, opinions, and behavior.
- In the face of such threats, America must mobilize all instruments of national power to protect its people, territory, human freedom, vital interests and allies from the Chinese Communist Party.
- Prevailing against this dangerous adversary will require an understanding of the threat posed by its totalitarian system; a determination to reverse decades of American miscalculation, inaction and appeasement; and concerted, sustained effort on the part of the U.S. government, civil society, private sector business entities and the public at large to implement needed corrective actions.

Committee on the Present Danger: China 2019

Guiding Principles of the Committee

- There is no hope of coexistence with China as long as the Communist Party governs the country. We seek China's peaceful evolution into a nation that respects the rule of law and individual human rights, instead of threatening its own people, as well as others.
- The Committee on the Present Danger: China is committed to educating policymakers and the American people about the mortal threat posed by the Communist Chinese Party and recommending and advocating for essential policy course-corrections aimed at defeating PRC aggression and keeping the United States and Free World strong and safe.

Committee on the Present Danger: China 2019

Members of the Committee

Brian Kennedy	**Chairman; Former President, Claremont Institute; President of American Strategy Group**
Frank Gaffney	Vice Chairman; Executive Chairman, Center for Security Policy; President and CEO, Save the Persecuted Christians
Hon. Steve Bannon	Former Chief Strategist to President Trump; former Chairman, Breitbart News
Hon. William Bennett	Former Secretary of Education; former Drug Czar
J. Kyle Bass	Co-Founder and Chief Executive Officer, Hayman Capital Management
Paul Berkowitz	Former Professional Staff Member, House Foreign Affairs Committee
Joseph Bosco, Esq.	**Fellow at the Institute for Corea-American Studies (ICAS) and Institute for Taiwan-American Studies (ITAS); Former China Country Desk Officer in the Office of the Secretary of Defense**
Lt. Gen. William "Jerry" Boykin, USA (Ret.)	Former Deputy Under Secretary of Defense for Intelligence; former Commander, Delta Force
José Cardenas	Former Acting Assistant Administrator of US AID; former NSC, State Department official
Hon. Robert Charles	Former Assistant Secretary of State; former White House official; naval intelligence officer

Committee on the Present Danger: China 2019

China's authoritarian leaders fear that free Chinese people would oust them from power, as free people have done throughout the world.

- China poses intellectual, technological, political, diplomatic, and military challenges to the United States.
- There is support across the political spectrum for countering China's new aggressive policies. We must act now, before it's too late. The stakes are high. They could be life or death.

Committee on the Present Danger: China 2019

China is a formidable challenger, but the United States can still compete favorably against it. Doing so will require a fundamental rethink of U.S. strategy. Having observed the dramatic shortcomings of the tariff war, Washington should move quickly to renew American competitiveness by bolstering innovation, advancing technological and financial power, and countering China's harmful activities with the help of allies and partners.

America's 'Blue Dot Network' seeks to compete with China's 'Belt and Road' strategy



America's 'Blue Dot Network' seeks to compete with China's 'Belt and Road' strategy

-In a bid to provide an alternative to China's multi-billion-dollar Belt and Road infrastructure initiative, Washington has announced its 'Blue Dot Network' designed to fund infrastructure "sustainably".
-The plan's name is a reference to the late scientist Carl Sagan's book Pale Blue Dot and the photo of Earth taken by Voyager 1 from more than 6.4 billion kilometres away.
-the network was designed to bring the public and private sector together to "promote high-quality, trusted standards for global infrastructure development in an open and inclusive framework".

America's 'Blue Dot Network' seeks to compete with China's 'Belt and Road' strategy

America's 'Blue Dot Network' seeks to compete with China's 'Belt and Road' strategy.

$US17 billion pledged to projects under the new scheme.

The move is part of the Trump administration's foreign policy vision focused on what it calls a "Free and Open Indo-Pacific," laid out when the President travelled to an ASEAN summit in Manila, Philippines, two years ago - and ended up leaving early.

The China-US competition

- Washington is not winning the trade war.
- China's economic growth has slowed,
- The tariffs have hit U.S. consumers harder Chinese counterparts.
- With fears of a recession, Trump's approach is imperiling the U.S. economy,
- Posing a threat to the international trading system, and failing to reduce trade deficit.
- The damage to the economy on the import side is more pronounced for US than China.

The China-US competition

- U.S.-Chinese competition will continue beyond Trump's tenure.
- 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.

The China-US competition

The old order—in which small European countries act as global heavyweights while behemoths such as China and India are excluded from the first ranks of global institutions - cannot be sustained.

Beijing's rise has sounded the death knell of the liberal international order.

China's domestic political character—a one-party state that brooks no opposition or dissent—and some of its international actions make it an uneasy player in this system.

The China-US competition

- China & US should move away from zero-sum thinking and end to the decoupling.
- The best path forward is to tear down existing barriers and further open up trade.
- To maintain global primacy and technological leadership, the US needs China—biggest & fastest-growing consumer market.
- To sustain the momentum of economic ascent, China needs to further its reforms and continue opening up.
- Mix of cooperation and competition within a rules-based system will lead to the greatest prosperity for both countries.

The China-US competition

- There is a large degree of interdependence between the US and China.
- U.S. exports to China are up by 527 percent since 2001, and in 2018, China was the largest supplier of goods to the US.
- There is human interdependence—the hundreds of thousands of Chinese students study in the US, and five million U.S. citizens and residents of Chinese descent.

The China-US competition

- Trump administration's global campaign against Huawei is not successful.
- The rest of the world does not following the United States (which lacks an alternative technology to compete with Huawei's 5G offerings).
- Trump administration has asked over 60 countries to ban the company but only three close U.S. allies follow.

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

US-China Trade War

- US prefers bilateral over multilateral agreements.
- US dominates in World Bank, IMF but not WTO.
- US withdrawn from TTP, Paris climate agreement.
- US force other countries to take side.

US-China Trade War

China's internal threat

- **Social instability in Hong Kong, Xijiang, Tibet, and Taiwan.**
- **GDP growth driver change from export to consumption.**

US-China Trade War

US strategic goals:

- Deal with US trade deficits & China trade surplus.
- Increase import tariffs > benefit US treasury.

Assumption:

- The tariffs will result in US companies leaving China, reduce China's employment & create unemployment and social instability, weaken China's manufacturing and economic growth.

Questions?

- Will and can the US companies leave the China market?
- Can the US companies find a replacement market?
- Is De-coupling possible?

Facts:

- General Motor car sale in 2018
  US: 3 million
  China: 4 million

US-China Trade Negotiations

US's Goals

- Reduce trade deficits with China.
- Force relocation of supply chains and production out of China to weaken its long term economic power.

China's goals

- Play defense to minimize the damage to the supply chains that have been taken decades to building.
- Maintain access to the US market.
- Avoid the US to use trade war to slow its national development plan.
- Take a long term view.

Phases of the trade war:

1. March 2018

- Trump announced the 1st round of import tariffs on Chinese goods.

2. December 2018

- Trump & Xi met in G20 Summit in Argentina and agreed to conclude an agreement in 90 days.

3. May 2019

- Truce collapsed with each side accusing the other of demanding last minutes changes on the draft agreement. US imposed new round of tariffs & China retaliated.

4. October 2019

- Early harvest deal with both side managed to have some takeaways.
- China agreed to buy more agricultural products and pork,
- US suspended some tariff increases,
- formalized currency arrangement,
- Hope to sign a deal in Asia-Pacific Economic Cooperation) APEC in Santiago Chile 14-16 November 2019 for US to boost the Thanksgiving & Christmas shopping season.
- Negotiation was not successful in reaching an agreement.

Phases of the trade war:

5. 13 December 2019

- Both side reached a phase one deal to end the trade war.
- The agreement covering intellectual property protection, technology transfer, purchase of agricultural products by China, financial service, openness of currency exchange rate, expanding trade, assessment and conflict resolution.
- US agreed to reduce the tariffs imposed on Chinese products in stages.
- The deal can help expanding economic and trade cooperation and manage the trade disputes.

6. 15 January 2020

- The phase one agreement was signed by President Donald Trump and Vice-Premier Liu He in the White House.

Assessment of the phase one agreement

Overall assessment

1. Avoid the risk of decoupling and worsening of the trade disputes.
2. Beneficial to both sides' needs.
3. US uses less compromises to gain more commitments form China.

Impacts on China's economy and market

1. Imports from US will increase significantly.
2. Pressure on exports to US will be reduced but difficulty to have significant improvement.
3. Trade deficits on US will decrease and trade between both sides will be more balanced.
4. The RMB exchange rate will be more stable.
5. Capital investment and stock markets will recover and stable.
6. China's GDP will grow steadily and will surpass that of the US in the not so distant future.

Causes of Hong Kong's social unrest

- The gap between the rich and poor is wide. The Gini coefficient is over 0.5, whereas 0.39 for the US.
- Housing prices have tripled in a decade; the median flat price is over 20 times the median gross annual household income.
- The high housing prices and rents are unaffordable for many young professionals.
- Over 250,000 people are waiting for public housing.
- Income growth for many Hong Kong residents has fallen below the increase in cost of living.
- Income for university graduates remained stagnant over the past 20 years.
- The younger generations are very dissatisfied with their chance of upward mobility in the society.
- The civic, national and cultural education in secondary schools were not successful.

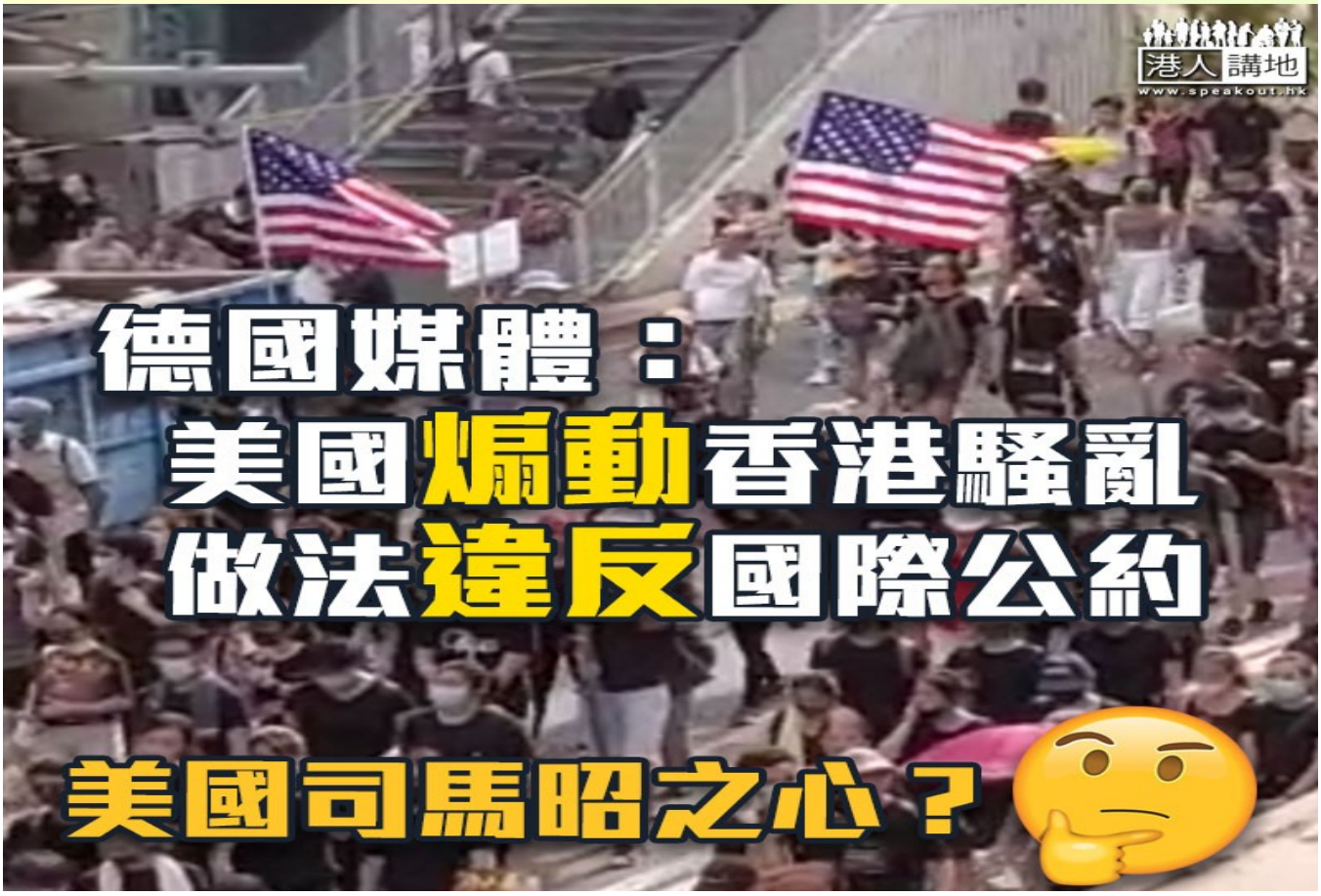
Causes of Hong Kong's social unrest

- Large number of students lack patriotism, civic responsibilities and respect for law and order.
- They don't like many things in mainland China as they have not visited and seen the rapid development in the mainland.
- Some of them seek independence from China.
- The poor relationships between local people and mainlanders.
- The lack of political leadership in the HKSAR Government.
- Carrie Lam abolished the Central Policy Unit and vacated the Information Coordinator post which are important in public policy making.
- CE had no advice on the amendment bill's political risks.
- Protesters are well funded and equipped with full gears.
- They received support from organizations from US and Taiwan.

Causes of Hong Kong's social unrest



Causes of Hong Kong's social unrest



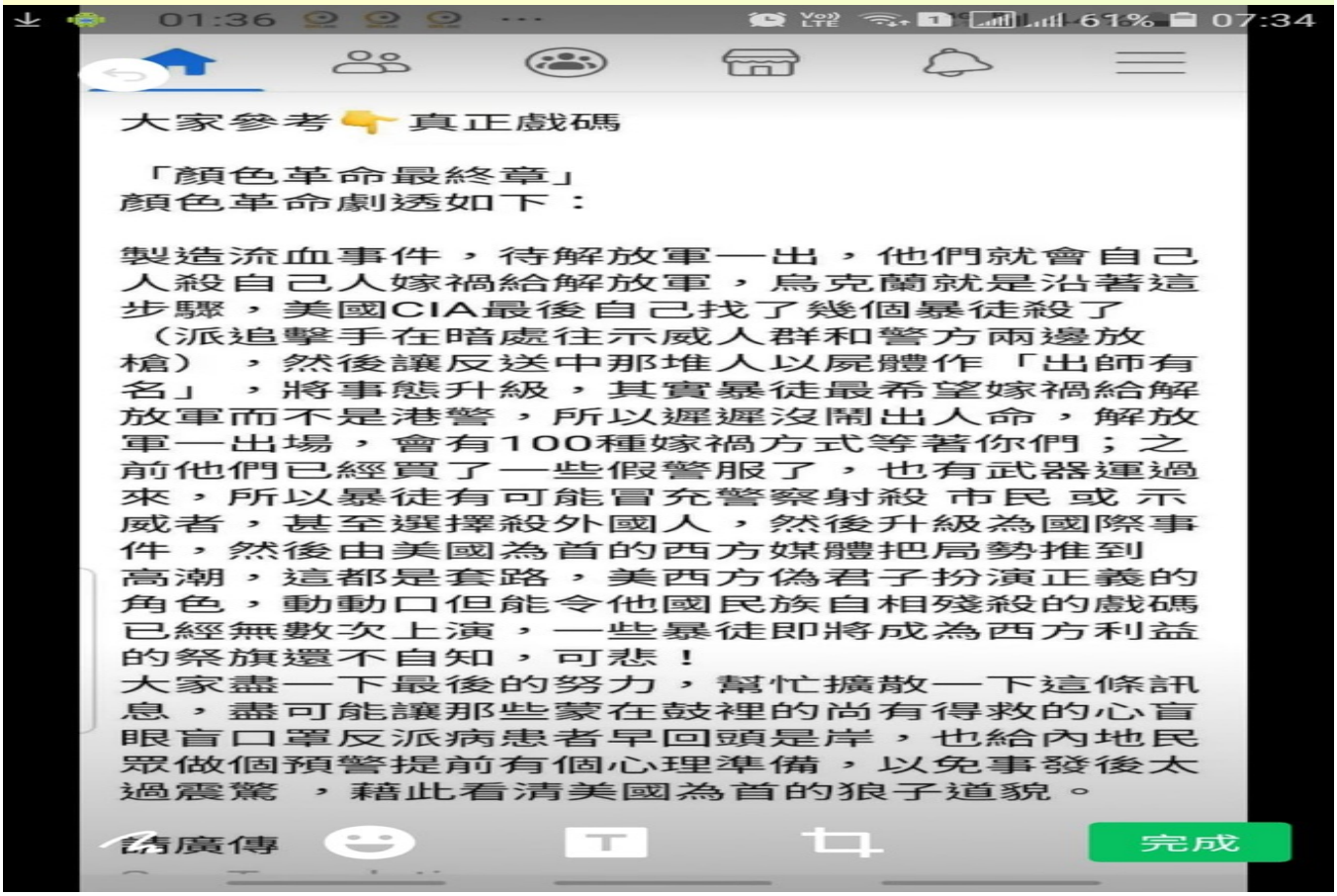
Causes of Hong Kong's social unrest



Causes of Hong Kong's social unrest



Causes of Hong Kong's social unrest



Hong Kong's Environment

- In 1997, Hong Kong's GDP was equivalent to 18 percent of the mainland's.
- Most of China's foreign trade was conducted through Hong Kong,
- Chinese companies raised most of their capital on the Hong Kong stock exchange.
- In 2018, Hong Kong's GDP was equal to only 2.7 percent of the mainland's.
- Shenzhen has overtaken Hong Kong in terms of GDP.
- Less than 12 percent of China's exports now flow through Hong Kong.
- The combined market value of China's domestic stock exchanges in Shanghai and Shenzhen far surpasses that of the Hong Kong Stock Exchange.

Hong Kong's Environment

- Both external and internal environments in Hong Kong are unstable.
- Increasing risks on political, social, economic and legal systems.
- Widely divided political camps affect business & people's livelihood.
- Very weak government due to the lack of leadership and capable officials.
- Ineffective policy making and implementation on housing and employment opportunities.

Hong Kong's Outlook

- Violent protests will not increase as many radicals are arrested.
- Police force are strengthened by hiring of 1,000 retired officers and the 200 special police from other disciplinary departments.
- The supports from outside organizations have been reduced.
- The democratic political parties have already got what they wanted in the District Council election.
- Many public facilities are gradually back to normal conditions.
- The Coronavirus outbreak overtook the political and social unrest as the main force to prevent the early economic recovery.

Conclusions

- US will try to maintain its no.1 position as long as possible.
- Hong Kong will be 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 war won't happen as both side has the capability of destroying one another.
- The political issues in HK need to 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 decoupling is too difficult to carry it out.
- The bi-polar world by the US and China will continue in the next decade.
- China's goal of winning the hundred year marathon should be achieved sometime in the 21th Century.