

Weekly Commentary 27 – July 2023

Sino-US Rapprochement? Not quite yet...

There is a global war occurring right now. Not of the shooting type, except in Ukraine. Even in that war, conducted in a corner of the world where a similar conflict occurred about 80 years ago, the scale of combat pales in comparison to the earlier one when armies of millions were involved. In short, the conflict in Ukraine is not the global war I am talking about. It may well evolve into one, as there is the spectre of nuclear conflagration hanging over the small geographical area in which conventional weapons are being tested, expending Ukrainian lives to the last man in the process. But global war it is not yet.

No, by global war, I am not referring to the clash of military arms in Ukraine. I am talking about the global ECONOMIC war that has been waged for several years now.

Remember the Harvard political scientist, Graham Alison? He wrote an erudite and compelling thesis that there would be an apparent tendency towards war when an emerging power threatens to displace an existing great power as a regional or international hegemon. It was coined the Thucydides Trap, and is primarily used to describe a potential conflict between the United States and China. According to Prof Alison, China and the US were destined for war, which he said in his book in 2017.

As I remember it, at that time, China and America were getting along fine. Trade was booming. Of course, that trade, organized under the WTO according to the rules of Pax Americana, now popularly called the American empire, was simultaneously sucking life out of the American manufacturing sector. The book immediately sparked an explosion of animosity against China, seen to be the rising power in the Thucydides framework. It also coincided with the presidency of Donald Trump, who soon began to upend the WTO system by imposing tariffs on Chinese imports. There was an immediate reversal of the long commercial relationship that existed between the two countries. The perception of China turned from being friendly to being regarded as the rising power which will soon make war on the hegemon, the US of A. The American political class cited the buildup of the Chinese military and projected the country as America's greatest competitor, even enemy. These politicians started to project, and articulate, that a Sino-China war would be inevitable.

I have expressed my humble opinion in previous editions of this Weekly Commentary that I disagree with the Graham Alison view. The thesis of the Thucydides Trap is based largely on small city states in ancient Greece, and while Alison supported his thesis with 16 historical instances of an emerging power rivalling a ruling power, with 12 ending in war, the Greek city states are not quite the same as two nuclear armed superpowers which are also the two strongest economies in the world at this time in the 21st Century. An outbreak of hostilities between the two would be a global nuclear conflagration. It won't happen.

No, I don't think the Alison theory will be played out in the Sino-US rivalry at this time in history. Just consider the fact that the collective west has been waging a real shooting war in Ukraine against the other nuclear-armed superpower, Russia, for nearly 1.5 years now. There are still no visible signs of direct combat between Russia and America. This is largely because the Biden Administration, or even a Republican one, has no political possibility of sending American boots on the ground into a battlefield where the opponent is considered as militarily powerful as the United States. There is no groundswell of desire of sending American boys and girls into a conflict which may end up in their returning in body bags. Unless the other side wears bedsheets, slippers and carries nothing more lethal than AK-47s, there is no American will to go to war. They haven't done it in Ukraine and there will not be any possibility of the US (or any of its allies in Asia) doing so on behalf of Taiwan right on the doorstep of China. Americans dying in Taiwan for behalf of 27 million Taiwanese, who also Chinese? That will never happen.

So the global war that I am referring to that has already started is not a military one. It is a massive economic and financial war that has already be going on for years, but got elevated since Biden became US president. During the Trump years, hostile actions initiated by the US included sanctions levied on Huawei and ZTE, ending with the unlawful imprisonment of Wen Mengzhou (CFO of Huawei) in Canada, and then tariffs imposed on Chinese imports brought into the US. When Biden took over from Trump, he escalated the conflict by adding more sanctions, especially on semiconductors, and in the case of the conflict against Russia, organized a series of sanctions that have worldwide reverberations especially in the global energy market. Both Russia and China have retaliated. WTO is now practically dismantled. The Americans have essentially destroyed the global free trade system that they built. This is the global trade war that I see happening in the world today. It is not the Thucydides shooting war that was thought to occur but the current global economic war which is just as disruptive.

This economic war has the world dividend into two blocs – the G7 countries, clustered around the existing hegemon and then the BRICs/SCO bloc which is gaining strength by the month, and hence gathering momentum as the challenger. It is in fact a Thucydides scenario.

The progress of the economic war so far has everybody bloodied. It is not a lot of fun. No great victories have been won but people are getting anxious about it. The Americans want to call a truce, to prevent the economic war and a couple of weeks ago, sent Secretary of State Blinken, running foreign policy, to Beijing to take things down a notch. Nothing specific was agreed on, but in terms of diplomacy, the Americans screwed it up again, when the Big Man, Joe Biden himself, called the other Big Man, Xi Jinping, a dictator. I mean, if you are serious about ending a war, that's not exactly good diplomacy, is it? The world watching this must conclude that the Americans have no real intention of lowering tensions.

If that is the case, it would be surprising that they sent another official to Beijing again – with the message, we have to talk. It is now Janet Yellen who is now in Beijing doing the talking. And the same formula is being repeated. Yellen has stuck to the American script and said that it is unfair Chinese competition that started it. And she said China should not think of trade as a winner takes all situation when she should be telling her own politicians at home just that.

I have selected four different reports on the trip – the NYT, CNN, FT and China Daily – to assess what happened on this Yellen trip. They all have slightly different perspectives on the event, and it would be interesting to compare how the media of three countries write about it.

The New York Times:

Treasury Secretary in China

Yellen Says Visit Won't Solve Challenges 'Overnight'

Janet Yellen concluded a trip that produced no breakthrough but helped thaw frosty ties between the world's two largest economies. She emphasized the need to "stabilize the relationship."

Treasury Secretary Janet L. Yellen wrapped up her two-day visit to Beijing, where she made progress in restoring some balance to the rocky economic relationship between the U.S. and China.

This trip has been a centerpiece of Ms. Yellen's time as Treasury secretary, a top cabinet official involved in overseeing ties with China. Her meeting on Saturday with Vice Premier He Lifeng, her counterpart, was a first step in easing relations.

But that appeared to be the limit of this trip. Ms. Yellen did not announce any breakthroughs at a news conference on Sunday at the U.S. Embassy. She suggested that the trip would yield more regular, constructive conversations with Chinese officials.

"No one visit will solve our challenges overnight," Ms. Yellen said in opening remarks at her news conference. "But I expect that this trip will help build a resilient and productive channel of communication with China's new economic team."

Ms. Yellen has tried to walk a fine line at a delicate moment. She has raised concerns about China's treatment of American companies and has urged China to do more to help poor nations deal with both climate change and their debt burdens.

"The U.S. and China have significant disagreements," Ms. Yellen said on Sunday. "Those disagreements need to be communicated clearly and directly. But President Biden and I do not see the relationship between the U.S. and China through the frame of great power conflict."

A short report from the official Xinhua news agency said that the two sides had agreed to "strengthen cooperation and coordination" and to continue interacting on global challenges. But the Xinhua statement went on to jab at the United States for emphasizing national security, in an implicit criticism of Biden administration actions like limiting sales to China of the most advanced semiconductors.

Here's what you need to know:

- At the news conference, Ms. Yellen tried to temper impressions in China that the United States was trying to stop its economic rise. But she made clear that

the United States would persist with what she characterized as targeted economic actions to protect national security.

- Ms. Yellen met with several top Chinese officials, including Premier Li Qiang, China's No. 2 official. She also sat down with [Vice Premier He Lifeng](#), her counterpart, and the new party chief of the People's Bank of China, Pan Gongsheng.
- She is just the second Biden administration cabinet official to visit China since President Biden took office in 2021. Secretary of State Antony J. Blinken visited Beijing last month and John Kerry, President Biden's special envoy for climate change, is to [visit](#) this month.
- Ms. Yellen seems to have fans in China. After she was spotted dining at a restaurant that serves cuisine from the province of Yunnan on Thursday night, [Chinese state media wrote about her impressive use of chopsticks](#) and reported that reservations at the restaurant were up. According to a Twitter post, the restaurant has created a special menu of the dishes her table ordered, naming it the "God of Money Menu."

Yellen's comments at the news conference, along with the Chinese government stance taken overnight on the official Xinhua news agency, suggested some points of agreement. Both sides said that the talks had been useful.

But frictions remain. Yellen tried to allay China's worries about the Biden administration's restrictions on China's access to certain advanced technologies. But the Chinese statement overnight made clear that, even after the extensive conversations, Beijing's leaders are still irked by these measures.

Yellen was clearly trying to temper impressions in China that the United States is trying to stop Beijing's economic rise. At the same time, she made clear that the United States would persist with what she characterized as targeted economic actions to protect national security.

And Yellen has concluded her news conference, ignoring a few questions that were directed at her as she left.

Yellen says that she tried to allay Chinese fears that the Biden administration's looming restrictions on American investment in China will have broad impacts on the Chinese economy. She said that if the restrictions happen they will be narrowly focused on a few sectors.

Yellen said that the U.S. could be willing to "possibly in some situations respond" to unintended consequences of actions that China raises through the channels of communication that they are trying to develop.

Yellen said she is not ready to announce a new formal structure for future talks, but that she feels confident that the two sides will have more "frequent and regular communication" that will bring benefits.

CNN:

China's export curbs on raw materials are concerning, Yellen says on Beijing trip

By [Jennifer Hansler](#) and [Juliana Liu](#), CNN

Updated 6:19 AM EDT, Fri July 7, 2023

Beijing/Hong Kong CNN

Beijing's newly unveiled export controls on two strategic raw materials critical to the global chipmaking industry are a "concern," US Treasury Secretary Janet Yellen said on the first day of her trip to China, where she met the country's premier in an effort to stabilize bilateral relations after a particularly difficult period.

On Monday, China imposed curbs on overseas sales of gallium and germanium, elements essential to making semiconductors, which have become a growing source of friction between the world's top two economies.

The move was widely seen as a response to the Biden administration's ban on advanced chip sales to China, which was announced last October.

"I am ... concerned about new export controls recently announced by China on two critical minerals used in technologies like semiconductors," Yellen told a meeting of business people hosted by the American Chamber of Commerce in Beijing.

"We are still evaluating the impact of these actions, but they remind us of the importance of building resilient and diversified supply chains," said Yellen.

She told the executives that she will be bringing up in meetings with her counterparts other concerns from the US business community, including China's use of "non-market tools" like expanded subsidies for its state-owned enterprises and domestic firms, as well as what some call barriers to market access for foreign firms.

"I've been particularly troubled by punitive actions that have been taken against US firms in recent months," Yellen added.

She did not elaborate. But since late last year, Chinese authorities have been cracking down on Western consulting and due diligence firms such as Bain & Company and the Mintz Group.

Officials have accused Capvision, an expert network based in Shanghai and New York, of helping to leak sensitive military information to foreign forces

Yellen's trip, which ends on Sunday, comes just weeks after US Secretary of State Antony Blinken visited Beijing in his first trip as part of the Biden administration.

He was the first American secretary of state to visit China in five years, and his meetings with senior officials were seen as a key test for whether the two governments could stop relations from continuing to plummet.

Healthy competition

Yellen sought to play the peacemaker during her meeting with Premier Li Qiang, a trusted long-time ally of leader Xi Jinping.

She said Washington sought healthy economic competition, with a fair set of rules, that was not winner-takes-all.

“The United States will, in certain circumstances, need to pursue targeted actions to protect its national security. And we may disagree in these instances,” she said.

“However, we should not allow any disagreement to lead to misunderstandings that needlessly worsen our bilateral economic and financial relationship.”

Li Qiang said her visit had “drawn the world’s attention” and that people may have high expectations as she was only the second US cabinet official to visit China after Blinken in recent years.

The premier likened the US-China relationship to a rainbow that was seen in Beijing on Thursday when Yellen landed, saying that while there may be “wind and rain” — a euphemism for hardship — there will always be hope in the sky.

Meeting friends

Earlier on Friday, Yellen met Liu He, a former vice premier and previously her Chinese counterpart, in what has been called “a meeting of old friends.” She also met Yi Gang, governor of China’s central bank.

A US Treasury official called the discussions “informal and substantive,” adding that they discussed the global economic outlook as well as the respective economic outlooks for the United States and China.”

Yellen’s trip follows US President Joe Biden’s directive after his meeting with Chinese leader Xi Jiping last November to deepen communication between the US and China on a range of issues, including on the global macroeconomy and financial developments, the Treasury Department said in a statement on Sunday.

In testimony before Congress in April, Yellen stressed the importance of maintaining ties with China and said that “decoupling would be a big mistake,” though she noted that alleged human rights abuses in China and questionable trade policies must be “addressed.”

In June, she told a group of top American CEOs that it is critical for the US to work with China on specific and urgent global challenges.

The Financial Times:

by Demetri Sevastopulo and Joe Leahy

US controls on investment will not harm China, Yellen tells Beijing

Treasury secretary says screening will be “highly targeted” after four-day visit to stabilise the turbulent relationship

US controls on investment into China would only target sensitive national security sectors, Janet Yellen has told her counterparts in Beijing during a four-day visit aimed at putting a “floor” under their turbulent relationship.

Speaking at a news conference on the final day of her visit, which included meetings with Premier Li Qiang and her counterpart He Lifeng, the US Treasury secretary said she wanted to allay concerns about harm to China’s economy from the possible national security action.

Throughout her visit Yellen has talked up the potential for ongoing trade and economic co-operation between the US and China, highlighting Washington’s desire to stabilise the relationship, even as it makes it harder for China to obtain American technology.

The Biden administration is now considering a mechanism to reduce the risk of US investment helping China’s military. “I emphasised that [investment screening] would be highly targeted and clearly directed narrowly at a few sectors where we have specific national security concerns,” Yellen said.

Over the course of her visit, Yellen reiterated that it was important to have high-level engagement between Washington and Beijing despite security-related concerns.

“Even where we don’t see eye-to-eye, I believe there is clear value in the frank and in-depth discussions,” Yellen said.

Yellen said she had voiced concern with her counterparts over everything from security and human rights to an “uptick in coercive actions against American firms”.

“I also raised the importance of ending Russia’s brutal and illegal war against Ukraine,” she added in remarks shortly before departing Beijing. “I communicated that it is essential that Chinese firms avoid providing Russia with material support or assistance with sanctions evasion.”

Her visit came as China grapples with an underwhelming economic recovery after the lifting of Covid controls. While China is targeting growth of five per cent this year, economists fear some underlying growth engines, such as the property sector, are entering a prolonged slump.

This has led the government to seek more foreign investment. But tensions with the US have hurt sentiment, with business concerned about getting caught up in tit-for-tat trade sanctions and increasingly tough national security measures.

China's state media generally gave muted coverage of the Yellen visit. The Xinhua news agency described the talks as "constructive" and "pragmatic" but said Beijing believes that "generalising" national security issues was "not conducive to normal economic and trade exchanges".

The nationalist Global Times was more effusive, quoting China's second-ranked official, Premier Li Qiang, as telling Yellen that "China-US ties can see 'rainbows' after a round of 'wind and rain'".

Dennis Wilder, a former top CIA China expert now at Georgetown University, said Chinese leaders "clearly see Secretary Yellen as one of the more pragmatic, and less political, senior officials in the Biden administration".

"They also assess that historically economic and trade relations have been the ballast in US-China relations, stabilising ties even when issues such as Taiwan or the Tiananmen crackdown roiled the relationship," Wilder added. "After all, overall US-China bilateral trade continues to reach new heights even as the overall relationship has hit new lows."

Finally, here is how the Chinese look at it, in Global Times:

What Yellen discusses in China will be a weather vane: Global Times editorial

By Global Times

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After many days of speculation, it was finally confirmed by both Chinese and American sides that US Treasury Secretary Janet Yellen will visit China from July 6 to 9. Following US Secretary of State Antony Blinken's visit to China nearly three weeks ago, this visit by another high-ranking US official indicates, to a certain level, a gradual restoration of communication channels between the two countries. As one of the key figures responsible for US economic and trade affairs, Yellen's visit to China has attracted special attention, as it is believed to hold significant importance. This reflects the expectations of stability in China-US economic and trade relations amid the global economic downturn.

Compared with her counterparts in Washington, Yellen has a relatively pragmatic attitude toward China. She has previously expressed opposition to "decoupling" from China and advocated for establishing "necessary" and "constructive" economic relations with China. She has also expressed her desire to visit China on multiple occasions. In a recent hearing last month, Yellen stated that it is not in US' interest to stifle the economic progress of the Chinese people, and that the US should applaud for China's success in lifting hundreds of millions of people out of poverty. Therefore, whether Yellen's visit can achieve pragmatic results holds symbolic significance: whether Washington is focusing on "competition" or cooperation represents a certain

weather vane to judge whether rationality remains in Washington's China policy.

However, before Yellen sets off, Washington has already revealed a number of crucial messages, and these complex signals are worth careful interpretation. Alongside the announcement of Yellen's visit to China, the US once again emphasized the so-called "three principles" regarding economic relations with China, which were proposed by Yellen in a speech in April. This seems to set the tone for Yellen's trip to China in advance, but these "three principles" do not release many positive signals for dialogue. The first principle emphasizes the protection of US and its allies' "national security interests," which raises concerns about an overarching securitization. If the US cannot break free from its stubbornly tough stance on China, can the professional voice from US finance field break through the obstacles and bring tangible results for China-US economic and trade cooperation? When the concept of "national security" has become an omnipresent fog, whether Yellen can avoid the "security trap" remains a question.

We also noticed that, some US officials said Yellen's trip will not achieve significant "breakthroughs," but they hope "to have constructive conversations and build longer-term channels of communication with China's new economic team." Washington officials' "low expectations for breakthrough" indicates one thing: the US political circle is well aware of China's position and attitude when communicating with US officials. On the one hand, China is willing to actively engage in communication with US officials and strive to achieve cooperation results through dialogue; on the other hand, China always maintains a firm stance on its core interests and principles.

In order to make this visit fruitful, instead of basing expectations of "breakthroughs" on a "US First" approach, the US would be better to start with the most realistic issues in the current China-US economic and trade field.

For example, the tariffs imposed on Chinese goods during the Trump administration have not been abolished, and the fact has already proven that it harms both parties. Currently, the tariff on US products imported to Chinese is 7.1 percent, while the tariff on Chinese exports to the US is 19.2 percent, which is unequal. In addition, the high tariffs are borne by American businessmen and the public, and they also have an impact on US' inflation. However, the Biden administration has done nothing to correct this mistake.

Furthermore, the US is currently abusing the concept of national security to a severe extent, even trampling on the principles of free trade and international market rules. This has seriously disrupted normal investment and trade activities between the two countries, with more than 1,300 Chinese entities still on various US control and sanctions lists. When everything is being connected to national security, it becomes difficult to do business. Yellen, as the US Treasury Secretary, should understand that such harm is by no means one-way.

We believe that if Yellen's visit can achieve some substantive progress, it would bring more certainty and stability to the business communities of both China and the US, which would be much more beneficial than the "breakthroughs" envisioned by Washington's anti-China politicians.

Also in the near future, US Special Presidential Envoy for Climate John Kerry will visit China again, and US Commerce Secretary Gina Raimondo is also reportedly planning to visit China. Achieving a series of contacts and interactions under highly tense circumstances between China and the US is not easy. The key to making them truly valuable lies in whether both sides can promote practical matters that benefit both countries and their peoples with a professional and pragmatic attitude. China has always adhered to the principles of mutual respect, peaceful coexistence and win-win cooperation in dealing with the US. We hope to see tangible actions from the US to meet each other halfway.

From the above reports representing the American/western perspective and the Chinese view on things, it seems that both sides do not want a full-scale economic war to break out. They haven't called a truce yet, talking has hardly just begun, but it can be said that at least they have agreed to look for a conference table...as the warring parties did in Paris back in 1972 to end the Vietnam War.

What are the chances that they can resolve this fracas without damaging themselves further or the rest of us in the global economy? It is not going to be easy. This is especially difficult on the American side.

This is largely due the fact that the domestic battle for political supremacy between the Democrats and the Republicans is extremely intense. When in Nov 2021, it was thought that Trump would be gone forever - since at that time, the near unanimous view was that Donald was the worst president the US has ever had, and that Joe might bring respectability back to the office of the US president - but that has not happened. After Biden became president, we have seen the trade war with China worsen and the attempt to bring Ukraine into NATO has ignited a bloody proxy war with Russia. Donald Trump, sniping at Biden from the sidelines as the lead candidate among the Republicans to take Biden on in Nov 2024, has made an unbelievable political recovery. Despite the optics that the Democrats are trying to put him in jail by pursuing rather tenuous legal cases against him, it does not seem like Trump is disappearing anytime soon. As of today, the polls show American voters may put the Donald back into the Oval Office.

Obviously, Biden and his Democrats are taking the upcoming battle for the White House very seriously. As economic issues will determine the outcome of the elections, both sides are trying to spin the story that they passionately care about middle class' job woes and worsening living standards. Trump has his MAGA (Make America Great Again) supporters, who regard him to be the first person who did not originate from the Washington political elite (the "corrupted" swamp), and was also the first to express some care and concern over their economic plight. That was what enabled him to win the election in the first place back in 2016. And the MAGA crowd still consider him to be the better person to turn their lives around, in spite of the fact he did not quite succeed doing that the last time around.

And since Biden actually made a mess of the economy with ultra loose monetary policy that resulted in a raging inflation that hasn't quite ended, there are many Americans who still suffer from the resulting punitive interest rates that may run through the 2024 election season. His popularity is low. Polls show that many Americans don't think he is doing a good job running the economy, which has prompted him to adopt a strategy of articulating policies that address the American middle class – the so-called Bidenomics approach.

More so that ever, both sides are using the external enemy approach to draw attention from their own domestic failings. That strategy has been used since time immemorial by politicians who f—k up and needs to divert attention to a foreign foe. What better for Biden than to use the Ukraine war to stoke up irrational fears about the communist “enemy”, because all Americans have been brought up to regard “communism” as the antithesis of their way of life, of the successful nation that is America, and of the political ideology that autocracy is what American must seek to confront, if not destroy.

Even though both Russia and China are no longer communist countries, that fact is not carried in the messaging of US politicians to their electorates. It is not known to the ordinary American that the former is just a conservative Orthodox Christian country headed by a president who has 90 percent approval from his people, and the other is a mostly free-wheeling capitalist economy ruled by another leader with as much support from his people as the Russians give Putin. The US political class are still faking the narrative that these “autocracies” are no different from the Soviet Union with whom America fought a long “cold war”, and the China that was on the “other side” during the Korean and Vietnam wars. Therefore, it is easy to weave a tale that Russia has no good intentions vis-à-vis their democratic friends in Europe, and that China, even after thirty years of friendship, has become the foe that will challenge America in an “inevitable war” as circumscribed by the Graham Alison historical account of Greek city-states.

Besides, in American culture, being the “loser” in a competition is just not cool. Since it can be seen from numerous statistics, erudite studies and obvious-as-hell videos on Youtube that evidently, Russia has won in Ukraine, and that China is ahead of the US in so many ways ranging from GDP (PPP) to infrastructure building and multiple new technologies, many Americans find that they have been blindsided by unrealistic and false narratives created by their own political elites.

Hence, it is easy to understand where all the animosity, even hate, towards Russia and China comes from in the American body politic. And China with the greater manufacturing power, and having risen much faster than America ever did, is perceived with suspicious, even envious, eyes. Graham Alison has sparked a false illusion of confrontation. And it is easy to believe that, when in fact there is little evidence that China has warlike intentions since it has

not even fought a single war since 1979, unlike America which has fought every single year since then.

On the other hand, there is no desire by ordinary Americans to fight another war, when they have lost two 20-year wars in Afghanistan and Iraq that have cost the country trillions of dollars giving rise to a national debt soaring to an unsustainable level. This loss of faith in an economy that can meet the expectations of the American Dream has a deleterious effect on the middle class.

To summarise, in my humble opinion, the key economic problems in America are as follows:

- 1) A level of military spending (with 800 military bases around the world) to protect a far-flung empire which does not exploitatively generate, in the 21st century, the resources typically used by imperialists of old to pay for that military. American military spending is now the well-known economists' choice between butter and bullets and that's a painful choice. And it is very painful to all US taxpayers.
- 2) The hollowing out of American manufacturing by the outsourcing pursued by US oligarchs who under the tenets of capitalism were unashamed to pursue profits at the expense of social responsibility – indeed “trickle down” economics has its problems. The emergence of a highly unequal society upends social cohesion in the country, exacerbated by the politicians on both sides, blaming the problem on the other side. This is further worsened by the complete lack of new infrastructure in the country, since capitalists would not find it profitable to build infrastructure with long-delayed returns. The failings of capitalism are not compensated by a strong socialist/public sector in the American system.
- 3) A political leadership class that are mostly trained in law but not economics/finance/engineering and therefore do not understand that international trade brings win-win benefits to all participants. There is no leadership in either political party that can take the country out of it. Everybody in the line-up for 2024 is just bad. American leaders are argumentative over what other people do, an occupational hazard all lawyers suffer from, and they are not creators. This is unlike in China where the government is filled with engineers and economists with proven governing experience, who creatively see many steps ahead. This is, in my humble opinion, why China will come up on top of America in due course. It is all simply about leadership.
- 4) American education for the vast majority of its population is not based on math and science and offers soft options and a culture that disparages those subjects as geeky and “uncool”. Talented students are driven away from STEM subjects by social ostracism. This makes technology development in the US dependent on immigrants, now being curtailed, and hinders adoption of new technology by the general population as well. Look at how China rolled out online payments using phones. It took less than two years for cash and credit cards to become totally obsolete.

With these four background factors, there is no scope for the American middle class to rebound to its previous economic glory when one working man can support a whole family. The government itself has no money for repairing and building infrastructure, the backbone of a vibrant economy. All told, the American economy, outside of a few bright spots that will flourish but with fruits that fall a short distance from the tree, will just benefit a talented few in the right tail of the curve. It is nowhere as dynamic as it used to be, just a few decades ago.

The opposite is true in China, where the economy is structured to absorb the best features of socialism and capitalism – the so-called Socialism with Chinese characteristics. Whatever the intellectual arguments, the Chinese government has demonstrated a non-ideological approach to economy policy, far more pragmatic than the American government can ever put together. Who could have imagined that America is today far more ideological in its political beliefs than its competitors are? Freedom of economic thought in the country is dead. China is far more pragmatic in problem solving. Ideology does not come into its economic planning at all.

As such, the current US economy rests not on solid rock, but on a number of sinkholes, four of which I have identified above. It is going into another election season on shaky ground when more lies will be told to pull wool over the eyes of the electorate why their lives are now harsh and brutish. It is far easier for American ideologues not to look at their own defective economic structure, but to just point the finger somewhere else.

This is a tactic used by every fool of a politician in the world throughout history, and at this time, it becomes imperative for them to put the blame on China, which has prospered in the same time frame as the middle-class American Dream turned into a nightmare. The messaging going into the 2024 election cycle is “your problem is not my fault, just blame the goddamned Chinese – they stole your jobs”. Which US politician has understood that it was actually the American capitalist class which is totally responsible for emptying out American manufacturing? And even if they understood it, would they ever admit that their capitalist ideology is at fault?

As such, do not expect the trade relations between China and the US to be solved anytime soon by visits of American politicians and officials to China. The more they talk, the more it will expose the attempt to assign blame on China. The “success” of Yellen’s visit this last week is defined by the American media as the warming of relations to the extent that they will keep talking. Nothing else. How absolutely underwhelming...

If you are the corporate type, and you come back from a business trip with this lack of results, you would be asked to look for a new job.

And that is exactly what Biden should be doing.

By:

Yeong, Wai-Cheong, CFA

Fintech Entrepreneur, Money Manager and Blogger

Un-Influencer in a World full of Hubris