

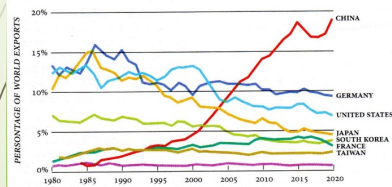
## Topic # 4 – US/China Trade Rivalry– Text Summary

### Overarching, Unanswered Question

Is China a national security threat OR a business opportunity?

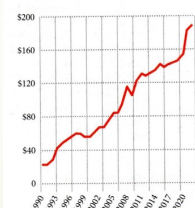
- Economic Rise of China** - Grew at over 9% /year for 30 years, bringing 500 million out of poverty and challenging U.S.

Fig. 1: China Share of World Exports After 2001 WTO Entry



SOURCE: World Bank, Manufacturing exports; Taiwan Ministry of Finance, exports, www.ceicdata.com/en

Fig. 2: Foreign Direct Investment into China (in Millions USD)

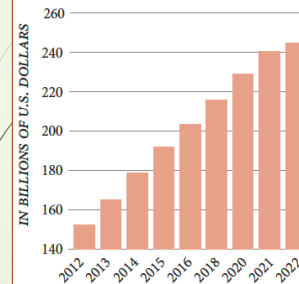


SOURCE: UNCTAD, World Investment Report, 2023.

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## 2. Growing Mercantilism, Military-Civil Fusion, and Military Buildup

China Military Expenditure in 2012–2022

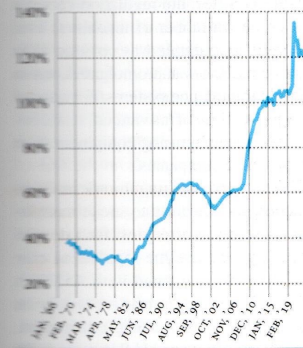


SOURCE: tradingeconomics.com, SIPRI

- Belief that joining WTO & global economic order would politically liberalize China proved a myth.
- Sought technology through forced transfer and theft.
- Military Expenditures increased and Military-Civil Fusion has grown through subsidies.
- China now has world's largest navy (though range limited) and 3<sup>rd</sup> largest air force.

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Fig. 3: High Debt to GDP Ratio Poses Defense Spending Problems



SOURCE: Federal Reserve Bank of St. Louis.

### 3. U.S. Policy Response

- U.S. debt/GDP ratio precluded matching military buildup
- Denial of technology became the predominate policy response through export and investment controls
- Administration of policy proven difficult, as multinational firms have mixed allegiances

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## Late political scientist Robert Gilpin argued:

*As long as multinational corporations (MNCs) served the interest of the globally dominant state -- in this case the United States since 1945 -- their existence and growth was tolerated, if not encouraged.*

*But now that the U.S.'s dominance is challenged, MNC's have greater opportunity to undertake activities than can be seen as antagonistic to the U.S.*

*e.g. Tesla's Elon Musk perhaps single-handedly helped China rebuild its electric vehicle manufacturing sector after it floundered before 2017*

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