

colloque 2022 théorie de la régulation

China's Geopolitical Economic
Strategy in 21st Century:
The mode of *Régulation* of Chinese
State Capitalism

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Outline

1. Introduction:

- Escalation of conflict between U.S. and China

2. Current Stage of U.S.-China Conflict

- Trade, Tech, International relations, Military, Finance, and conflict on Mode of *Régulation*

3. “Protracted War” strategies based on State-led Coordination

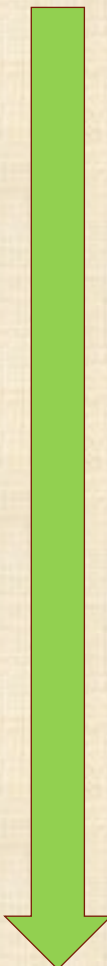
- Strategic patience for “Protracted war” and perspective of Geopolitical Economic Strategy

4. Conclusion:

- Medium- to Long-Term Outlook: A competition(or Battle)of Mode of *Régulation*: Free market Economy VS. State-led Coordination (State Capitalism)

□ Introduction

➤ Escalation of Conflict between U.S. and China



July 6, 2018: \$34 billion in additional tariffs on 818 products → tariff-increase race

Oct. 4, 2018: Speech of Vice President Pence: the Trump administration will act decisively against China to protect U.S. interests, jobs, and security

Jan. 15, 2020: Agreement on a Phase One trade deal:
“Take and Give”

March, 2020: President Trump’ s “China Virus”
Comments → Failure of Covid-19 measures
in U.S. and success of China

July 23, 2020: Speech of Secretary of State Pompeo:
Communist China and the Future of the Free World 3

□ Introduction

➤ Escalation of Conflict between U.S. and China

March 18, 2021:

U.S.-China talks in Alaska: China said “The United States is not qualified to be condescending in its tone when speaking to China. We Chinese people do not buy it, and stop interfering in China’s internal politics”

Feb. 24, 2022: Russian invasion of Ukraine
→U.S. try to strengthen the unity of the anti-Russian & Chinese alliance

June 19, 2022: MFA of the PRC: *Reality Check: Falsehoods in US Perceptions of China*

Aug. 4, 2022: Senate President Pelosi’s visit to Taiwan; Chinese military exercises

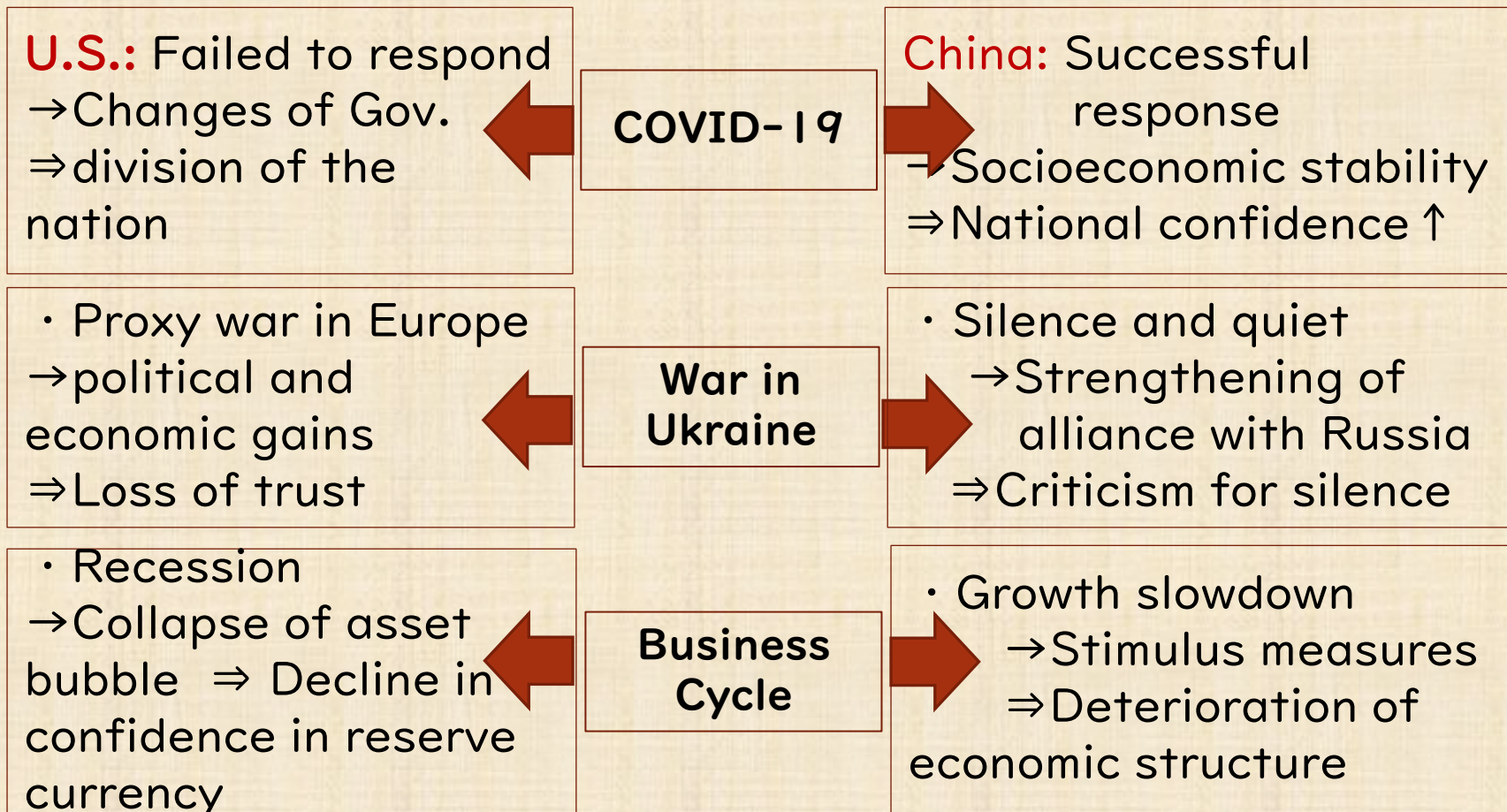
□ Introduction

➤ Formation and expansion of U.S.-led anti-China alliance

- Calls for eliminating of 5G Technology from China (→EV batteries, Sola, Drone, Facial recognition system, Bio, Etc.)
- Collaboration to blockade semiconductor technology (→IC, Equipment: EUV, Design Technology and Software)
- QUAD
- AUKUS
- Chip 4
- IPEF
- G7
- NATO+

➡ Why doesn't China surrender (or give up)?

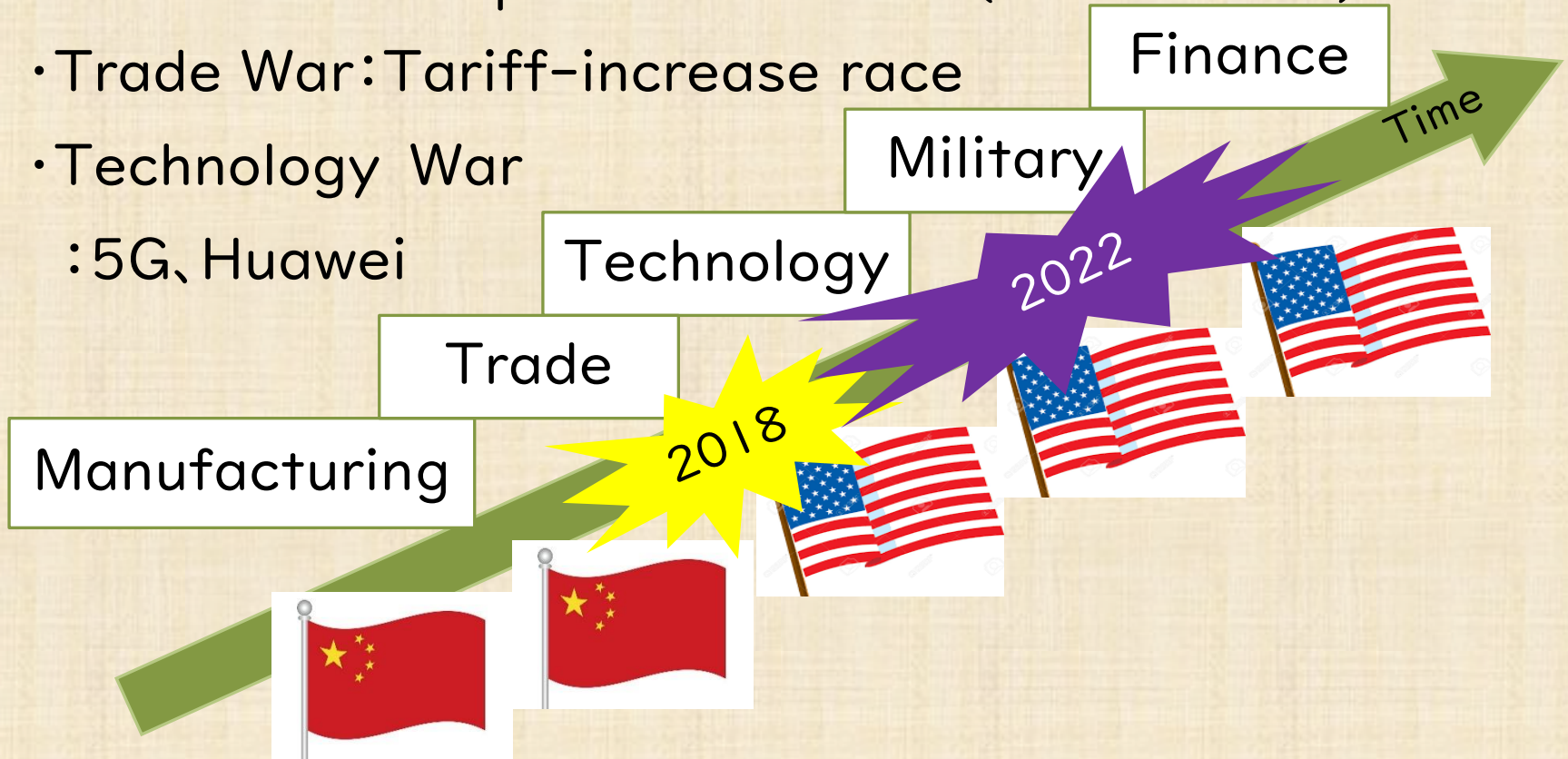
⇒ Three recent events of importance for the future of the U.S.–China confrontation



2. Current Stage of U.S.-China Conflict

► Phase 1 : Trump Administration (2017-2020)

- Trade War: Tariff-increase race
- Technology War
: 5G、Huawei



► Phase 2 : Biden Administration (2021 -)

- Trade War, Technology War, Finance War, Preparing for Military War, and competition between regimes

2. Current Stage of U.S.–China conflict

► Conflict on Mode of *Régulation*

“Market” or “State-led Coordination”

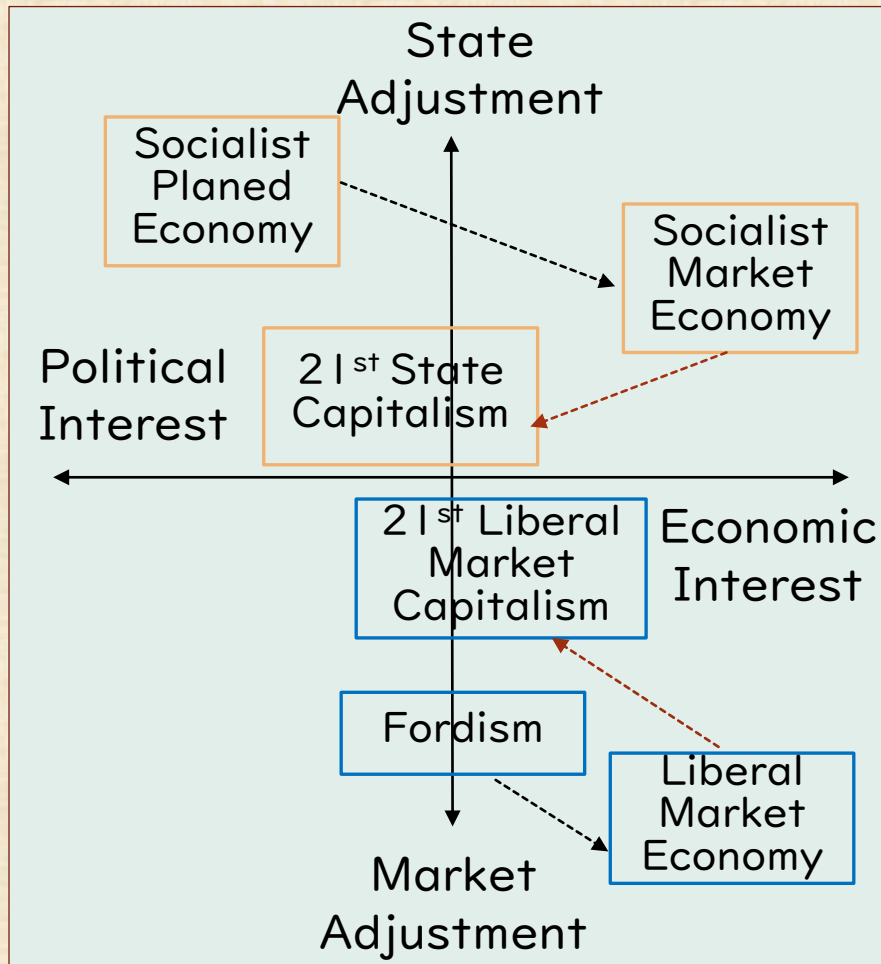
【Free Market Capitalism VS. State Capitalism】

Patterns of economic adjustment

Adjustment level	Adjustment path		
	Market adjustment	Institutional adjustment	State adjustment
Corporate unit		Company-based institutional coordination (J)	Participation (SOE)
Social unit	Market (A)	Social-based institutional coordination (E)	State-led coordination (C)

2. Current Stage of U.S.-China conflict

► Proximity and Collision of two Regimes



- **Cold War/Era of China' s Socialist Planned Economy:** China is not a “threat or competitor” to the U.S.
→ Improved relations
- **Post-Cold War/Era of China' s Socialist Market Economy:** U.S. continues to “engage” China in anticipation of regime change
→ shared economic benefits
- **21st Century:** State Capitalism VS. (Revisionist) Free Market Economy
⇒ **Close Proximity and Collision**

3. “Protracted War” strategies based on State-led Coordination: Strategic Patience

- **Background- I**: Disparity in Comprehensive national Power between U.S. and China, and its trends

*【Asia Power Index】
(Lowy Institute, Australia)

The index evaluates international power in Asia

- Resources
 - Economic capability (17.5%)
 - Military capability (17.5%)
 - Resilience (10%)
 - Future resources (10%)
- Influence
 - Economic relationships (15%)
 - Defense networks (10%)
 - Diplomatic influence (10%)
 - Cultural influence (10%)

ID	China 2018→2021	U.S. 2018→2021	No.2 or 3 (2021年)
CP	74.5→ 74.6	84.6→ 82.2	Japan (38.7)
EC	91.4→ 91.2	93.6→ 90.7	Japan (31.9)
MC	67.1→ 66.8	94.6→ 91.7	Russia (51.6)
R	70.4→ 74.4	85.2→ 86.9	Russia (79.5)
FR	84.0→ 75.2	78.8→ 80.5	India (48.7)
ER	94.1→ 99.0	68.1→ 51.1	Japan (40.3)
DN	21.7→ 24.1 (No.12→8)	84.2→ 83.4	Australia(67.6)
DI	94.2→ 89.8	78.8→ 90.4	Japan(84.5)
CI	56.2→ 57.7	87.2→ 85.0	Japan (43.5)

3. “Protracted War” strategies based on State-led Coordination: Strategic Patience

- **Background- I**: Disparity in Comprehensive national Power between U.S. and China, and its trends

*【Asia Power Index】

ID	China	U.S.	No.2 or 3
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- There is still a gap between the two countries' capabilities, including comprehensive national power, but that gap is shrinking.
 - The U.S. is not expanding, but declining.
 - China's capability is expanding.
- ⇒ What China needs is “time” for development!

• Future resources (10%)	ER	94.1 → 99.0	68.1 → 51.1	Japan (40.3)
• Influence	DN	21.7 → 24.1 (No.12 → 8)	84.2 → 83.4	Australia (67.6)
• Economic relationships (15%)	DI	94.2 → 89.8	78.8 → 90.4	Japan (84.5)
• Defense networks (10%)	CI	56.2 → 57.7	87.2 → 85.0	Japan (43.5)
• Diplomatic influence (10%)				
• Cultural influence (10%)				

3. “Protracted War” strategies based on State-led Coordination: Strategic Patience

► Background-2: Tradition of “Protracted War”

1) Ming Dynasty (1368~1644)

• Zhu, Sheng (The Hongwu Emperor's strategist)

「高築壁、広積糧、緩称王」

→ High walls, Store provisions,
and Being King can come later

2) Mao's Strategic Thought :

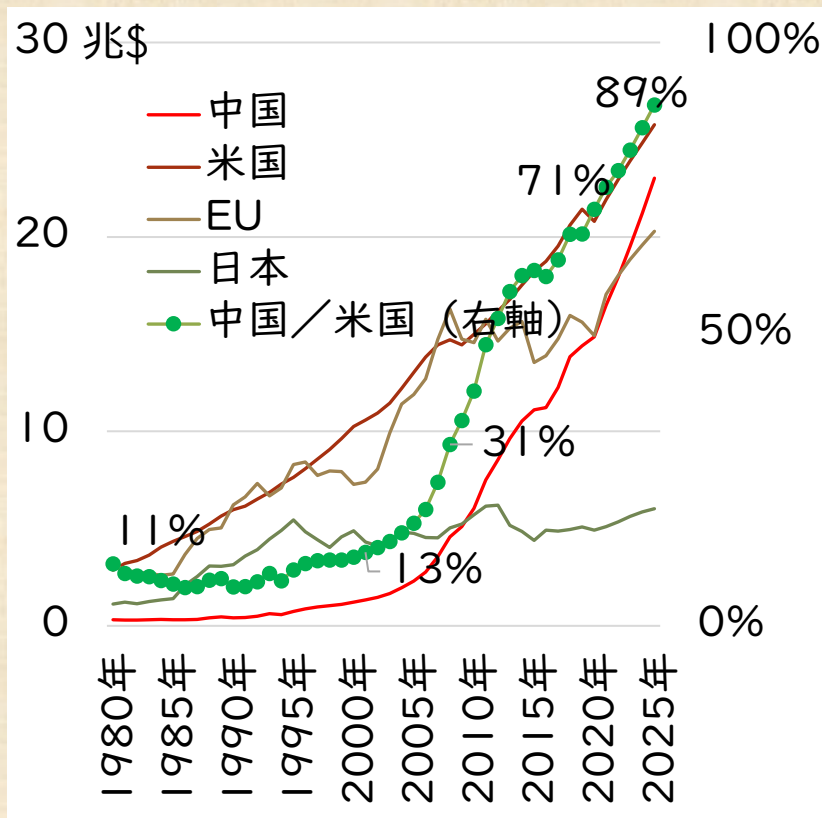
“Protracted War” (1938) for Anti-Japanese War

→ Prepare for war, prepare for famine,
for the people

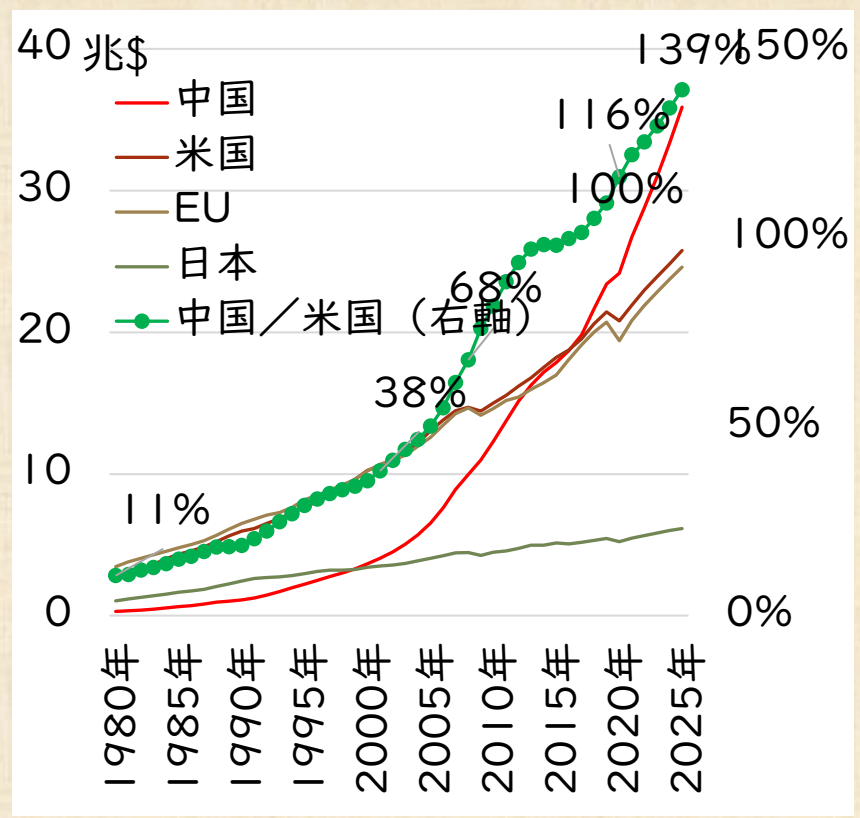
3. “Protracted War” strategies based on State-led Coordination: Strategic Patience

► Background-3: Catch-up is underway—Economy

Normal GDP (\$)



GDP based on PPP (\$)



3. “Protracted War” strategies based on State-led Coordination: Strategic Patience

► Background-3: Catch-up is underway—Economy

Normal GDP (\$)

GDP based on PPP (\$)



• Since the Chinese economic growth rate is higher than that of the U.S., the size of the economy can eventually be reversed.

*Reversal of economic size determines many, but not all, things. For example, distribution to the people, the ability to procure war materials, influence on trading partners, etc.

1980 1985 1990 1995 2000 2005 2010 2015 2020 2025

1980 1985 1990 1995 2000 2005 2010 2015 2020 2025

► Background-3: Catch-up is underway-Technology

Technologies Related to the Fourth Industrial Revolution

:5G, Bigdata, AI, Robot, IoT, EV, Autonomous Car, Drone, Space Station, Navigation Satellite System (BeiDou), Fintech, etc.

⇒ Narrowing gaps in R&D, leading in the application of some technologies

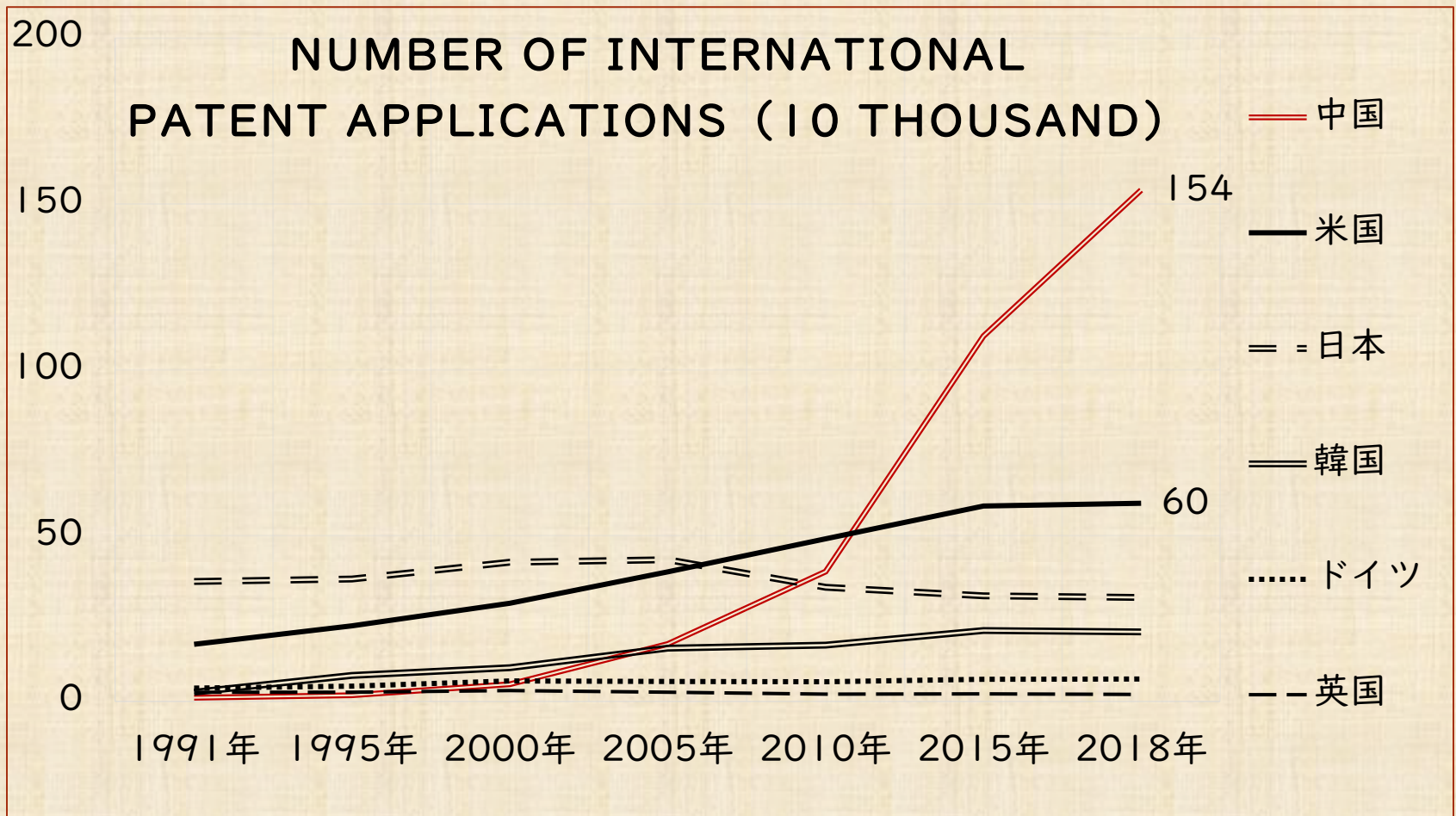
← Improvement of basic research capabilities

All Fields	2016 – 2018 (PY) (Ave)		
Number of Research Papers			
	Number	Share	Rank
US	375191	24.4%	1
China	351628	22.9%	2
UK	110733	7.2%	3
Germany	107047	7.0%	4
Japan	81095	5.3%	5
France	74536	4.9%	6

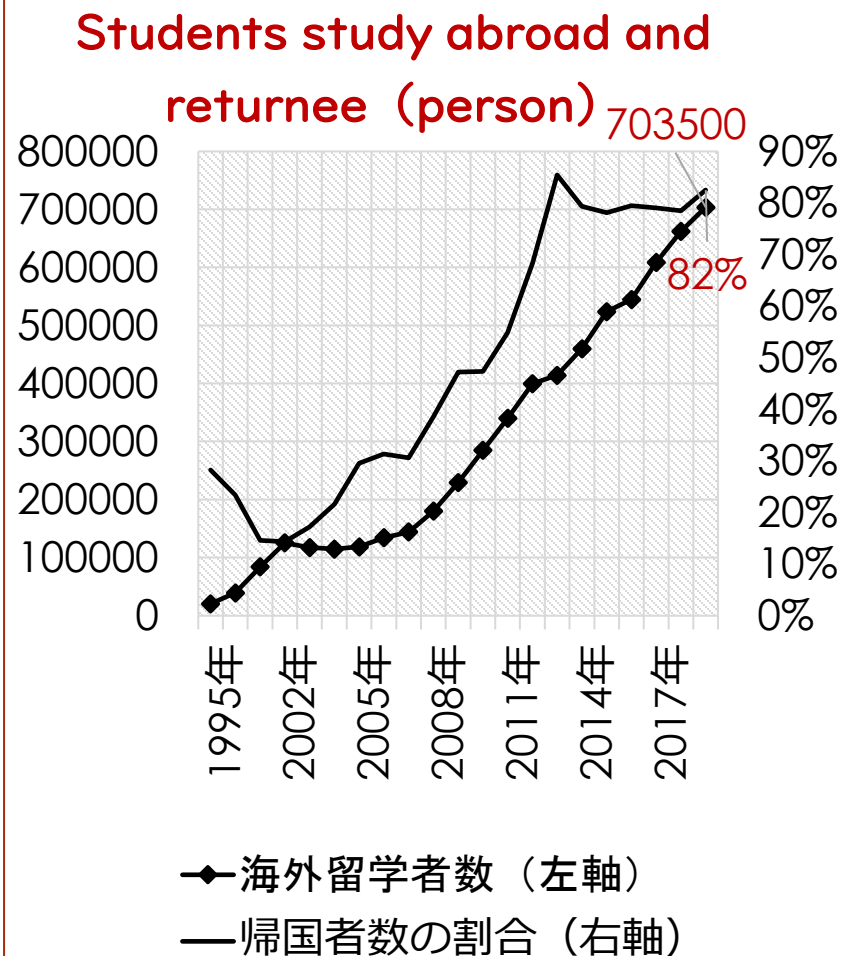
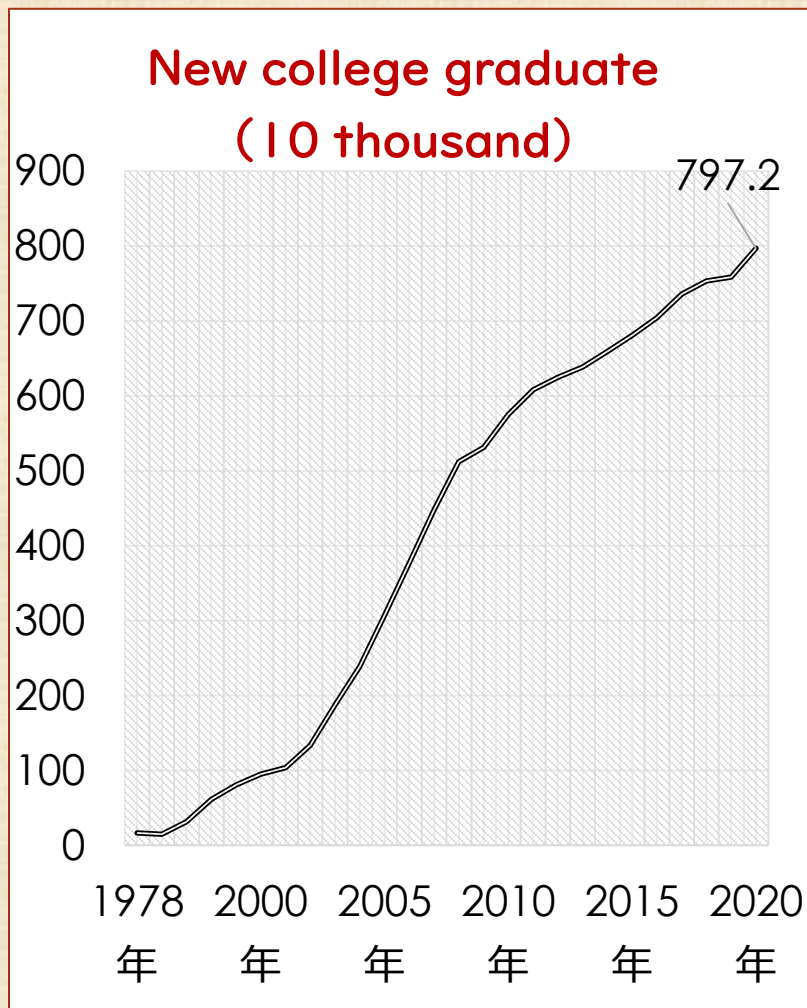
All Fields	2016 – 2018 (PY) (Ave)		
Top 10% Research Papers			
	Number	Share	Rank
US	54950	35.8	1
China	42719	27.8	2
UK	18839	12.3	3
Germany	15464	10.1	4
France	10117	6.6	5
Italy	10009	6.5	6

► Background-3: Catch-up is underway-Technology

Technologies Related to the Fourth Industrial Revolution

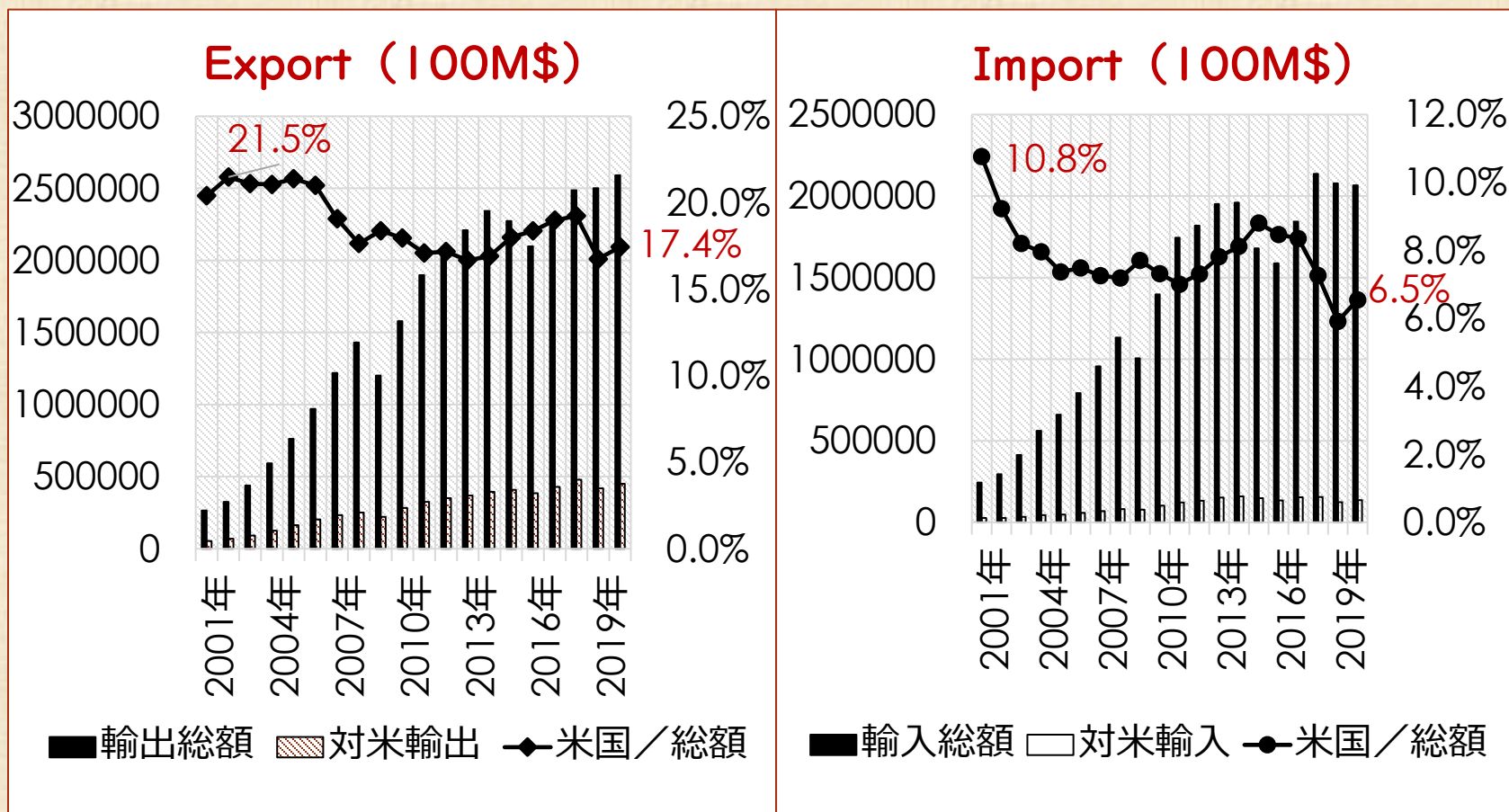


➡ Background-3: Catch-up is underway-Human Resource Development



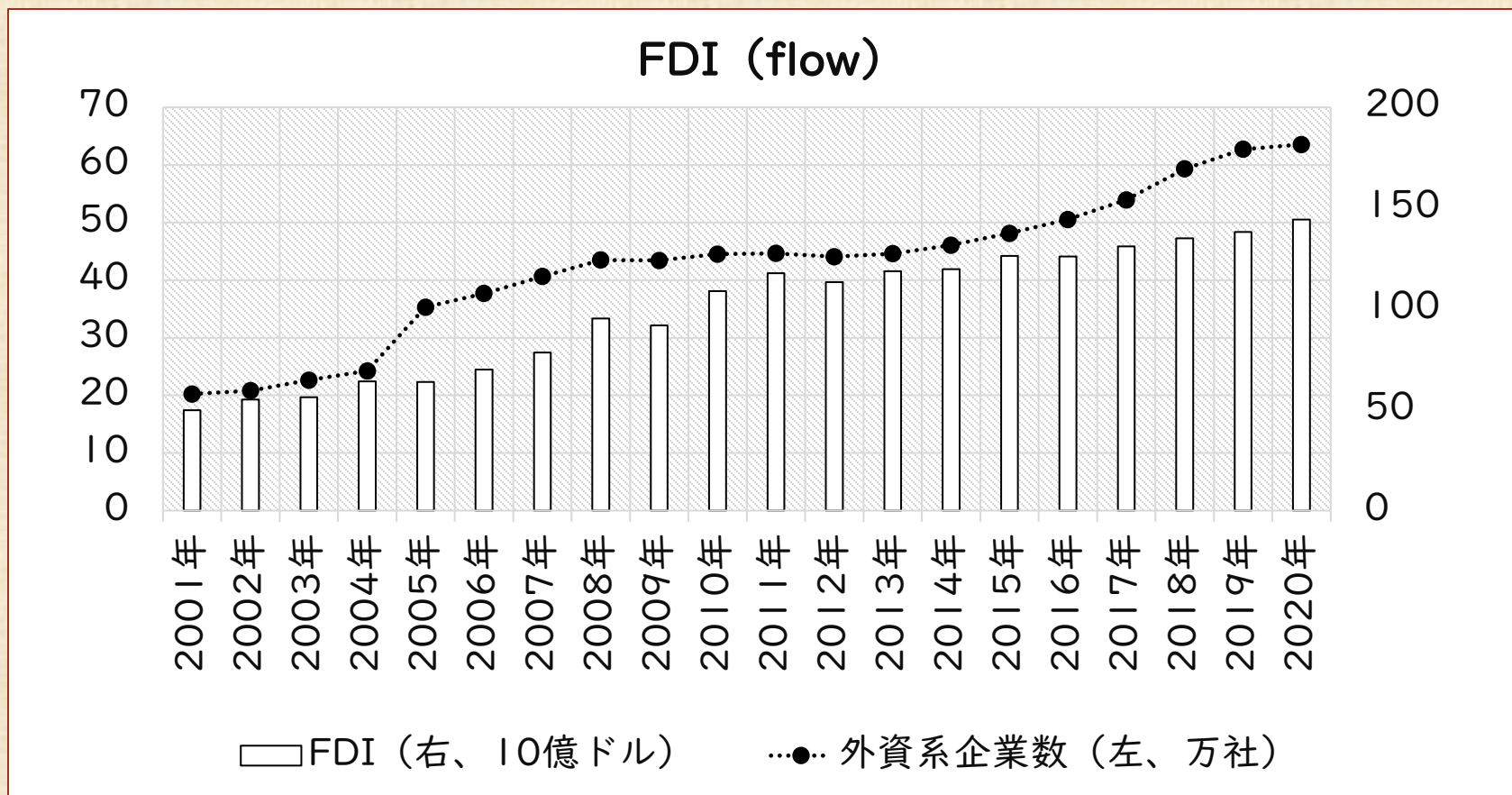
➡ Background-3: Catch-up is underway-Trade

- Largest trading partner of about 130 countries
- Trade size continues to increase, but dependence on the U.S. declines



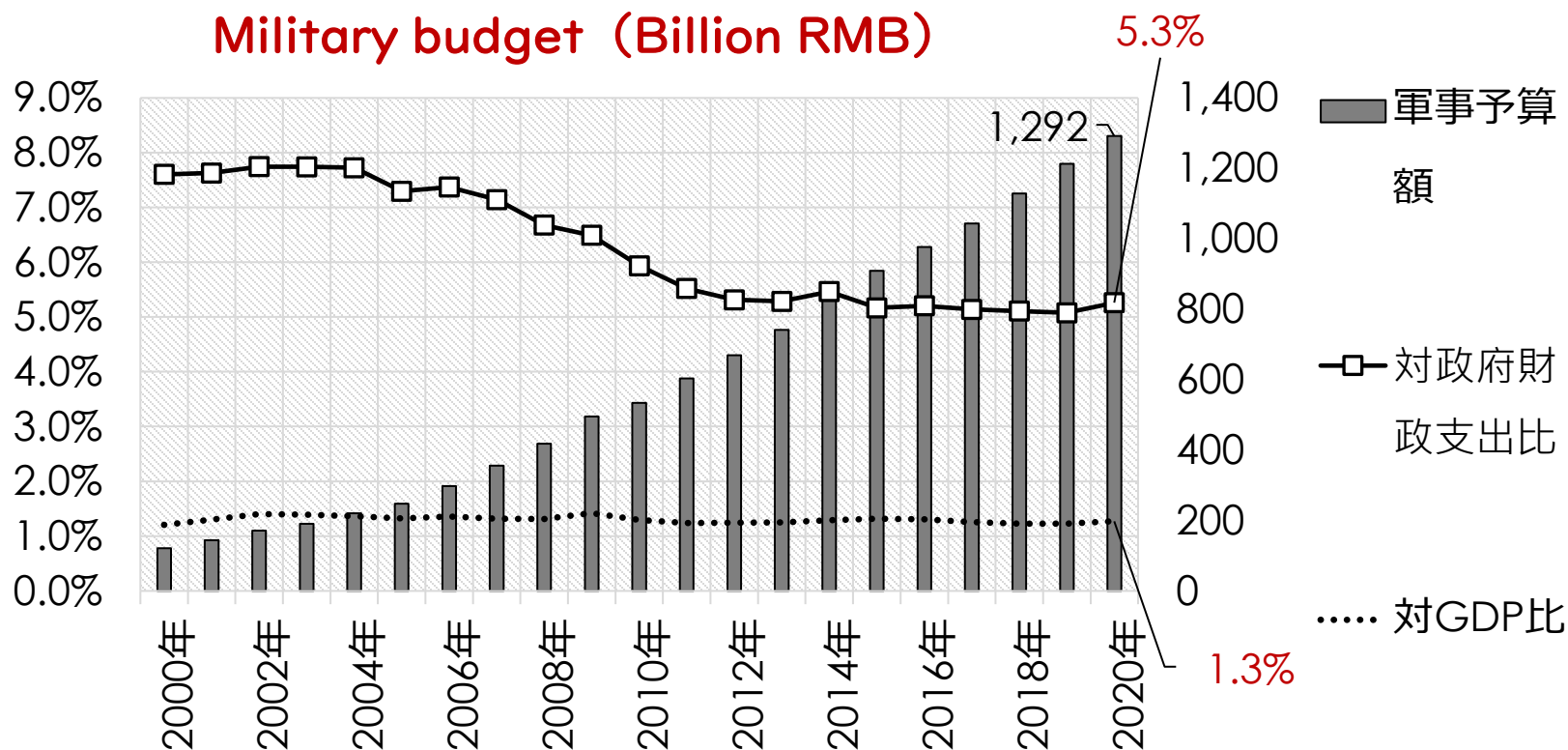
■ Background-3: Catch-up is underway-Investment and Finance

- In addition to an increase in FDI



■ Background-3: Catch-up is underway-Military Force

- Increased modernization of equipment and capabilities
⇒ Increased capacity of **Anti-Access, Area-Denial** in the South and East China Sea



- **Background-3: Catch-up is underway-**
International politics and increased diplomatic power
 - Expanding influence due to growing economic power:
Increasing Trade and Investment, Promotion of BRI, etc.
 - Changing balance of power in international frameworks such
as the UN, G20, APEC, etc.
 - ⇒ Challenge to modify the U.S.-led international order
 - ➡ **Cause a conflict of interest between two Giants**
 - Chinese growing economic, technological, military, and
political and diplomatic influence
- ≡
- Decline of American economic, financial(monetary),
military, technological, and political hegemony

3. “Protracted War” strategies based on State-led Coordination: Strategic Patience

➡ Background-4: Continued failure of the U.S.

→ Possibility of going into decline

	Focus on domestic development	Waiting for the U.S. to decline
Short-Term	“Dual Circulation” → maintain growth	Stagflation or recession
	Breaking through the technology blockade	Domestic political conflicts sharpen with each election (2022→2024→2028)
Middle-Term	Promoting RMB Internationalization	Global distrust of the dollar and SWIFT
	Expanding influence within the region	Decline of military hegemony (domestic and international)
Long-Term	Realization of a strong, modernized socialist country	United States⇒Disunited States (→Divided)

➤ Difficulties of China's development facing now and in the future

Aspect	Difficulties	Measures
Growth regime	Transition from export/investment-led to consumption-led	Increasing income gains by realizing “Common Prosperity” and maintaining growth by “Dual Circulation”
International regime	Breaking through the U.S.-led blockade	Expanding Geopolitical economic influence
Monetary regime	<ul style="list-style-type: none"> • Achieve a balance between financial liberalization and over-financialization; • Breaking though the restriction of Dollar system 	<ul style="list-style-type: none"> • State-led coordination on financialization • Promoting RMB Internationalization
Innovation regime	Breaking though the U.S.-led technology blockade	Independent development and breaking the Chinese siege
Real Estate Division	Moving away from excessive dependence of households and local economies	<ul style="list-style-type: none"> • Controlling speculative markets • Land ownership reform is needed
Demographics	Declining birthrate and aging population	Expansion of the social security system by state-led coordination

3. “Protracted War” strategies based on State-led Coordination

1) Three-Stage Development Objectives for “Protracted War”



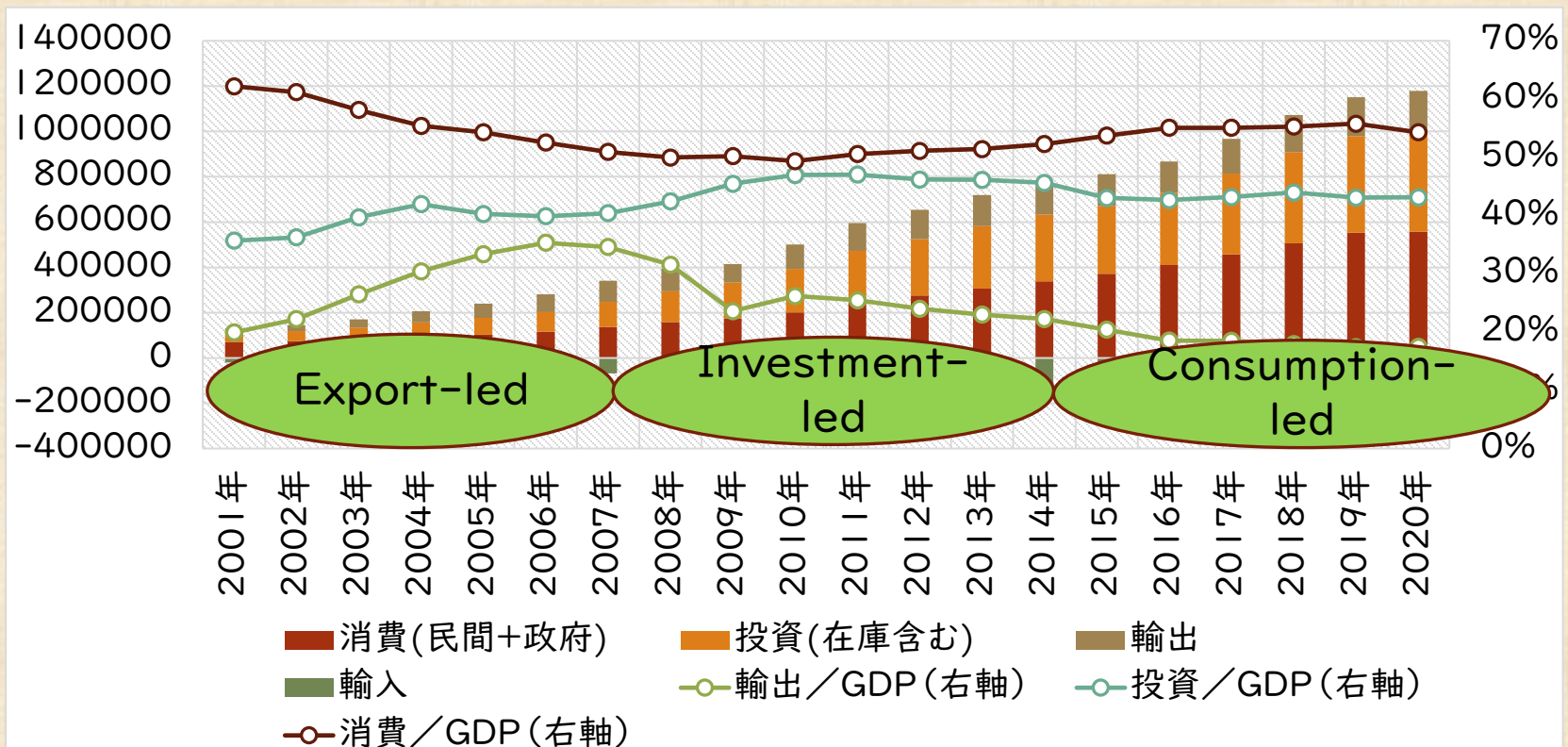
2)Rebalancing Growth and Distribution: Common prosperity

	“Get rich first”	“Common prosperity”
Proponent	Deng Xiaoping	Xi Jinping
Phase	Early years of reform and opening up (Low →Middle income)	New Normal (Middle→High income)
Objective	Wealth and prosperity	Grow stronger
Method	Achieving economic growth	Achieve stable growth and fair distribution
Outcome	eradication of poverty, Well-off Society	A strong, modernized socialist country
Problem to be solved	Correction of income and asset disparities	State control of Capital tension

3) Transition of Growth Regime

➡ Export-led growth \Rightarrow Investment-led growth
 \Rightarrow Consumption-led Growth

• Changes in the composition of GDP by demand (100M, %)



4) “Dual circulation” economic Policy

➡ Domestic Economic Circulation (①+②)

+ International Economic Circulation (③)

①Supply-side reform: Promoting R&D and Innovation

②Demand-side reform: Improving quality of Consumption

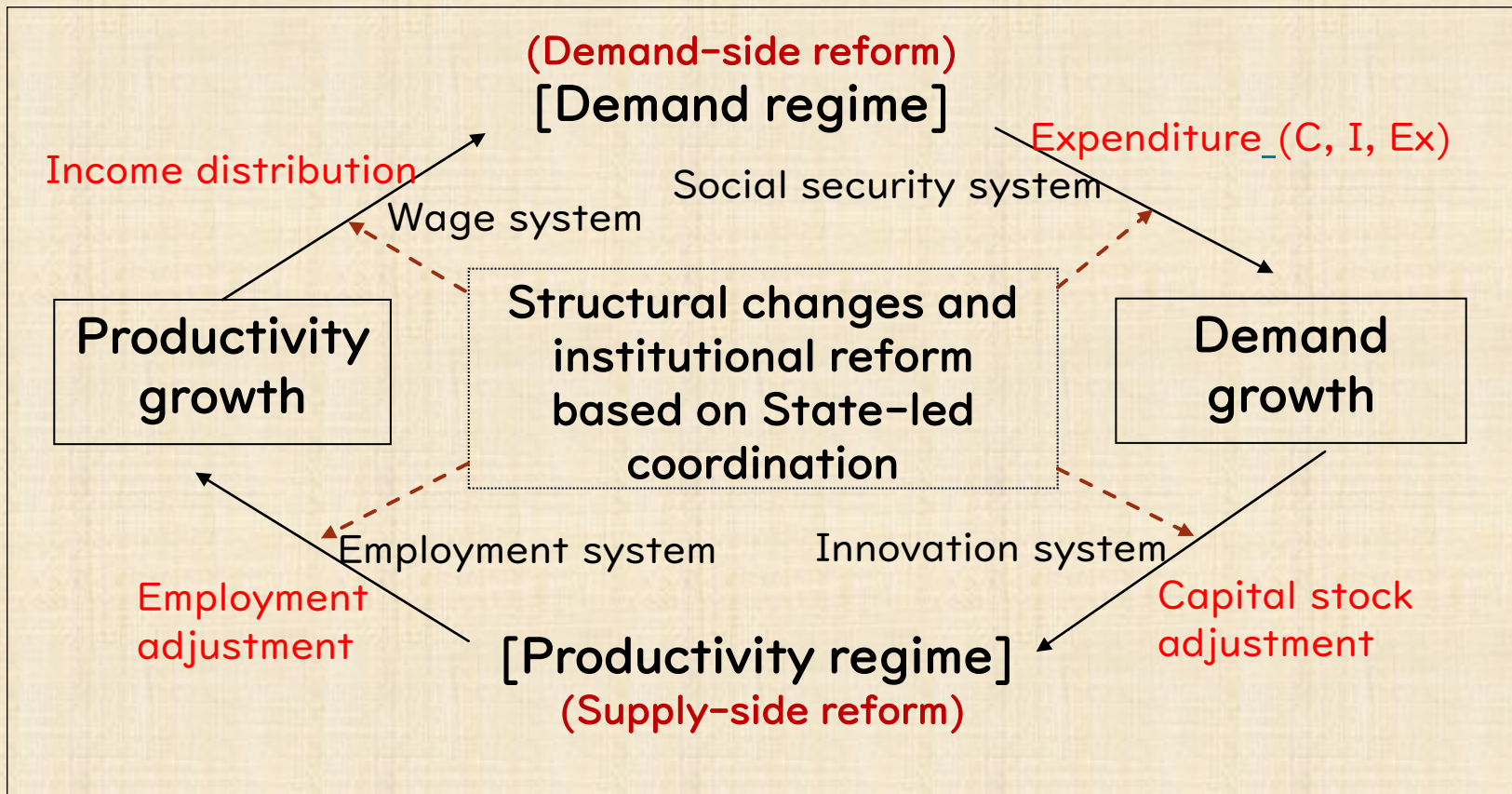
→Self-rehabilitation of science and technology,
maintenance of economic growth based on increased domestic demand, reform of the distribution structure and raising the standard of living, balanced development among regions

③Expand exports and imports through promotion of free trade and opening of the domestic market (FTA, BRI, RCEP, CIA, SCO, China-Russia, China-Middle East)

→Building Win-Win Relationship

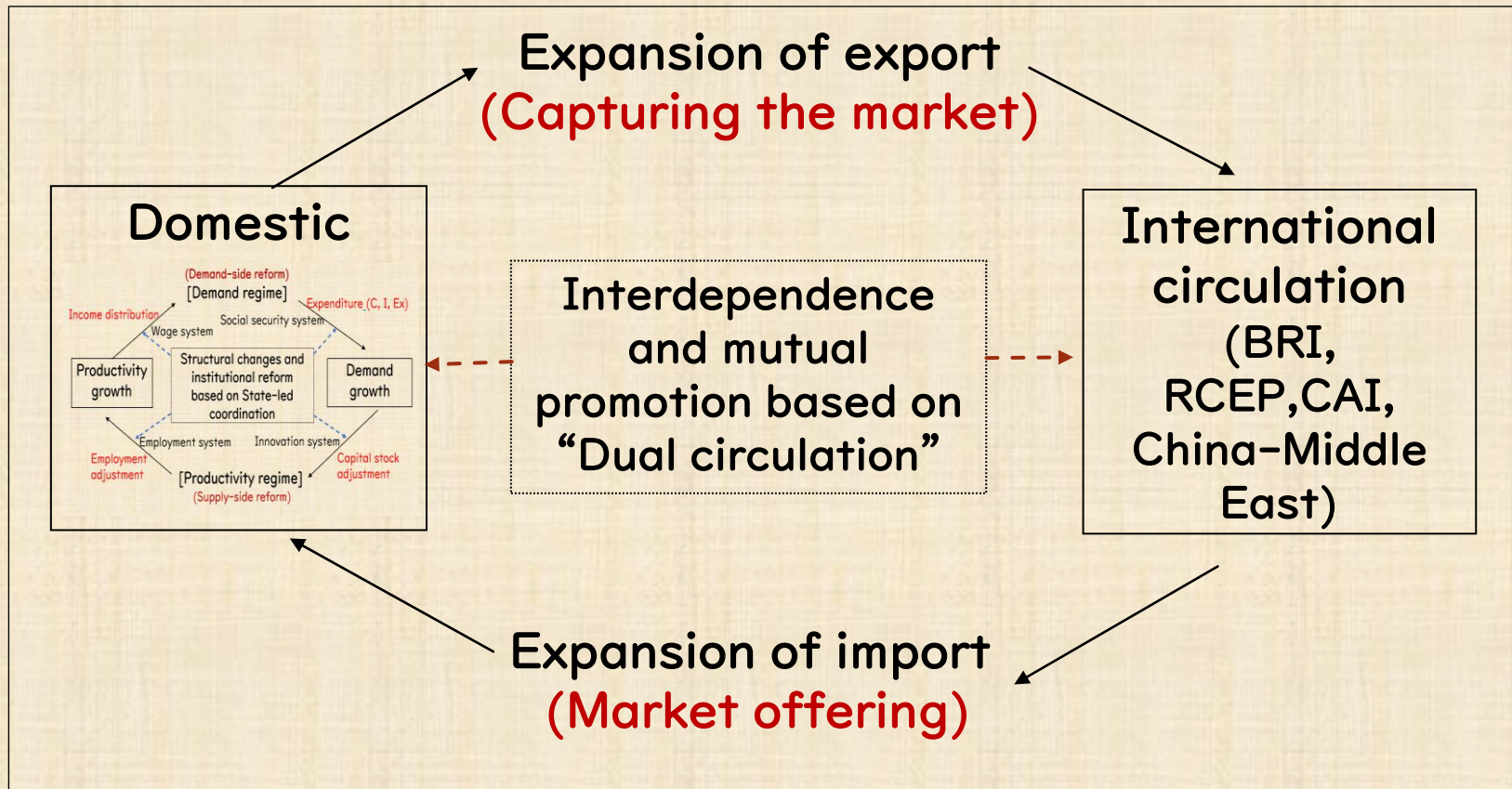
3. “Protracted War” strategies based on State-led Coordination

- Virtuous cumulative causation structure of the domestic economy in the “Dual circulation”



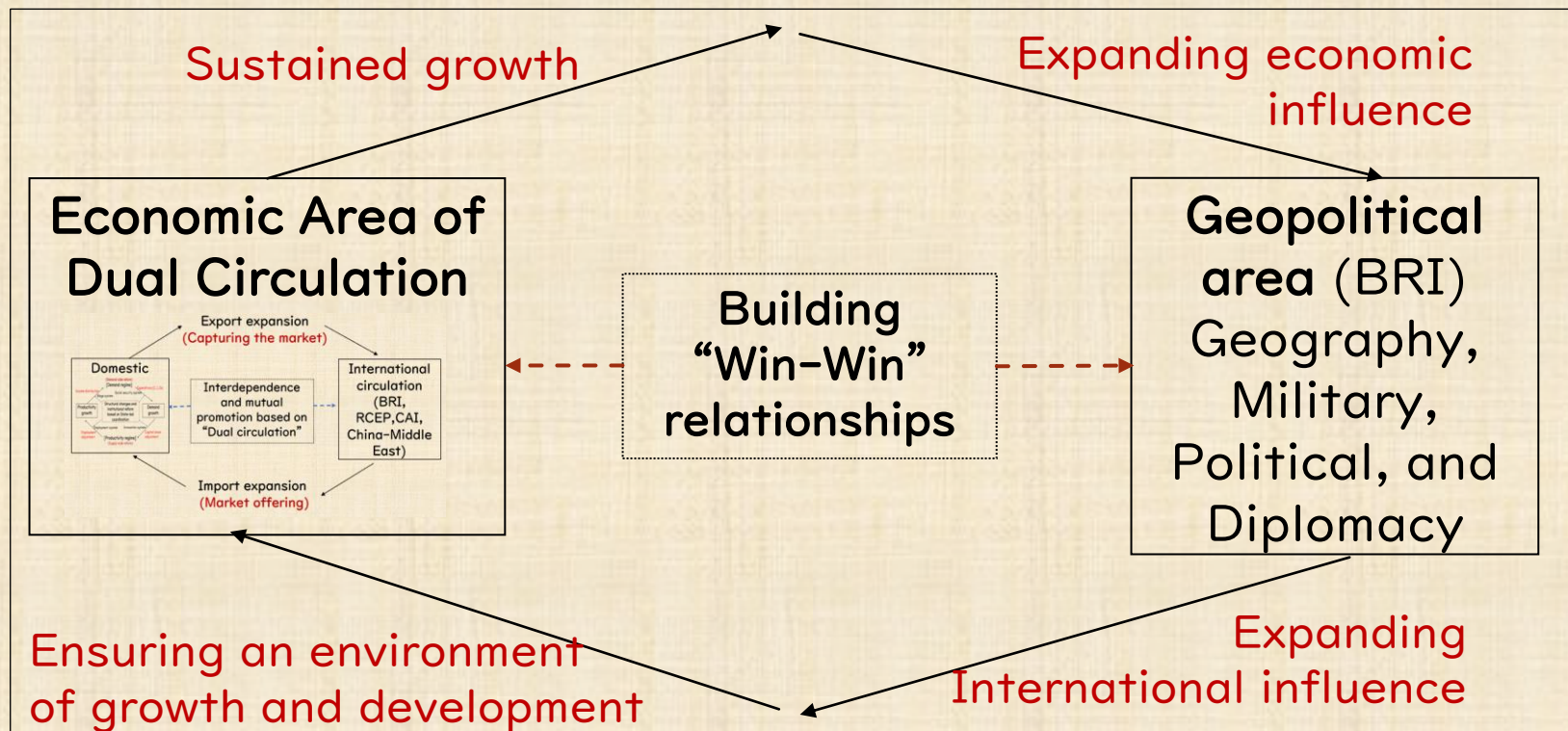
3. “Protracted War” strategies based on State-led Coordination

- Virtuous cumulative causation structure between domestic and international circulations



3. “Protracted War” strategies based on State-led Coordination : Perspective of “Geopolitical Economy”

- Virtuous cumulative causation structure of Geopolitical Economy



4. Conclusion

1. Inevitability and longevity of the U.S.–China hegemony struggle (21st Century).

2. China developed “Protracted War” strategy.

- Background: 1) The current gap in competence and its narrowing trend; 2) Confidence in Chinese mode of *régulation* (State-led Coordination)

- Major efforts: 1) Changes of growth regime (Export-led→Investment-led→Consumption-led); 2) Dual circulation economy policy→Cumulative causation of domestic economy growth and international economic linkage;

- ⇒ 3) Cumulative causation of economic field and Geopolitical field (Prevent the formation of the U.S.-led encirclement of China)

4. Conclusion

3. China's strategy in the U.S.-China struggle for hegemony is to endure an "Protracted War" and wait for a reversal of geopolitical economic power. The first stage of reversal of economic scale, which will be realized by 2030, will have "considerable, though not all, impact."

4. Neighboring countries are placed in a difficult position in the U.S.-China hegemony struggle in 21st century.

Thank you
for your attention.