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International Consultants & Investments

***A post-Trump era;
Hong Kong 2020 and beyond***

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A presentation to the EGN Founding Chairmen Group, Hong Kong SAR on 12 October 2020



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Clash of Great Powers will continue, if not intensify



Yuen Lecture Series Presents

The Clash of Great Powers: China's Rise and the Challenge to U.S. Primacy

| October 15, 8:30pm HKT

U.S. PRESIDENTIAL
ELECTION SERIES

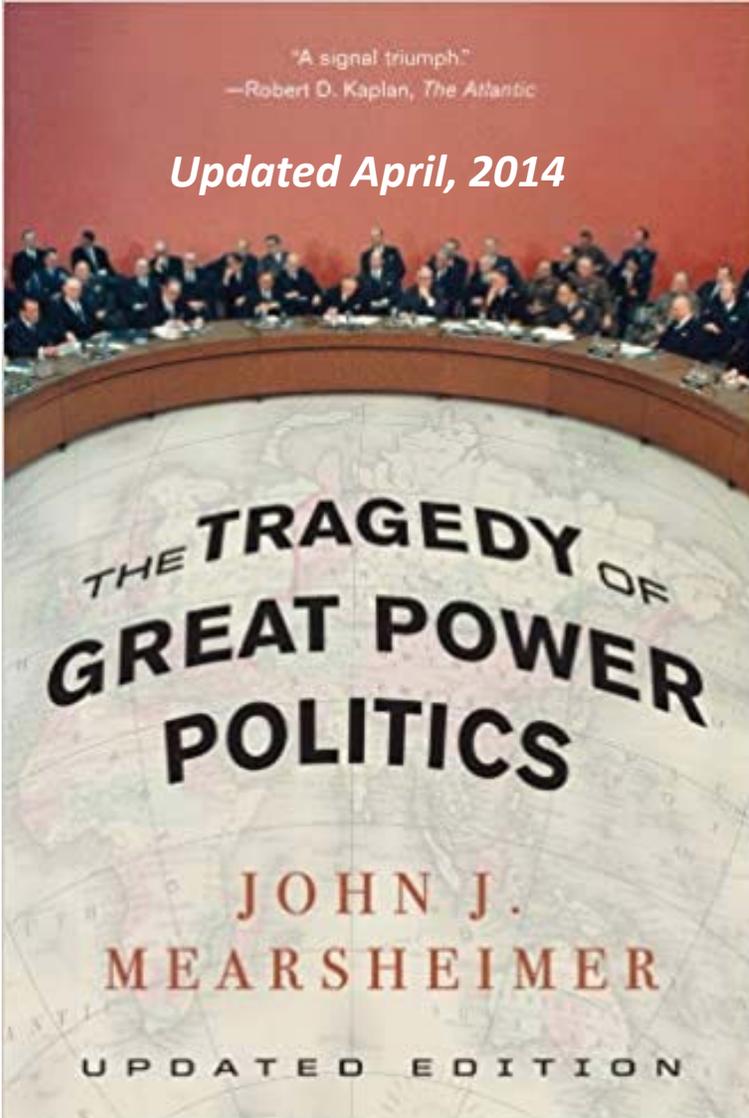


John Mearsheimer
R. Wendell Harrison Distinguished Service Professor of Political Science
University of Chicago



"A signal triumph."
—Robert D. Kaplan, *The Atlantic*

Updated April, 2014



**THE TRAGEDY OF
GREAT POWER
POLITICS**

JOHN J.
MEARSHEIMER

UPDATED EDITION

Post Cold War Theories



Clash of Civilization

Samuel P Huntington

China Scare drives frenzied China-bashing



Bi-partisan China Task Force Report (30.9.2020)

CHINA TASK FORCE REPORT

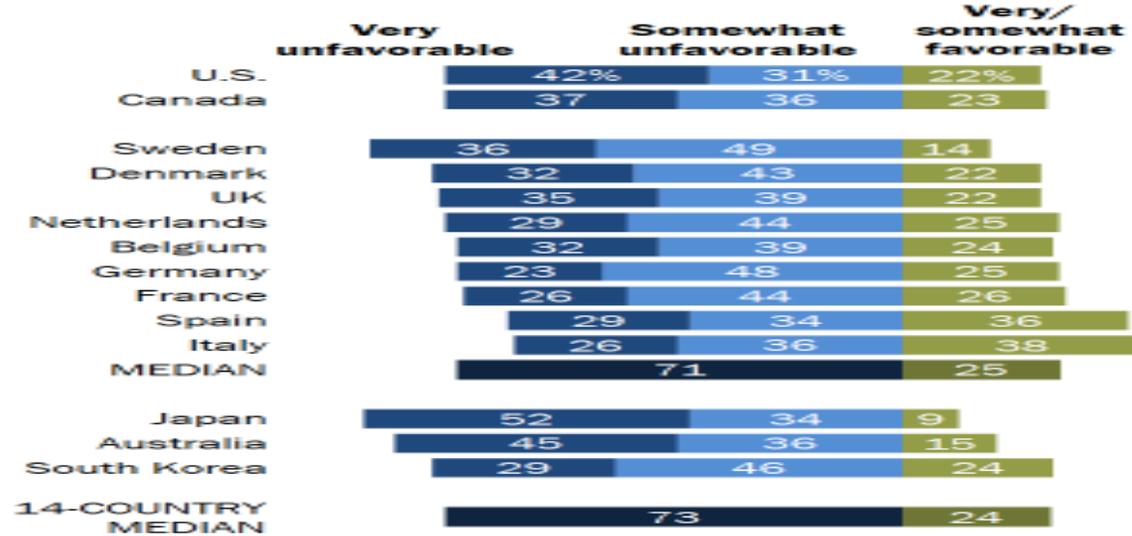
a comprehensive action plan to address the Chinese Communist Party's malign behavior on the world stage

- Develop whole array of *sanctions against human rights transgressions* including Uyghurs, Tibet, HK, Taiwan etc
- Counter “*Communist*” *propaganda*
- *Hold China accountable* in UN, WHO etc
- Enhance *digital security* against CPC infiltration
- Highlight *China’s environmental failings*
- Revamp and strengthen *national security and medical supply chains* to avoid dependence on China, including strategic minerals
- Strengthen *Indo-Pacific’s military preparedness*, including nuclear and space forces
- *Cut off any support to China’s military supply chains*
- Safeguard against any *interference with American elections*
- Enhance *US counter-intelligence capabilities*, including Mandarin language
- Enforce *whole-of-government measures* including *allies to safeguard 5G security*
- Secure *US leadership in future technologies* including AI, 5G, autonomous vehicles etc, including export control, investment scrutiny and sanctions against IP theft.
- Enforce *US trade standards, market reciprocity, and financial regulations*
- *Root out any tax-payer support for China’s SOEs*
- *Deepen trade ties with Taiwan*
- *Counter Belt and Road’s “debt trap” diplomacy*
- *Advance energy security*, including nuclear energy
- Advance *basic science and technology research and STEM education*
- *Safeguard sensitive research in universities* inc.report on Chinese donations

PEW Research, 6 October 2020 – how the world sees China and US

Unfavorable views of China prevail

% who have a ___ view of China



Note: Those who did not answer are not shown.

Source: Summer 2020 Global Attitudes survey, Q8b.

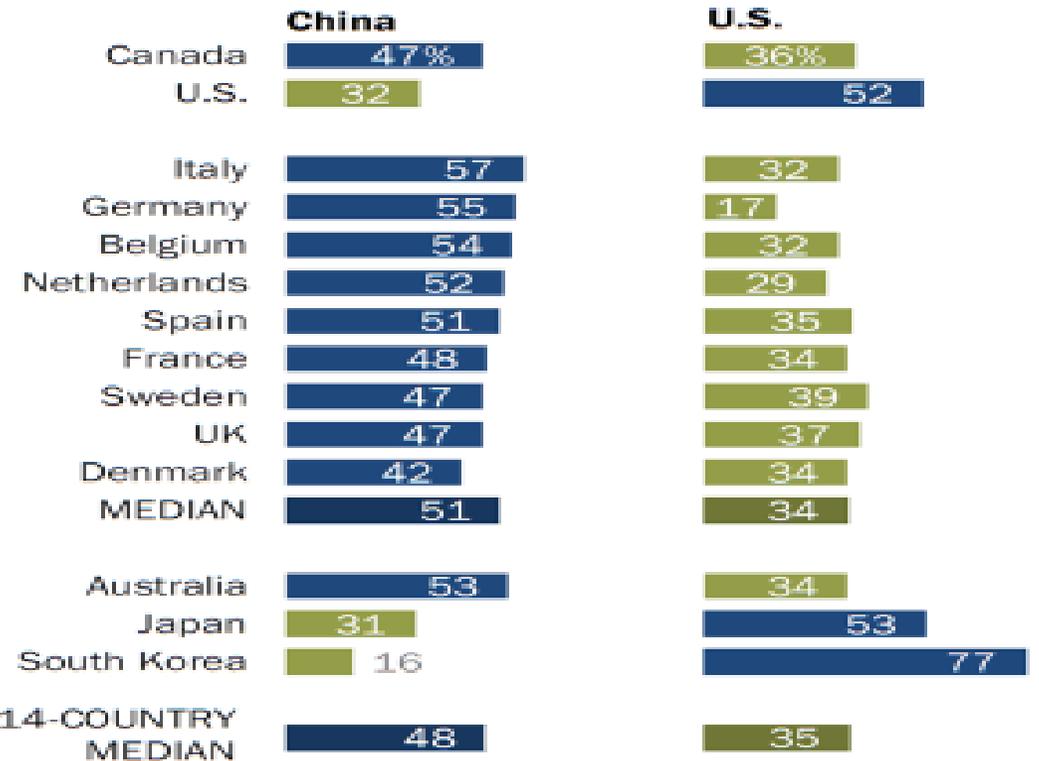
"Unfavorable views of China have risen sharply in many countries"

Global surge of unfavourable views of China

PEW RESEARCH CENTER

Europeans see China as world's dominant economic power

% who say ___ is the world's leading economic power

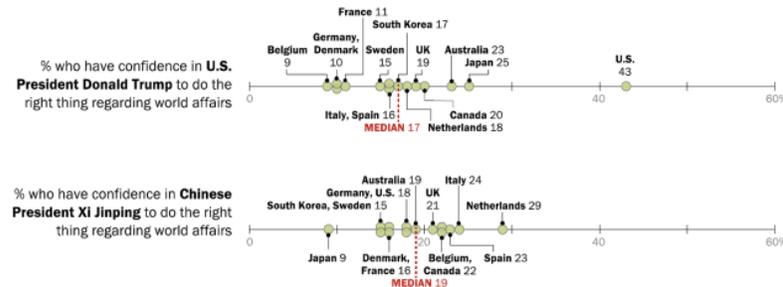


Note: Those who chose Japan or the countries of the EU, volunteered "other" or "none/there is no leading power" or did not answer are not shown.

Source: Summer 2020 Global Attitudes survey, Q14.

PEW RESEARCH CENTER

In most countries, no more than three-in-ten trust either Xi or Trump



PEW - Trump's disapproval rating of 83%, below Xi

Source: Summer 2020 Global Attitudes Survey, Q15a, b.

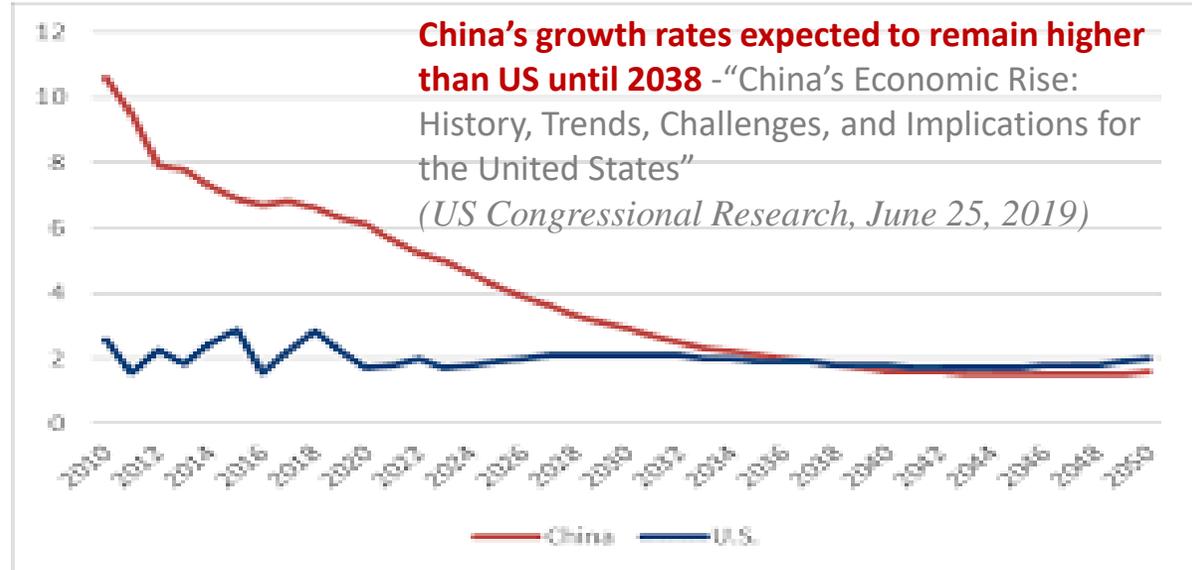
PEW RESEARCH CENTER

First to recover from pandemic, China may overtake US economy by 2032

China Projected to Overtake US Economy by 2032

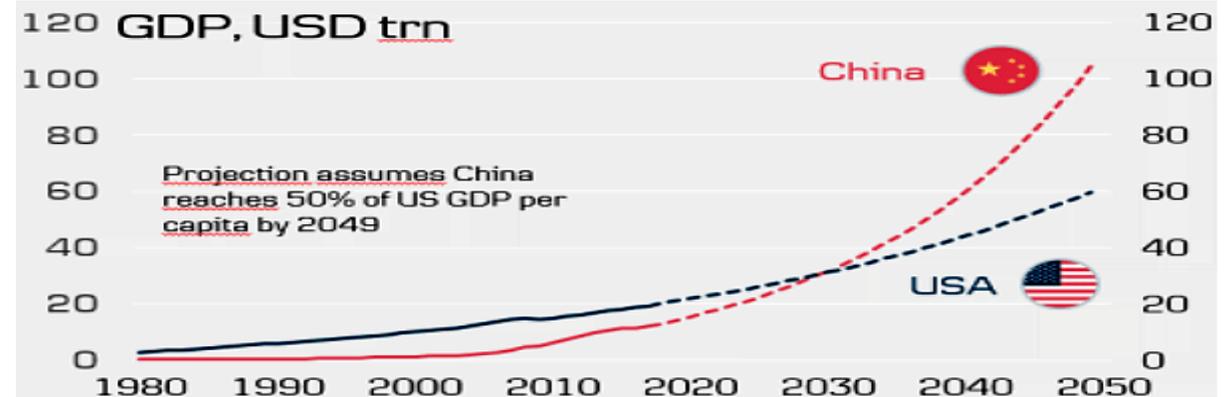
	2017	2018	2022	2027	2032
U.S.	1	1	1	1	2 ▼
China	2	2	2	2	1 ▲
Japan	3	3	3	4 ▼	4
Germany	4	4	4	5 ▼	5
India	7	5 ▲	5	3 ▲	3
France	5	6 ▼	7 ▼	8 ▼	9 ▼
U.K.	6	7 ▼	6 ▲	6	7 ▼
Brazil	8	8	8	7 ▲	6 ▲
Italy	9	9	9	12 ▼	13 ▼
Canada	10	10	11 ▼	10 ▲	12 ▼
South Korea	12	12	10 ▲	9 ▲	8 ▲
Indonesia	16	16	16	13 ▲	10 ▲

Source: Centre for Economics and Business Research



US in relative decline, China on the increase

23 November, 2019

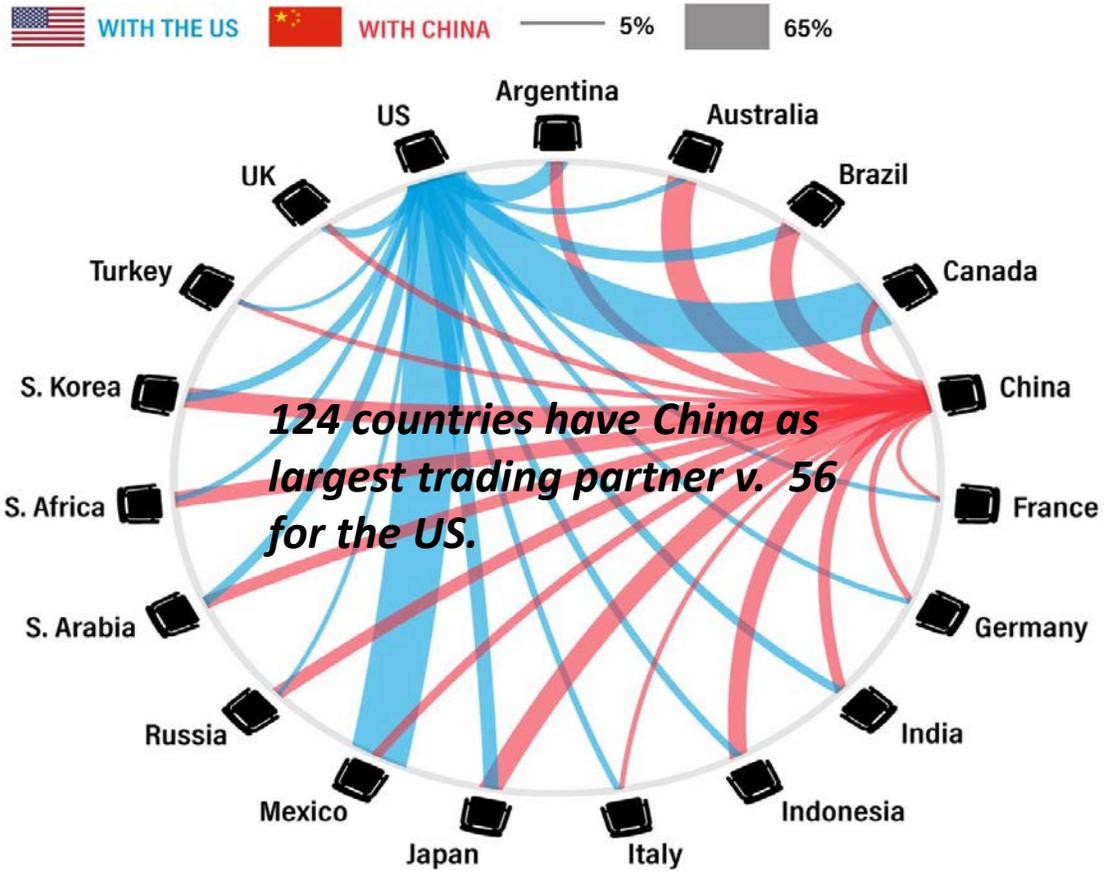


Source: IMF, Danske Bank

Tug of War towards China-centric Asian Century

THE G20'S BIG TWO

G20 members' trade with the US and China (as % of their total trade)

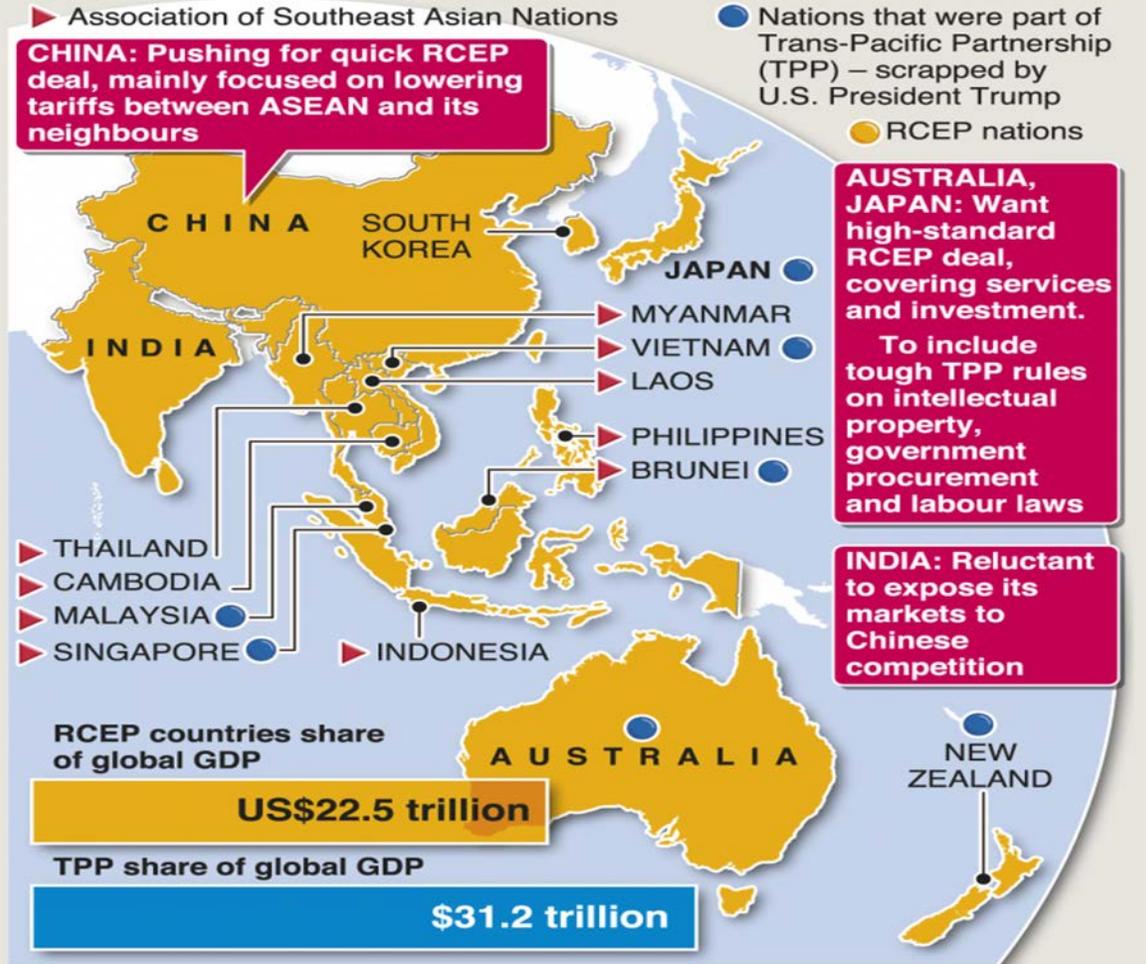


Subscribe at gzeromedia.com
 Note: Trade measured in value, data based on 2017 trade levels
 Source: Bloomberg



Tug of war over Asia trade deal

China and Japan are pushing different visions of a massive Asian trade pact that excludes the U.S. The Regional Comprehensive Economic Partnership will account for 30% of global gross domestic product



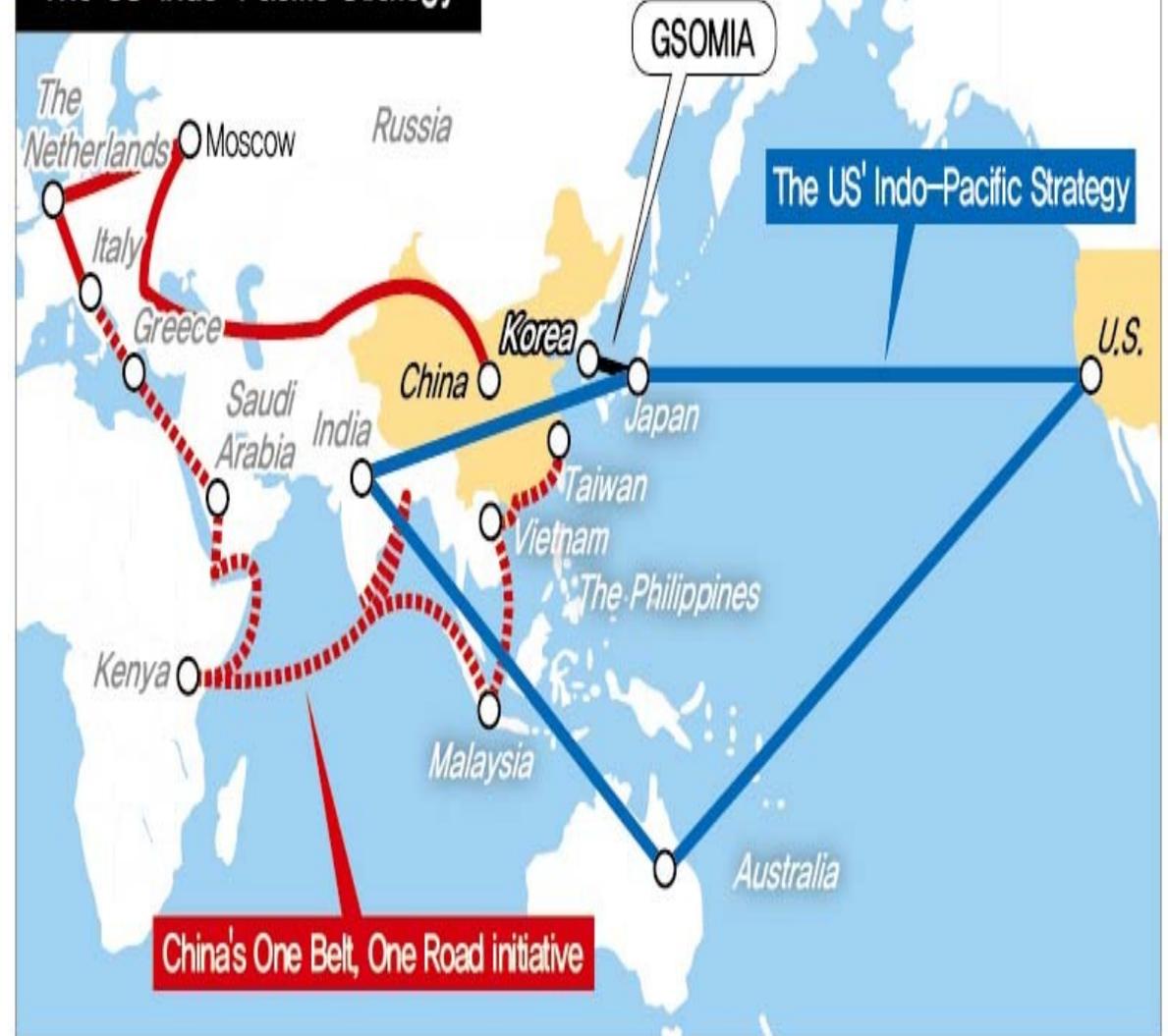
Sources: Japan Times, Financial Times, ERIA, Australia DFAT

US-led Indo-Pacific alliances to contain China's Rise

US, European officials mulling to create 'Asian NATO' to contain China's expansionist ambitions

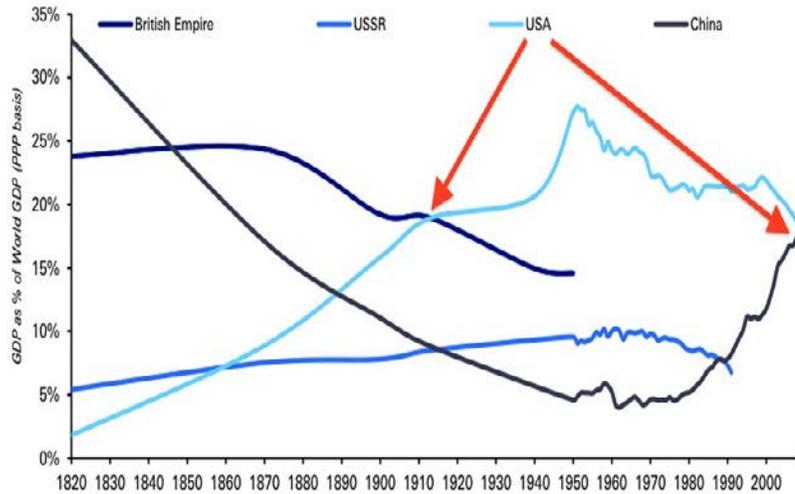


The US' Indo-Pacific Strategy

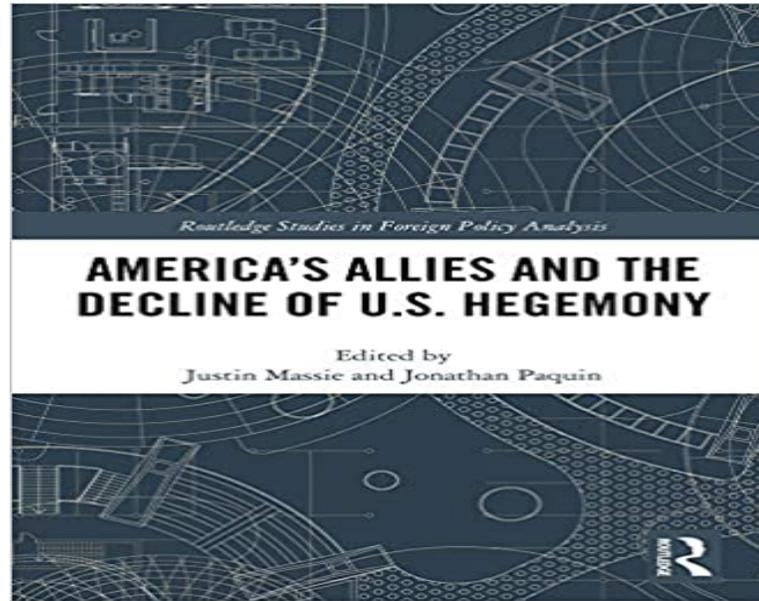


American hegemonic decline breeds unstable power transition

Figure 96: The Rise and Fall of Modern Empires

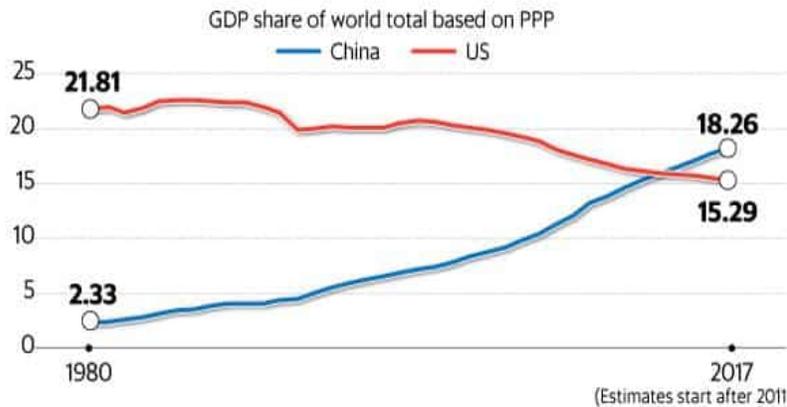


Source: Deutsche Bank, 'The World Economy, a millennial perspective (2001)'. Paris: OECD.



Rising dragon, falling eagle

China's share of the world economy in PPP terms is now bigger than that of the US.



GDP - gross domestic product
PPP - purchasing power parity

Source: International Monetary Fund, World Economic Outlook Database, Oct 2017

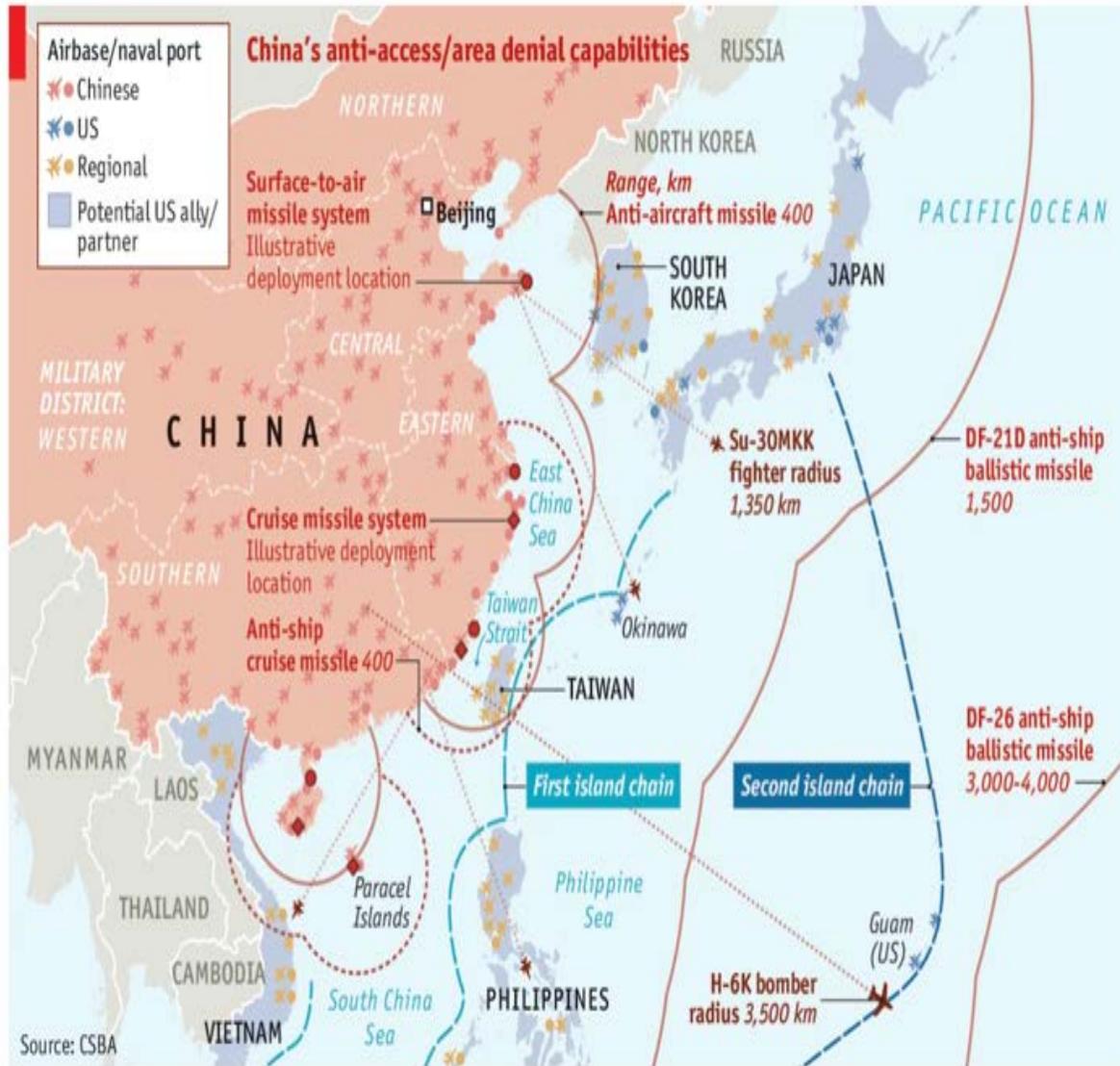


CENTER for GLOBAL POLICY

September 2020

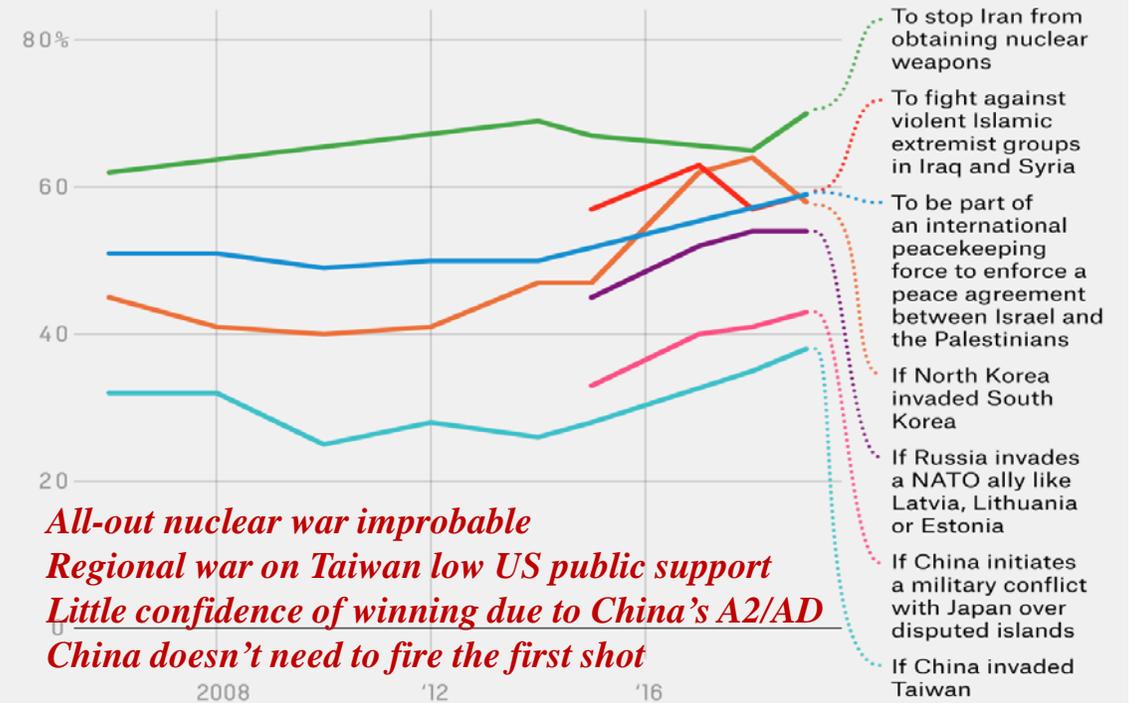


Would Trump resort to Taiwan independence “nuclear option” as last resort?



More Americans favor using troops in Iran than elsewhere

Share of Americans who say each situation might justify sending in U.S. troops



- **All-out nuclear war improbable**
- **Regional war on Taiwan low US public support**
- **Little confidence of winning due to China's A2/AD**
- **China doesn't need to fire the first shot**

BJ will not rule out forceful recovery of Taiwan but has to weigh (a) impact on China's economic trajectory towards "Centenary Goals" (b) geopolitical environment and (c) Taiwan domestic politics. After all, BJ doesn't want to "enslave" 24 million Taiwanese.

Likely paradigm shifts to 2030

- *The Economist 08.10.2020 - Divergent recovery – US economic size = 2019; China + 10%; Europe + Japan remaining worse than 2019 for several more years. China recovery – high-tech state capitalism + self-reliance + dual track circular economy. **Global unemployment main worry.***
- *US-China contest to endure and possibly intensify*
- *Pope Paul’s “Fratelli Tutti” encyclical v President Xi’s “Community of Common Destiny for Mankind”*
- *China’s Rise unlikely to be derailed (Watch FYP 2021-25)*
- *China’s soft power becomes more nuanced and sophisticated.*
- *De-globalization (Pandemic, national security)*
- *Partial but not total de-coupling (impossible)*
- *“Easternization” (US bubble economy; EU fractured; global growth driven by exploding middle-class in developing world)*
- *Western world aging v developing world dynamic populations (e.g. India, Africa, Latin America)*
- *Unending QEs may burst asset bubbles, resulting in disruptions if not global **financial crisis.***
- *Inflation returns (China less dependent on exports, greater global spending due to aging, QEs)*
- *Gold prices likely to be on long-term upswing*
- *Dollar 88% global transactions (RMB 4.3%) 60% global foreign currency reserve. Absent adequate substitute, **Dollar dominance, albeit challenged, will endure for now** (“**Exorbitant Privilege**”, “**Triffin Dilemma**” – interest rate conflict, chronic balance of payment deficit due to external Dollar demand. “*It’s our currency, but your problem*” (Treasury Secretary John Connally 1971). **But profligacy invites nemesis.***
- ***RMB internationalization quickens with BRI.** Full convertibility may take decades. **Possible, initially partial substitute: State-backed digital RMB, UN/WB/IMF-backed digital currency for international settlements based on basket of currencies***
- *Digitization, IoT, 5/6/7G, AI, climate change, green car revolution, new energies (hydrogen), new materials, healthcare, ESG*

Mind-Blowing Tech Trends to 2030

ENABLERS	FOUNDATION	DISRUPTORS	NEXT HORIZON
DIGITAL EXPERIENCE	BUSINESS of TECHNOLOGY	DIGITAL REALITY	AMBIENT EXPERIENCE
			
From Channel to Human Centered design	Reengineering “capital T” Technology	Reimagining Engagement	Transparent, Ubiquitous Interfaces
ANALYICS	RISK	COGNITIVE	EXPONENTIAL INTELLIGENCE
			
Data Management, Architecture, Insights	Cyber, Regulatory, and Ethics	Predict, Prescribe, Augment, and Automate	Symbolic, Deep, and Broad Reasoning
CLOUD	CORE MODERNIZATION	BLOCKCHAIN	QUANTUM
			
Flexibility and Ubiquity	Reshaping the Heart of the Business	Distributed Trust and Assets	Exponential Computation

(Source: Deloitte Tech Trends 2020-2030; Redrawn by Frank Feather 2020 AI-Future.Net)

Thank you

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Prominent international and independent China Strategist. Over 40 years' experience in senior Hong Kong Government positions. China Futures Fellow, Massachusetts Berkshire Publishing Group; Brain Trust Member, IMD Lausanne Evian Group; Gerson Lehrman Group Council Member; Thomas Reuters Expert; Senior Analyst with Wikistrat. Elected Member, Royal Society for Asian Affairs. Advisory Board Member, e-Centre, European Centre for e-Commerce and Internet Law. Think-tank Research Fellow, Beijing Normal University, Zhuhai Campus. Visiting Professor, London Metropolitan University Business School. Honorary President, China Hong Kong Economic and Trading International Association. Formerly Governing Council Member, King's College London; Advisory Board Member, China Policy Institute of Nottingham University; Visiting Professor, Sun Yat-sen University Business School (2005-10). In the 1980s, oversaw Hong Kong's industrial transmigration into Mainland China and helped launch Quality Campaign and Technology Centre. Invited by US government to month-long visit to brief Fortune 50 CEOs personally, including one-on-one with Steve Forbes of Forbes Magazine, on China post-1989. In 2002, invited by Prince Andrew for a private briefing leading to HRH's first visit to China as UK's Ambassador for Trade and Investment. Advised on cross-cultural management in Lenovo's take-over of IBM Computers. Invited as Editor-at-large for an international consultancy on China's energies. Regular contributor, commentator, and speaker on China at conferences and on live television worldwide including National Geographic. Topics include trade, finance, economics, geopolitics, international relations, science and technology, sustainable industrial development, and green cities. Graduate qualifications from University of London, postgraduate qualifications from Cambridge University, PMD from the Harvard Business School, and solicitors' qualifying examination certificate from the Law Society, London. Included in UK's Who's Who since 2002. Awarded Silver Bauhinia Star (SBS) in July 2005 Hong Kong Honors List.