

**TRADE WAR WITH CHINA**

**A thesis submitted to the faculty of  
San Francisco State University**

**In partial fulfillment of  
The Requirements for  
The Degree**

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**Master of Arts**

**In**

**International Relations**

**by**

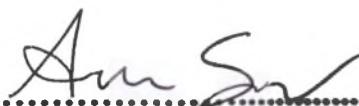
**Lee Richard Hamilton**

**San Francisco, California**

**September 2019**

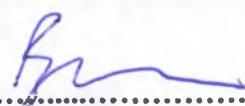
## CERTIFICATION OF APPROVAL

I certify that I have read *Trade War with China* by Lee Richard Hamilton, and that in my opinion this work meets the criteria for approving a thesis submitted in partial fulfillment of the requirements for the degree: Master of Arts in International Relations at San Francisco State University.



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# **TRADE WAR WITH CHINA**

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**San Francisco, California**

**September 2019**

## **Abstract**

This is a Liberal-Peace argument that global free trade has been beneficial world-wide. Trade with China has been to the mutual benefit of both the United States and China. Pre-tariff data in the automotive sector from a variety of official U.S. Government sources demonstrate the huge benefits of free trade. Recent data that reflect the impact of tariffs shows its negative consequences. Tariffs are nothing more than taxes and their use regarding trade with China has strained the relations between the two countries. This study also responds to realist views that the United States and China have problems that could result in a military confrontation. International security is a product of military, economic and technological superiority, where data shows that the United States is clearly ahead in all three categories. Though a conflict could happen, it is not only not inevitable but highly unlikely.

I certify that the Abstract is a correct representation of the contents of this thesis.

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Chair, Thesis Committee

.....10-24-2019  
Date

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## **Introduction**

Has trade with China created mutual economic interdependence which is beneficial for both countries or has China been guilty of business practices that require the United States government to enact trade sanctions to correct these damaging practices. The intent of this research is to use verifiable United States government, Department of Commerce reports and industry data to show the results of free trade. Data from the automobile industry will be used because it such a large part of international trade.

The data is analyzed in two parts. The first part will show the economic effects of free trade before tariffs. Initially I will examine the top ten markets for United States exports of new passenger autos and trucks and automotive parts. The data will be in units and dollar value for autos and trucks and dollar value only for automotive parts. This will be followed by a list and data of foreign automobiles being manufactured in the United States. Lastly, I will show automotive manufacturing data for the top ten European, Asian and American automobile manufacturers in China.

The second part will be the results of protectionism with the implementation of punishing tariffs. It shows the effects of tariffs in the top ten markets for United States exports of new passenger autos and trucks and the top ten automobile manufacturers in China.

Due to the fact that tensions have noticeably increased between the United States and China because of tariffs being implemented by the President, the next section will deal with three security challenges in areas that could pull the two nations apart and

result in a military response. I will give a history of the disputed areas and consider both sides of the argument. The time period of the study is 2009 to the present.

The last section focuses on international security. My definition of international security is economic superiority, technological superiority, and military superiority. I will give factual details showing economic, technological and military superiority of the United States. In military superiority I will do a photographic essay and description of new breakthrough assets of naval power, air power and space power that demonstrates the overwhelming military superiority of the United States, which keeps the peace. Tying it all together, both liberal and optimistic realist views show that a US-China military conflict is unlikely.

### **Importance of my Project**

I am quick to admit that I am not inventing anything new in the IR field of Liberal Thought. However, just as when Helen Milner wrote in 1989. “Why didn’t the protectionist spiral of the 1920s reappear in the 1970s in light of similar economic and political realities?” (Milner, 1989) Her conclusion was that a combination of government regulations that promoted trade and the international interdependence of global companies resulted in the expansion of globalism and the rejection of protectionism because it was too costly. (Milner, 1989)

Today there is a daily dialogue of returning to protectionist policies to “save American jobs”. But companies all over the world are continuing to engage in international trade. Only small domestic companies are advocates of protectionism. I, therefore, think it is important to resist protectionism and continue to advance the peaceful principles of globalism.

## **Modern-Day Protectionism**

On Monday January 23, 2017 President Trump cancelled US participation in the Trans Pacific Partnership, the largest free trade agreement in history. In 2014 in regards to our TPP Partners we exported \$726 Billion and imported \$750 Billion. Our investment in those 12 countries was \$1 Trillion. In comparison to China, in 2014 the US exported \$124 Billion while importing \$467 Billion while we have invested only \$67 Billion in China. David Dollar says, “The main value of the agreement in fact is strategic. Asia-Pacific partners are looking for U.S. leadership in maintaining and extending an open trading system with fair rules … if the United States turns its back on the agreement, Asian economies will naturally adjust to a world in which the United States retreats from Asia and China rises as the economic power in the region.” (David Dollar 2016) This is exactly what we should not do, ignore our business partners.

Thus, I feel it is important to discuss globalism and remember the mistakes of protectionism. Helen Milner’s conclusion is compelling, “the limited protectionist response of the 1970s stems from the growth of firms’ international economic ties, which reduces their interest in protection by increasing its cost”. (Milner, 1989) And in turn this affects governments policies.

## Six Research Questions

- **Question 1:** Will a Trade War with China involving a 35% tariff on all foreign company goods entering the United States result in 10 million new jobs?
- **My Theory:** No, reverse will occur. “The automotive industry would see significant changes to their tax base under a border adjustment; the tax would be highly disruptive to U.S. vehicle sales and production.” (Center for Automotive Research, 2017)
- **Opposing Theory:** Spencer Morrison. Yes. Engage in a Trade War with China impose a 35% tariff on all foreign company goods entering the United States and Cancel: NAFTA, TPP, KORUS and get control of illegal immigration. This will result in 10 million jobs coming back to the US. (How Trump Will Win A Trade War and Bring 10 Million Jobs Home., 2016)
- **Data:** Past Trade Wars have been destructive, prices have always gone up. “U.S. light vehicle prices would increase 5.6 percent in immediate response to border adjustment. Average per vehicle price increases are estimated at \$1,970. The light vehicle price increase represents \$34.6 billion in higher costs to consumers.” (Center for Automotive Research, 2017)
- **Question 2:** Did the growing trade deficit with China between 2001 and 2015 cost 3.4 million jobs in manufacturing?
- **My Theory:** No. The trade deficit has little if anything to do with job loss. **Opposing Theory:** Yes. Robert Scott argues with a statistical model he produced that trade with China has caused a loss of 3.4 million jobs. (Scott,

Growth in U.S.–China trade deficit between 2001 and 2015 cost 3.4 million jobs, 2017)

- **Data:** One needs to look at relevant data in manufacturing before the recession and today. 14 M jobs in 2007 and 12.5 M jobs today. Therefore, 1.5 M loss not 3.5M. See **Figure 3.**
- **Question 3:** Given the fact that there have been job losses, is the manufacturing sector continuing to decline or is it growing?
- **My Theory:** Both the manufacturing sector and the overall economy are growing.
- **Opposing Theory:** Declining. Robert Scott wrote that there were 3.2 million job losses from 2001-2013 (Scott, Growth in U.S.–China trade deficit between 2001 and 2013 cost 3.2 million jobs, 2014) and 3.4 million job losses from 2001-2015. (Scott, Growth in U.S.–China trade deficit between 2001 and 2015 cost 3.4 million jobs, 2017)
- **Data:** **Figures 1 and 3** shows continuous positive growth in both the manufacturing sector and the overall economy.
- **Question 4:** Was the U S-China trade deficit responsible for a negative effect on US GDP?
- **My Theory:** No. GDP has steadily gone up for both China and the US.

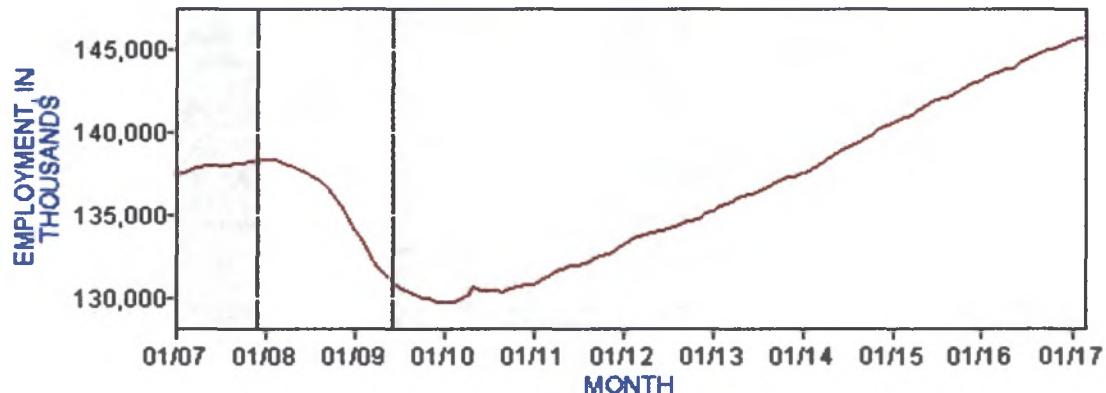
- **Opposing Theory:** Yes. Robert Scott's analysis, "For comparative purposes, the growth of the U.S.–China trade deficit between 2001 and 2015 represents a direct loss of 1.6 percent of U.S. GDP in 2015."
- **The Data:** US-China trade deficit is less than 2% of US GDP, at \$300 Billion vs GDP of \$18 Trillion.
- **Question 5:** Did California lose 550,000 jobs as a result of the U S-China trade deficit?
- **My Theory:** No. California's economy is remarkably robust, especially technology.
- **Opposing Theory:** Yes. Robert Scott's analysis of U.S. Census Bureau data, that he thinks shows job loss in all 50 states. With 550,000 jobs lost in California.
- **The Data:** Robert Scott's economic analysis that shows all 50 states have lost jobs is his own model creation and not actual job losses. It is not supported by anybody else in the academic community. If California were a country, its GDP would make them #5 in the world. See **Figures 4 & 5** for California manufacturing and overall employment data. The data falls in line with graphs of the overall US economy which shows growth.
- **Question 6:** Has Trade with China contributed to Peace?
- **My Theory:** Yes. The “liberal peace” view — traced back to Kant, Angell, and Schumpeter — stresses that mutual economic interdependence can indeed be a conduit of peace. Greater bilateral economic interdependence limits the military

incentive for interstate belligerency. A state that is more trade-dependent is less likely to fight a partner when a larger trade-derived gain is at stake. Business elites — who benefit most from increased economic interdependence — also lobby for restraint when the state opts to consider military force against an important trading partner.” (Pyun, 2009)

- **Opposing Theory:** No. Robert Scott’s analysis of China is that doing business with China is harmful to the US and should be greatly constrained.
- **The Data:** 1914-1945 2 world wars and 100 million dead. This concurrently was during a period of extreme Protectionism. Last 70 years, global trade, limited military actions peace for the most part. When countries trade with each other, not once in the past 70 years have they had a shooting war with each other.

**Figure 1**

**Total nonfarm payroll employment (seasonally adjusted)**

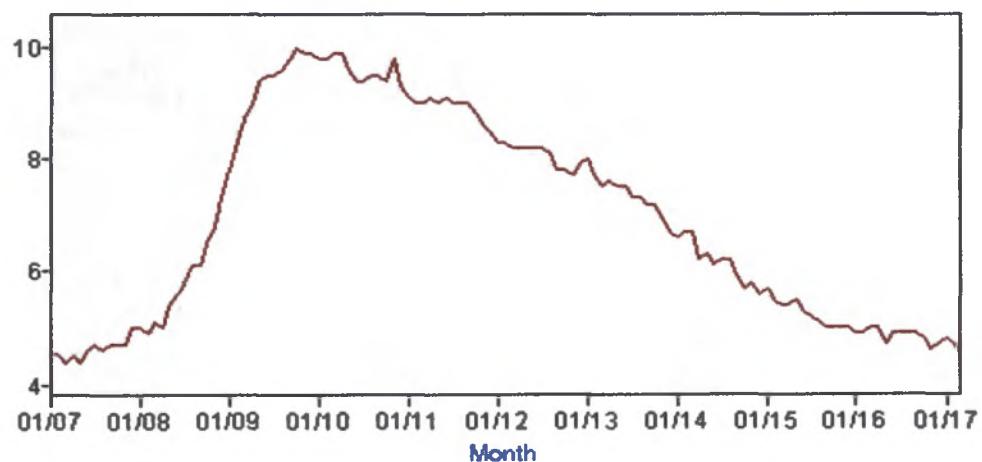


Note: Cross-hatched area represents recession.

**Figure 2**

**Unemployment % 2007-2017**

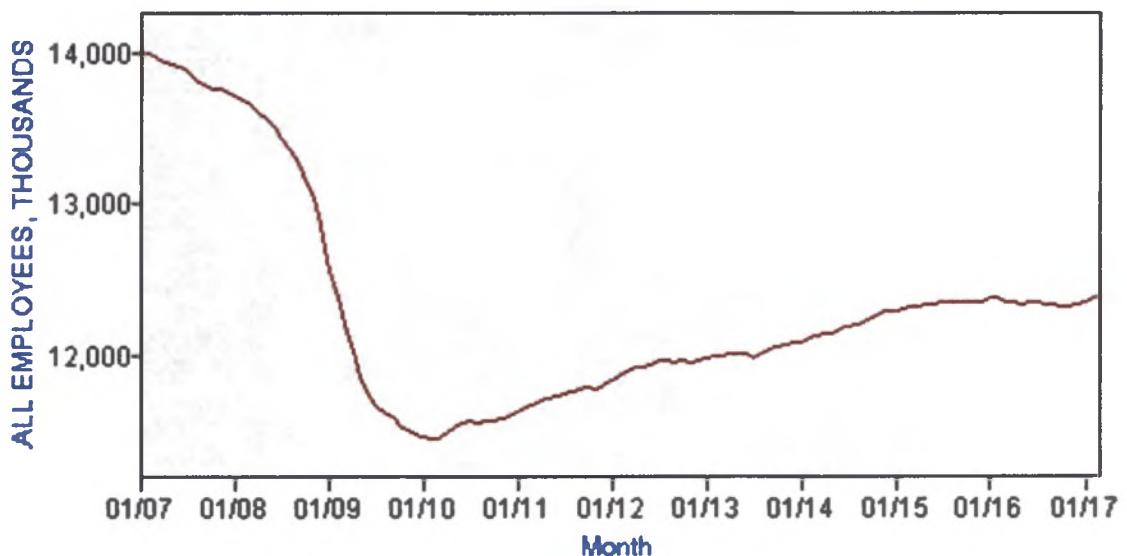
**Source: US Department of Labor**



**Figure 3**

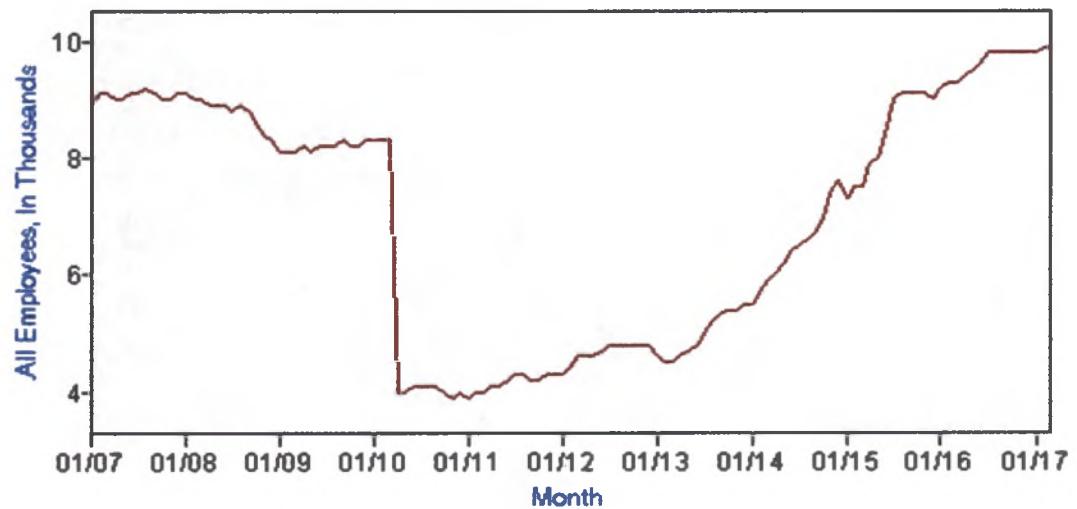
**Manufacturing Employment 2007-2017**

Source: US Department of Labor



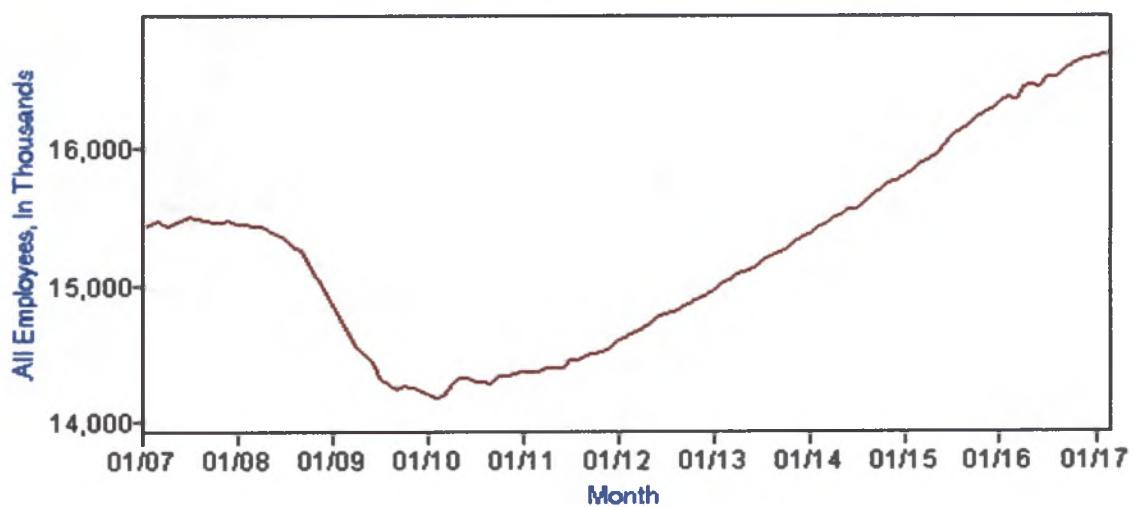
**Figure 4**

**California Manufacturing Employment**  
Source: US Department of Labor



**Figure 5**

**California Employment 2007-2017**  
Source: US Department of Labor



## Literature Review

### Offensive VS Defensive Realism

#### Offensive Realism Principles

- **John J. Mearsheimer (2010) *Structural Realism***
  1. It makes good strategic sense for states to gain as much power as possible and, if the circumstances are right, to pursue hegemony.
  2. Security competition around China's rise will be intense with considerable potential for war.
  3. Expect rising China to imitate the USA and attempt to become a regional hegemon in Asia.
  4. The historical record shows that the side that initiates war wins more often than not.
  5. Offensive realists expect great powers to be constantly looking for opportunities to gain advantage over each other.

#### Defensive Realism Principles

- **Kenneth Waltz (1979) *Theory of International Politics***
  1. It is unwise for states to try to maximize their share of world power, because the system will punish them if they attempt to gain too much power.
  2. The pursuit of hegemony is especially foolhardy.
  3. Bipolar systems are more peaceful than multipolar systems
  4. Interdependence makes conflict more likely.
  5. States that attempt to gain large amounts of additional power are likely to end up fighting a series of losing wars.

**In Support of Free Trade:**

**Summers, Lawrence. The Delusion that Openness has Impoverished America,  
Washington Post, February 7, 2017**

Lawrence Summers is a professor at and past president of Harvard University. He was treasury secretary from 1999 to 2001 and an economic adviser to President Obama from 2009 through 2010.

He takes issue with what both political parties have been advancing as he says “the idea that past trade agreements have damaged the American middle class and that the prospective Trans-Pacific Partnership would do further damage is now widely accepted in both major U.S. political parties.” (Summers, 2017)

Summers speaks with the authority of decades of experience and knowledge of economics. He positively states that, “... the idea that the U.S. trade agreements of the past generation have caused impoverishment to any significant extent is absurd.” (Summers, 2017) This comes from 40 years of economic data that critics ignore.

Summers concluding remarks in this article states a very frank assessment of the future if followed by economic isolationists, “Framed this way, the solution appears obvious. A strategy of returning to the protectionism of the past and seeking to thwart the growth of other nations is untenable and would likely lead to a downward spiral in the global economy. The right approach is to maintain openness while finding ways to help workers at home who are displaced by technical progress, trade or other challenges.” (Summers, 2017)

His concluding remarks address workers who have lost their jobs not due to trade with China but technical progress. Just as when the automobile was invented,

carriage makers saw their careers change. Now days if people don't upgrade their skills, progress passes them by.

**Dollar, David. The Future of U.S.-China Economic Ties, Brookings Institute, October 4, 2016.**

Fascinating report that points out some of the manufacturing employment loss claims and offers solutions. The general thrust of the report is that trade with China is beneficial for both countries. David Dollar discusses the danger in the political rhetoric of blaming China unilaterally for job loss without looking at job loss due to technological advances and robotics.

Dollar agrees that not all jobs have been lost due to technology, he says "Trade with China has led to the loss of American manufacturing jobs, reduced real wages for semiskilled workers, and devastated some communities dependent on low-end manufacturing jobs." (Dollar, 2016)

While he says there has been job loss but goes on to say, "While protectionism is tempting, it is almost certain to backfire and cause more economic harm to the United States." (Dollar, 2016) He recognizes that there is going to be a larger job loss due to technological development than due to trade. It is interesting to note that he feels a solution to some of the job loss is job skill training in new fields for those in manufacturing that have experienced unemployment.

Dollar feels that a trade war with China would be detrimental to the US and not so much with China, "As a presidential candidate, Donald Trump proposed a 45 percent tariff on imports from China. This idea is likely to backfire. Chinese leaders would

definitely not buckle under such pressure. For one, exports to the United States are not that important to the Chinese economy anymore, and China's leaders have many avenues to keep its economy growing.” (Dollar, 2016)

As far as trade remedies, Dollar believes that the Trans Pacific Partnership is, “...a gold standard agreement.” (Dollar, 2016) He believes, “The main value of the agreement in fact is strategic. Asia-Pacific partners are looking for U.S. leadership in maintaining and extending an open trading system with fair rules.” (Dollar, 2016)

Since President Trump has already killed the TPP, David Dollar’s remarks written earlier, I believe will be prophetic, “The TPP could be a positive incentive for China to reform, but if the United States turns its back on the agreement, Asian economies will naturally adjust to a world in which the United States retreats from Asia and China rises as the economic power in the region.” (Dollar, 2016)

#### **Frankel, Jeffrey. Outlook for 2017, Harvard Kennedy School, Jan. 3, 2017.**

Jeffrey Frankel is a James W. Harpel Professor of Capital Formation and Growth at Harvard University. He was appointed to the Council of Economic Advisers by President Clinton in 1996. He is regarded as an expert on international economics. He wrote an Outlook for 2017 in the form of 5 journalistic questions. I will quote several.

1. “Will President Trump be able to keep his word on things he said during his presidential campaign such as infrastructure investment, tax cuts, high tariff, and protectionism?

He certainly won’t be able to keep his word to bring US manufacturing jobs back on net, to any substantial degree. But he will easily get enough support in congress for tax cuts and, probably, infrastructure investment. What will happen with

respect to tariffs and other trade barriers is impossible to say. Mr. Trump could do a lot of damage by reverting to protectionism, as the US did under Herbert Hoover in 1930.”

(Frankel, 2017)

This falls in line with what David Dollar wrote a year earlier. There is a consensus that protectionism, which sounds good in “Blue Collar” audiences, in reality it will probably result in more job losses.

2. “Global trade has been slowing down. What should we make of this?

Yes, after several decades when global trade grew much faster than GDP, that pattern has been halted, ever since 2008. Economists are unsure why. One of the various possible explanations is the absence of successful big new international trade agreements during this period. In that light, the cancellation of US participation in the Trans Pacific Partnership is especially unfortunate.

Protectionism and cancellation of international trade agreements. For a person who brags about being a successful businessman, it is scary what Trump is doing.”

(Frankel, 2017)

There has been wide discussion that cancelling the TPP will not make any difference, but, I could not disagree more strongly. I just finished working in South Korea for the past five years and traveled extensively throughout Japan, China and Singapore. Japan and Singapore especially wanted the US to ratify the TPP. This is a major blow to our standing in Asia.

**Kenny, Charles. The Upside of Down. Basic Books, New York, 2013.**

Kenny shows in The Upside of Down, that in a globalized world it benefits everyone. He writes that “Poor countries becoming richer, healthier and better

educated, buy more, make more and innovate more. So they boost progress and wealth around the planet with bigger markets, business breakthroughs, medical innovations and technological advances.” (Kenny, 2013)

His book shows that America’s losing its place at the top of GDP is not bad, it is still the best place to live in the world. And who cares if you are not in first place if you are better off in second place and doing well.

**Birrell, Ian. China’s Economic growth is a force for good. The Telegraph, October 20, 2013.**

Ian Birrell, a British economist, wrote an article on how China in 2005 had a smaller economy than Great Britain. But, by the time of writing, China’s economy was triple the size of Great Britain, and he celebrated China’s success.

In remarks very similar to the alarmist commentators Birrell writes, “There will always be one-eyed critics of globalization. David Cameron has come under pressure to raise the issue of cheap Chinese steel imports, blamed for Tata slashing nearly 1,200 jobs in Scunthorpe and Lanarkshire. Yet, this Indian firm is also a key driver in the extraordinary revival of Britain’s car industry through its ownership of Jaguar and Land Rover. It is among a clutch of foreign firms that have invested heavily in great British brands and been rewarded with soaring sales after saving them from the scrapyard.”  
(Birrell, 2013)

Ian Birrell argues that Britain and America’s “decline” is relative but not real. China now has an economy that is larger than Britain’s and by one measure is larger (GDP-PPP) than the US economy. But both countries are doing better than ever and a wealthier India and China are to be welcomed.

**Yueh, Linda. As China Rises, The US will Reap, NY Times, July 25, 2013.**

Linda Yueh, a fellow in economics at Oxford University, an adjunct professor of economics at the London Business School, and a visiting professor of economics at Peking University wrote a positive article about China's rise.

She writes, "China has been growing faster than America, which is to be expected for a country that is still "catching up." But remember: even though the U.S. has lost manufacturing jobs to China, it has also made gains in higher skilled jobs, which are in demand because of the many multinational corporations that produce China's exports." (Yueh, 2013) Her article gives weight to the proposition that although some day China may pass the United States in GDP it does not matter.

Because she is living and working in Beijing and her very impressive academic background, her arguments have substance. Yueh writes that China is still poor but that there is a rising middle class in Beijing and Shanghai. This is what I saw when I was in Beijing in 2010.

Her concluding remarks reflect the future, "Of course, the two countries will remain competitors. But as long as the competition leads to more innovation, greater efficiency, better jobs and higher incomes, both countries will benefit." (Yueh, 2013)

**Graham Allison, Robert D. Blackwill and Ali Wayne, Lee Kuan Yew: The Grand Master's Insights on China, the United States and the World**

This is a book that draws a wealth of insight into China and the United States from the perspective of the late Lee Kuan Yew, Singapore's first Prime Minister.

Graham Allison and Robert Blackwill asked Lee Kuan Yew if China's current leaders are serious about displacing the U.S. as the No. 1 power in Asia in the

foreseeable future. He answered: "Of course. Why not? How could they not aspire to be No. 1 in Asia and, in time, the world?" (Allison G. a., 2015)

This was followed up by the question of whether the U.S. could stop China's rise, he replied, "No. It will just have to live with a bigger China." (Allison G. a., 2015)

I found that to be an interesting response. We don't have to fight each other, we can both grow together. Similar to General Motors success selling 10 million cars and making a profit of \$12.5 billion despite being #3 in world car sales. (General Motors Company, 2018)

The comment I found troubling for the United States was Lee Kuan Yew saying, "... the United States looks at Asia as though it is a photograph and they look at us once in awhile, whereas China is here every day." (Allison G. a., 2015) We should not take Asia for granted or China will have Asia for Asians.

**De Rugy, Veronique, Growth In China Is Good for the U.S. October 2, 2013, NY Times.**

The article that Veronique de Rugy wrote in 2013 for the New York Times revealed a position of not fearing China's growth but welcoming it. A lot of attention has been given to China's growth and how harmful it is to the American economy, she disagrees, "Specifically, if China does better, do we in the U.S. do worse? I don't think so." (De Rugy, 2013)

A strong Chinese economy helps us. The US borrows money by selling Treasury Bills at an interest rate of around one percent. De Rugy writes, "... if China were about to experience a renewed economic boom, it wouldn't necessarily be bad for the United States. For one thing, we rely quite heavily on China buying U.S. Treasuries." (De Rugy, 2013)

### **Against Free Trade:**

**Morrison, Spencer. *How Trump Will Win A Trade War and Bring 10 Million Jobs Home.* The American Revenant, November 14, 2016.**

This is a political article disguised as an economics article that says if we completely stop trading with China and Mexico almost instantly jobs will come roaring back to America. His proposed solution is to have a 35% tariff on all foreign company goods entering the United States which will result in 10 million new jobs. (Morrison, 2016)

Morrison starts off the article by writing that he is a doctoral candidate. He does not say where or what he studying, which makes me suspicious. His article has no sound economic reasoning. But I suspect it appeals to the poorly educated and Trump probably loves it.

**Culbertson, John. *The Folly of Free Trade*, Harvard Business Review, September 1986.**

In September of 1986, John Culbertson wrote an article in the Harvard Business Review entitled *The Folly of Free Trade*. In “free trade, we are condemning ourselves and our children to a future of fewer competitive businesses, fewer good jobs, less opportunity, and a lower standard of living.” (Culbertson, 1986) This is exactly what we are hearing from the Trump administration today.

The beauty of history is we can look at data and compare information. The worry then was about Japan, now it is about China. So, let’s look at Japan, China, and the United States GDP for 1986, 1989 (when Helen Milner wrote her book) and 2018.

**GDP is in trillions. Source: International Monetary Fund Data (IMF, 2018)**

<b>Country</b>	<b>1986</b>	<b>1989</b>	<b>2018</b>
<b>USA</b>	<b>4,580</b>	<b>5,640</b>	<b>20,510</b>
<b>China</b>	<b>303</b>	<b>461</b>	<b>14,460</b>
<b>Japan</b>	<b>2,051</b>	<b>3,017</b>	<b>5,070</b>

This data confirms what Helen Milner wrote almost 30 years ago, that free trade fosters not restricts economic activity.

**Scott, Robert E. Growth in U.S.–China trade deficit between 2001 and 2013 cost 3.2 million jobs, December 11, 2014, Economic Policy Institute.**

**Scott, Robert E. Growth in U.S.–China trade deficit between 2001 and 2015 cost 3.4 million jobs, January 31, 2017, Economic Policy Institute.**

In a report that Robert Scott wrote in December 11, 2014, he asserted that 3.2 million jobs were lost between 2001 and 2013. In his current report he wrote that 3.4 million jobs were lost between 2001 and 2015. That means that there were only 200,000 jobs lost between 2013 and 2015.

In addition to the loss of manufacturing jobs, Mr. Scott believes that the US–China trade deficit has had a negative effect on US GDP. What he leaves out, is the fact that manufacturing jobs have slowly been declining for decades. He makes no mention of how automation, modernization and robotics have affected assembly line jobs.

In his concluding remarks Scott unequivocally states that, “The U.S.–China trade relationship needs to undergo a fundamental change. Addressing unfair trade, weak labor, and environmental standards in China, and ending currency manipulation and misalignment should be our top trade and economic priorities with China.” (Scott, Growth in U.S.–China trade deficit between 2001 and 2015 cost 3.4 million jobs, 2017)

The problem with the limited perspective of protectionism is that it will inevitably result in trade wars, higher prices, inflation and a recession. Blue collar assembly line jobs are slowly going away. Is this a painful process, of course it is, but it is progress. The most severe problem with protectionism is that it leads to international misunderstandings which result in regional military conflicts and possibly a larger scale war.

On the brighter side, trade with China is merely a subset of global trade. I wrote about how General Motors is doing well in China and so is Daimler Benz, VW, Hyundai and BMW. And Daimler Benz is building Mercedes Benz SUVs in Alabama.

This is just regarding automobiles, global trade also involves the United States selling China food, other agricultural products, electronics and paint. Yes, paint, a rising middle class is not satisfied with 8 or 10 colors. American paint manufacturers like Kelly Moore offer 200 shades of blue. Mrs. Chinese home owner is fascinated with all the different shades she can paint her new middle-class house. Home Depot ships tons of paint to China.

With global trade, there is economy scales of production such that one can purchase a 65 inch high definition Japanese SONY Smart TV assembled in Mexico with electronic components manufactured in the US, shipped to China to be finished into electronic parts of the TV that is sold in California for \$800. Ten years ago Plasma TVs sold for \$8,000. Technological change forced a change in the manufacture of TVs, as it does in everything from cameras to cars.

Not to mention Apple and iPhones. Apple designs iPhones in California and assembles them in Zhengzhou, China at a plant that can produce 500,000 iPhones a day.

(Barboza, 2016) This is the kind of economies of scale of production that result in Apple being able to sell iPhone 7s for \$650. China in turn has built dormitories for the workers creating a small city that the locals refer to it as “iPhone City”. (Barboza, 2016) This is the kind of great news that creates thousands of jobs in a poor area of China and a product that is sold and used world-wide.

## **Hypothesis**

*China's rapid economic growth is a good thing for the United States. China's growth is good economics and good economic policy for the US. It has caused a loss of jobs in the semi-skilled manufacturing sector of the United States economy resulting in simplistic negative dialogue by politicians. There has been and continues to be large job creation and expansion in the overall economy which far exceeds the semi-skilled job losses. Trade with China does in fact increase economies of scale of production resulting in a lower cost of goods and services to consumers. The result is that both countries accrue huge economic benefits and it contributes to peace. However, the tariffs have eroded the peaceful businesslike atmosphere and could contribute to a military conflict neither country wants or can afford.*

## **Falsifiable Thesis**

Due to the trade deficit with China 3.4 million jobs were lost between 2001 and 2015, including 1.3 million jobs lost since the first year of the Great Recession in 2008.  
(Scott, 2017)

## **Method and Ontology Statement**

In this paper, China is not the issue or the problem but one of two countries, the United States being the other, being examined regarding arguments against protectionism and in favor of globalism. The data will be descriptive statistics obtained from a variety of official United States Government sources: The Office of United States Trade Representative, Department of Commerce, United States Census Bureau, National Export Initiative, Department of Labor, the International Monetary Fund, the Department of Defense and the CIA.

To show how other countries and businesses have advanced in global trade I will use the automobile industry in the United States and China. I will use actual relevant automobile manufacturing and export data over several years in the United States and China for (1) European, (2) South Korean, (3) Japanese and (4) American automobile companies. For the automobile companies, I will use specific name automobile companies, their respective manufacturing, sales and export data for the United States and China. The European companies are: Volkswagen, Mercedes Benz, BMW, and Volvo. The South Korean companies are: Hyundai and Kia. The Japanese automobile companies are: Toyota, Honda, Nissan, and Mitsubishi. And the American companies are General Motors and Ford.

What I will show through the data for all the companies manufacturing in China and the United States is the international interdependence that has resulted in an enormously successful automobile industry throughout the world. With the automobile industry, I am attempting to validate that global international trade benefits the United States far more than protectionism and isolationism.

Does China present a different set of problems, yes, and I want to articulate those issues that being part of the World Trade Organization China should adhere to certain rules and regulations. However, as companies in Europe, South Korea, Japan, and the United States have found out, China is a country with a population of 1.3 billion people. And that means a lot of customers.

Initially I will be focusing on the automobile industry because it is such a large global entity. Data to support that part of the research will be from **Trends in U.S. Vehicle Exports**, President Obama's very successful National Export Initiative (NEI) of 2010. **Trends in U.S. Vehicle Exports** data are in Tables 1-3.

The next element in my research will be to examine data from nine foreign automobile companies manufacturing, selling, and exporting automobiles from the United States. Table 4 from each car manufacturer's website. Then I will compare it to the automobile industry in China, where the same nine companies and two American companies operate. Table 5 from carsalesbase.com.

The last part of this research into trade with China will be the impact of tariffs, also known as taxes, on the impact of trade. Specific data will be used to show whether tariffs have a positive or negative effect on the economy.

## **Free Trade Data and Analysis**

### **Data Summary of Tables 1-3**

During President Obama's State of the Union Address in 2010, he announced that agencies across the federal government would work together under the National Export Initiative (NEI) to create jobs by expanding exports. (International Trade Administration, 2015) The idea was to double exports within five years by creating a positive business environment across multiple government agencies.

It was a resounding success, exports of new passenger vehicles and light trucks world-wide rose from 1,009,042 in 2009 to 2,107,280 in 2014. This was a 109% increase. (Table 1) The dollar value of the increase was even better, a 138% increase of \$24.2 billion to \$57.5 billion. (Table 2) Automobile parts also did well, \$42.8 billion to \$81 Billion, an 89% increase. (Table 3)

All three Tables show just the Top 10 countries the U.S. exports. The number of countries exports go to is over a hundred. There is a richness in seeing that Canada is our number one nation that we export cars and auto parts to. That exports to Russia grew from 567 vehicles in 2009 to 60,766 in 2014.

The intent of showing these statistics is not to imply that we export more than we import or that imports are catching up. Our automobile imports for 2015 was \$169.1 billion. (Field Listing: Imports-Commodities, 2016). We import way more than we export because we are the richest country in the world. Our imports help other countries and is that not what a rich country should be doing?

The U.S. is the world's largest trading nation, in 2018 total U.S. trade was \$5.6 trillion. That was \$2.5 trillion in exports and \$3.1 trillion in imports of goods and

services. Our global trading is directly linked to 41million American jobs. (Chamber of Commerce, 2018)

**Table 1:**  
**Top 10 Markets for U.S. Exports of**  
**New Passenger Vehicles & Light Trucks (By Units)**

Country	2009	2010	2011	2012	2013	2014	% Increase
World	1,009,042	1,389,622	1,589,619	1,807,041	1,951,735	2,107,280	109%
1 Canada	571,065	712,756	729,049	743,478	791,532	870,025	52%
2 China	25,065	89,066	125,356	153,570	233,693	307,425	1127%
3 Mexico	101,080	129,128	141,569	159,415	153,738	151,902	50%
4 Germany	112,017	97,228	146,251	168,522	135,048	147,680	32%
5 Saudi Arabia	42,865	90,672	105,461	145,328	139,038	104,074	143%
6 UAE	19,800	35,851	39,937	61,443	69,381	63,901	223%
7 Australia	8,947	16,378	25,644	30,915	44,857	61,052	582%
8 Russia	567	2,412	7,738	21,935	48,298	60,766	10617%
9 United Kingdom	12,756	21,373	34,999	35,895	36,343	42,194	231%
10 South Korea	4,559	12,303	12,541	20,086	25,192	32,213	607%

Source: US  
Dept of  
Commerce  
2015

**Table 2:**  
**Top 10 Markets for U.S. Exports of**  
**New Vehicles & Light Trucks (By Value in Millions of \$)**

Country	2009	2010	2011	2012	2013	2014	% Increase
<b>World</b>	<b>\$ 24,222</b>	<b>\$ 34,605</b>	<b>\$ 41,226</b>	<b>\$ 47,990</b>	<b>\$52,566</b>	<b>\$57,540</b>	<b>138%</b>
<b>1 Canada</b>	<b>\$ 12,532</b>	<b>\$ 16,813</b>	<b>\$ 17,691</b>	<b>\$ 18,666</b>	<b>\$20,208</b>	<b>\$21,649</b>	<b>73%</b>
<b>2 China</b>	<b>\$ 636</b>	<b>\$ 2,574</b>	<b>\$ 3,993</b>	<b>\$ 4,616</b>	<b>\$ 7,235</b>	<b>\$ 9,753</b>	<b>1433%</b>
<b>3 Germany</b>	<b>\$ 4,319</b>	<b>\$ 3,581</b>	<b>\$ 5,041</b>	<b>\$ 5,755</b>	<b>\$ 4,639</b>	<b>\$ 5,153</b>	<b>19%</b>
<b>4 Saudi Arabia</b>	<b>\$ 1,141</b>	<b>\$ 2,437</b>	<b>\$ 2,948</b>	<b>\$ 4,267</b>	<b>\$ 4,072</b>	<b>\$ 3,197</b>	<b>180%</b>
<b>5 Mexico</b>	<b>\$ 1,786</b>	<b>\$ 2,605</b>	<b>\$ 2,906</b>	<b>\$ 3,301</b>	<b>\$ 3,296</b>	<b>\$ 3,169</b>	<b>77%</b>
<b>6 UAE</b>	<b>\$ 505</b>	<b>\$ 940</b>	<b>\$ 1,022</b>	<b>\$ 1,546</b>	<b>\$ 1,851</b>	<b>\$ 1,828</b>	<b>262%</b>
<b>7 Australia</b>	<b>\$ 263</b>	<b>\$ 463</b>	<b>\$ 732</b>	<b>\$ 952</b>	<b>\$ 1,334</b>	<b>\$ 1,826</b>	<b>594%</b>
<b>United Kingdom</b>	<b>\$ 469</b>	<b>\$ 787</b>	<b>\$ 1,160</b>	<b>\$ 1,195</b>	<b>\$ 1,180</b>	<b>\$ 1,381</b>	<b>194%</b>
<b>9 Russia</b>	<b>\$ 13</b>	<b>\$ 73</b>	<b>\$ 243</b>	<b>\$ 616</b>	<b>\$ 1,109</b>	<b>\$ 1,381</b>	<b>10523%</b>
<b>10 South Korea</b>	<b>\$ 93</b>	<b>\$ 284</b>	<b>\$ 317</b>	<b>\$ 502</b>	<b>\$ 647</b>	<b>\$ 859</b>	<b>824%</b>

Source: US Department of Commerce 2015

**Table 3:**  
**Top 10 Markets for U.S. Exports of**  
**Automotive Parts (By Value in Millions of \$)**

Country	2009	2010	2011	2012	2013	2014	% Increase
World	\$42,861	\$58,345	\$67,833	\$74,996	\$77,530	\$80,961	89%
1 Canada	\$19,552	\$25,897	\$28,417	\$31,838	\$31,773	\$30,420	56%
2 Mexico	\$12,089	\$17,456	\$21,475	\$24,343	\$26,585	\$29,137	141%
3 China	\$939	\$1,286	\$1,541	\$1,593	\$2,283	\$2,587	176%
4 Germany	\$1,245	\$1,551	\$1,711	\$1,636	\$1,721	\$1,856	49%
5 Australia	\$687	\$1,085	\$1,392	\$1,935	\$1,488	\$1,437	109%
6 Japan	\$835	\$1,310	\$1,439	\$1,487	\$1,342	\$1,429	71%
7 United Kingdom	\$597	\$922	\$1,116	\$1,063	\$954	\$1,387	132%
8 Brazil	\$554	\$941	\$1,080	\$1,009	\$1,085	\$1,069	93%
9 South Korea	\$303	\$491	\$808	\$706	\$796	\$914	202%
10 Hong Kong	\$122	\$147	\$250	\$277	\$397	\$821	573%

Source:  
Dept of  
Commerce  
2015

## **9 Foreign Car Companies successfully operating in the U. S.**

### **Data Summary of Table 4**

What is being shown is the dynamic nature of the global automobile industry. In Table 4 we see nine foreign automobile companies that manufacture, sell and export cars and light trucks from the United States.

BMW built 485,000 SUVs here in 2016. BMW manufactures more vehicles in South Carolina than all of Germany. BMW exports \$9.8 billion in vehicles out of a port in Charleston, South Carolina. Americans like to drive the higher up driving SUVs and they like to purchase Mercedes Benz and BMW vehicles. BMW and Mercedes build plants in an economically low-cost areas of the United States. BMW is outside of Spartanburg, South Carolina and Mercedes has three plants in and around Tuscaloosa, Alabama.

Honda Accord, a Japanese company, exported more cars than they imported from Japan for the first time. Honda Accords made in Ohio are shipped to Russia! (International Trade Administration, 2015) Toyota Avalon and Camry have more American parts in their cars than any American brand car.

The three central statistics from Table 4 that I think show how globalism works in an international way are the totals of the nine foreign companies operating in the United states: Employed: 69,500; Vehicle Production: 6,220,000; and Investment: \$39.2 Billion. These are remarkable figures that show how pervasive globalism is.

Is there an implication for China? Absolutely, China's Kaiyun Motors hopes to bring a small electric truck that will cost \$5,000 to the American market in 2019. However, it will face a 25% tariff and an untested market. Which means, the new

electric truck will be selling throughout Asia and Europe before it reaches Oakland Harbor.

**Table 4:**  
**List of Foreign Automobile Manufacturers in the United States**

	<b>Country</b>	<b>Brand</b>	<b>State</b>	<b>Start</b>	<b>Employed</b>	<b>Production</b>	<b>Investment</b>
<b>1</b>	Germany	BMW	South Carolina	1993	9,000	450,000	\$2 Billion
<b>2</b>		Mercedes	Alabama	1997	3,600	300,000	\$4 Billion
<b>3</b>		VW	Tennessee	2011	3,200	150,000	\$1 Billion
<b>4</b>	Japan	Honda	Marysville, Ohio	1982	4,000	440,000	\$4.7 Billion
			E. Liberty, Ohio	1989	2,250	240,000	\$1.5 Billion
			Indiana	2008	2,300	250,000	\$1 Billion
			Alabama	2001	4,500	340,000	\$2.4 Billion
<b>5</b>		Nissan	Tennessee	1983	8,400	640,000	\$6 Billion
			Mississippi	2003	6,400	450,000	\$3.2 Billion
<b>6</b>		Toyota	Indiana	1996	5,100	500,000	\$4.3 Billion
			Mississippi	2011	2,000	200,000	\$1 Billion
			Kentucky	2013	8,200	550,000	\$2 Billion
			Texas	2003	3,100	250,000	\$2.4 Billion
			Alabama	2001	1,450	700,000	\$1 Billion
<b>7</b>	Korea	Hyundai	Alabama	2002	3,000	400,000	\$1.7 Billion
<b>8</b>		Kia	Georgia	2009	3,000	360,000	\$1 Billion
<b>Source:</b> US Department of Commerce 2015					69,500	6,220,000	\$39.2 Billion

## **10 Most Popular Makes in China**

### **Data Summary of Table 5**

China's progress in the automobile industry has been nothing less than astonishing. In 2009 China passed the United States for the first time in automobile production and sales. (Canis, 2013) Last year the United States had a record year in auto sales at almost 18 million. China sold 28 million. Fifteen years ago their automotive industry in China was in its infancy. To quote Ian Birrell, "China's economic growth is a force for good." (Birrell, 2013)

251 thousand jobs in the United States are directly related to trade with China. (Office of the United States Trade Representative, 2018) Not only are a quarter of a million jobs in the United States are related to trade with China, so are jobs in Germany, Japan, and South Korea.

Five million cars are manufactured and sold by General Motors and Ford. Volkswagen, the "Peoples Car" manufactured and sold 3 million, 3 Japanese auto makers did close to 3.5 million and South Korea's Hyundai and Kia produced and sold close to 2 million. That is 13.5 million cars and trucks are manufactured and sold by non-Chinese companies in China.

As Helen Milner pointed out, trade policy in the United States allowed and contributed to globalism. (Milner, 1989) And the world economic market from 1945 to the present conclusively shows that we should resist protectionism and expand global free trade.

**Table 5:**  
**10 Most Popular Makes in China**

	<b>Country</b>	<b>2012</b>	<b>2014</b>	<b>2016</b>	<b>% Increase</b>
<b>1</b>	<b>General Motors</b>	<b>2,821,720</b>	<b>3,500,000</b>	<b>3,870,000</b>	<b>37%</b>
<b>2</b>	<b>Volkswagen</b>	<b>2,608,896</b>	<b>2,710,504</b>	<b>3,006,215</b>	<b>15%</b>
<b>3</b>	<b>Honda</b>	<b>559,868</b>	<b>772,717</b>	<b>1,196,664</b>	<b>114%</b>
<b>4</b>	<b>Changan (China)</b>	<b>229,662</b>	<b>710,276</b>	<b>1,149,820</b>	<b>401%</b>
<b>5</b>	<b>Hyundai</b>	<b>855,995</b>	<b>1,120,048</b>	<b>1,142,016</b>	<b>33%</b>
<b>6</b>	<b>Toyota</b>	<b>745,565</b>	<b>956,281</b>	<b>1,064,704</b>	<b>43%</b>
<b>7</b>	<b>Nissan</b>	<b>751,509</b>	<b>858,490</b>	<b>1,015,605</b>	<b>35%</b>
<b>8</b>	<b>Ford</b>	<b>418,501</b>	<b>801,603</b>	<b>951,396</b>	<b>127%</b>
<b>9</b>	<b>Donfeng (China)</b>	<b>224,126</b>	<b>437,259</b>	<b>680,616</b>	<b>204%</b>
<b>10</b>	<b>Kia</b>	<b>480,566</b>	<b>646,036</b>	<b>650,001</b>	<b>35%</b>

Source:  
[carsalesbase.com](http://carsalesbase.com)

## **Tariff Trade Data and Analysis**

### **Concluding Remarks**

#### **Data Summaries of Tables 2A and 5A**

First full year of tariffs and look at the results. World-wide there was a drop of \$3.6 billion in new automobile and light truck exports in 2018. China led the way with the largest drop of 35% for \$3.3 billion. Seven out of ten of our top ten trading partner showed declines. The only gains were from Saudi Arabia, South Korea, and Norway for a total gain of \$449 million. Canada, our top trading partner, wiped that gain out with a loss of \$552 million.

From Table 5A one can see that GM and Ford Lost nearly 1 million in car sales in China due to Tariffs in 2018. This shows that the Trump administration has made a huge mistake with their tariff policies. General Motors had a loss of nearly 400,000 cars and Ford with a loss of nearly 500,000 cars. Even the Chinese favorite American car, the Buick had a 13% decline. The Japanese and South Korean car companies all did well and with the exception of Volkswagen off by a little .3%, BMW and Mercedes did extremely well.

March 2019 saw the bond market end the month with an inverted yield curve. This is where long-term US notes have a lower yield than short term US Treasuries. Long term rates should always be higher than short term rates due to the uncertainty of going out in the future. An inverted yield curve has predicted every recession for the past sixty years. The Trump administration's protectionist policies will give rise to an economic slowdown and a recession by 2020.

**Table 2A:**  
**Top 10 Markets for U.S. Exports of**  
**New Vehicles & Light Trucks (By Value in Millions of \$)**

	<b>Country</b>	<b>2015</b>	<b>2016</b>	<b>2017</b>	<b>2018</b>	<b>%</b>	<b>Difference</b>
	<b>World</b>	<b>\$56,207</b>	<b>\$56,714</b>	<b>\$56,864</b>	<b>\$53,221</b>	-6%	(\$3,643)
<b>1</b>	<b>Canada</b>	<b>\$21,024</b>	<b>\$22,206</b>	<b>\$23,332</b>	<b>\$22,780</b>	-2%	(\$552)
<b>2</b>	<b>China</b>	<b>\$8,265</b>	<b>\$8,213</b>	<b>\$9,529</b>	<b>\$6,223</b>	-35%	(\$3,306)
<b>3</b>	<b>Germany</b>	<b>\$5,911</b>	<b>\$6,357</b>	<b>\$5,719</b>	<b>\$5,416</b>	-5%	(\$303)
<b>4</b>	<b>Mexico</b>	<b>\$3,085</b>	<b>\$3,604</b>	<b>\$3,403</b>	<b>\$3,255</b>	-4%	(\$148)
<b>5</b>	<b>Saudi Arabia</b>	<b>\$3,790</b>	<b>\$2,886</b>	<b>\$1,669</b>	<b>\$1,779</b>	7%	\$110
<b>6</b>	<b>South Korea</b>	<b>\$1,235</b>	<b>\$1,554</b>	<b>\$1,520</b>	<b>\$1,652</b>	9%	\$132
<b>7</b>	<b>Australia</b>	<b>\$1,649</b>	<b>\$1,285</b>	<b>\$1,612</b>	<b>\$1,449</b>	-10%	(\$163)
<b>8</b>	<b>United Kingdom</b>	<b>\$1,750</b>	<b>\$1,956</b>	<b>\$1,569</b>	<b>\$1,287</b>	-18%	(\$282)
<b>9</b>	<b>UAE</b>	<b>\$2,123</b>	<b>\$1,609</b>	<b>\$1,369</b>	<b>\$1,245</b>	-9%	(\$124)
<b>10</b>	<b>Norway</b>	<b>\$163</b>	<b>\$304</b>	<b>\$614</b>	<b>\$821</b>	34%	\$207

Source: US Department of Commerce 2018

**Table 5A:**  
**10 Most Popular Makes in China**

	<b>Country</b>	<b>2016</b>	<b>2017</b>	<b>2018</b>	<b>% Change</b>	<b>Difference</b>
<b>1</b>	<b>General Motors</b>	<b>3,870,000</b>	<b>4,040,789</b>	<b>3,645,000</b>	<b>-9.79%</b>	<b>-395,789</b>
<b>2</b>	<b>Volkswagen</b>	<b>3,006,215</b>	<b>3,139,120</b>	<b>3,129,743</b>	<b>-0.30%</b>	<b>-9,377</b>
<b>3</b>	<b>Honda</b>	<b>1,196,664</b>	<b>1,417,802</b>	<b>1,452,441</b>	<b>2.44%</b>	<b>34,639</b>
<b>4</b>	<b>Toyota</b>	<b>1,064,704</b>	<b>1,137,920</b>	<b>1,243,202</b>	<b>9.25%</b>	<b>105,282</b>
<b>5</b>	<b>Hyundai + Kia</b>	<b>1,792,017</b>	<b>1,149,448</b>	<b>1,180,855</b>	<b>2.73%</b>	<b>31,407</b>
<b>6</b>	<b>Nissan</b>	<b>1,015,605</b>	<b>1,118,085</b>	<b>1,177,705</b>	<b>5.33%</b>	<b>59,620</b>
<b>7</b>	<b>Changan (China)</b>	<b>1,149,820</b>	<b>1,055,096</b>	<b>851,361</b>	<b>-19.31%</b>	<b>-203,735</b>
<b>8</b>	<b>Ford</b>	<b>1,267,000</b>	<b>1,215,000</b>	<b>731,000</b>	<b>-39.84%</b>	<b>-484,000</b>
<b>9</b>	<b>Mercedes Benz</b>	<b>326,690</b>	<b>445,687</b>	<b>513,108</b>	<b>15.13%</b>	<b>67,421</b>
<b>10</b>	<b>BMW</b>	<b>310,000</b>	<b>384,849</b>	<b>465,044</b>	<b>24.14%</b>	<b>80,195</b>
	General Motors 10-K Ford Motors 10-K Source: carsalesbase.com					



## **Areas of Conflict with China**

### **Challenges:**

This section of the paper will be a discussion of the challenges that face U.S.-China relations and how those challenges could pull the two nations apart and into a military conflict. Numbering the challenges does not imply one is not more important than another.

### **Challenge #1: Dispute over ownership of the Senkaku (Diaoyu) Islands**



**Map: Courtesy of Stratfor.com**

The dispute has a long history which Dr. Jean-Marc Blanchard gives an extremely detailed description of the tensions regarding the disputed islands. He wrote about the history of the dispute and the prospects for military action. (Blanchard, 2006)

Japan calls the islands Senkaku-shoto, China calls them Diaoyu Dao, and Taiwan calls the islands Diaoyutai Lieyu. (Manyin, Mark E., 2016) The Senkaku Islands as they are called by the Japanese and Diaoyu by China and Taiwan are five uninhabited islands and three rocks located 125 miles northeast of Taipei, Taiwan. (Nisch, 1996) The islands had absolutely no significance until a geological survey done in 1968 by the United Nations determined that vast quantities of oil and natural gas may be around them. (Blanchard, 2006) China and Japan are the two largest importers of oil and natural gas in the world. (Schiavenza, 2013) As such, China, Taiwan and Japan are all claiming sovereignty over the islands.

The Senkaku/Diaoyu islands dispute began in earnest in 1971, when, America reverted sovereignty of Okinawa, and administrative control of islands appurtenant and subjacent to the Ryukyu Islands to Japanese control. (Schiavenza, 2013) Both China and Taiwan almost immediately claimed ownership.

The Congressional Research Service, Report to Members of Congress and Committees describes China's claim briefly and clearly. "The claims of China and Taiwan to sovereignty over the Senkakus (Diaoyu/Diaoyutai) have a similar basis. China asserts that its Ming Dynasty (1368-1644) considered the islands part of its maritime territory and included them on maps and documents of areas covered by Ming Dynasty coastal defenses. According to China, the Qing Dynasty (1644-1911) went further and placed them under the jurisdiction of Taiwan, which was a part of the Qing Dynasty ... there are claims that Chinese fishermen used the islands as places of temporary shelter and repair, China does not appear to have ever established a

permanent settlement of civilians or military personnel, and apparently did not maintain permanent naval forces in adjacent waters.” (Manyin, Mark E., 2016)

Larry Niksch’s CRS Report to Congress on Japanese Claims are as follows, “Japan did not claim the islands until the Sino-Japanese War of 1894-1895. On January 14, 1895, the Emperor approved an Imperial Ordinance annexing the Senkakus to Japan. In May 1895, Japan and China signed the Treaty of Shimonoseki ending the war. Under the Treaty, China ceded Taiwan (Formosa) to Japan together with all the islands appertaining or belonging to the said island of Formosa.” (Nisch, 1996) However, the treaty never mentioned the Senkakus, and the islands were not discussed during the negotiating sessions. Japan has claimed that this means that the Senkaku Islands were separate from the Sino-Japanese War. China argues that Japan used its victory in the war to annex the islands. China also argues that the intent of the allied declarations at Cairo and Potsdam during World War II was to restore to China territories taken from it by Japan through military aggression. (Nisch, 1996)

The Senkakus were of so little value that the US Navy used to use them for naval target practice. However, they paid an annual rent of \$11,000 to Jinji Koga, the son of the first Japanese settler of the islands. (Manyin, Mark E., 2016) From the United States perspective, there are legal and treaty obligation with Japan. However, the sovereignty question is not an issue with the United States government, former Secretary of State Hillary Clinton summed up the U.S. stance by stating, “... with respect to the Senkaku Islands, the United States has never taken a position on sovereignty, but we have made it very clear that the islands are part of our mutual treaty

obligations, and the obligation to defend Japan.” Remarks Following Signing Ceremonies,” Hanoi, Vietnam, October 30, 2010.

In 2004, Deputy Secretary of State Richard Armitage stated that the U.S.-Japan Mutual Security Treaty “would require any attack on Japan, *or the administrative territories under Japanese control*, to be seen as an attack on the United States.” U.S. State Department, Remarks and Q & A at the Japan National Press Club, Richard L. Armitage, Deputy Secretary of State, February 2, 2004.

Dr. Blanchard concluded that the likelihood of a military conflict is low. (Blanchard, 2006) In fact, the two countries signed a joint agreement in 2008 to explore for oil and to make the East China Sea a “Sea of Peace, Cooperation and Friendship, Japan and China have agreed that they cooperate, without prejudice to their legal positions, during the transitional period pending agreement on the delimitation.” (Hayashi, 2011)

## **Challenge #2: Freedom of Navigation of Seas and The Spratly Islands**



The hard power description of events for China involve the Spratly Islands in the South China Sea. The difficulty is that besides China, Vietnam, the Philippines, Malaysia, Taiwan, and Brunei all are making claims over 24 islands in the South China Sea. (BBC, 2016)

China claims that they have “iron clad proof” that the Spratly Islands are theirs. It is based on an alleged 600-year old book in the possession of a Chinese fisherman in Hainan. (Sudworth, 2016) In May of 2016 a Chinese defense minister claimed that the Spratly Islands was a “green project.” (Allen-Ebrahimian, 2016) It is hard to convince anyone that the Spratly Islands have anything to do with ecology.

Now there is convincing evidence of runways being built by China's military on the Spratly Islands. China lost a World Court decision on the Spratly Islands to the Philippines that they have blatantly ignored. China is clearly demonstrating hard power.



Since August of 2016 there has been an unexpected interesting development on 5 of the Spratly Islands claimed by Vietnam. Reuters and ABC news reported that, Vietnam has deployed mobile rocket launchers capable of hitting where the Chinese are building a small base. (ABC, 2016)

Given the fact that China has had a long history of border disputes with India, Pakistan, Vietnam, and Russia, and that they are now aggressively expanding into the South China Seas Spratly Islands show a military posturing that concerns everyone in the Asia Pacific. These actions by China further solidifies John Mearsheimer's

statement to expect China to try and become a regional hegemon in Asia Pacific.

(Mearsheimer, 2010)

On Friday October 21, 2016 the US government announced to the Chinese government that the US Navy will peacefully sail through the South China Seas under the rules of Freedom of Navigation. A single US warship, the USS Decatur, passed through the disputed area unescorted and without incident. Although two Chinese warships ordered the US warship to leave, the US vessel continued. This demonstrated to Vietnam, the Philippines, Japan, South Korea, China, Russia, and the rest of the world that the US will demonstrate military power without force.

The United States Navy conducted another Freedom of Navigation drill, by sending one U.S. Navy warship, the USS *John S. McCain*, within 12 miles of Mischief Reef, one of seven artificial islands built by China in the Spratly Islands Group on August 10, 2017. (Gady, 2017) The Chinese know very well that one US warship sailing through the area; conducting a “man overboard drill”, does not constitute a threat. However, these actions continue to annoy and irritate the Chinese government. An accidental collision at sea between a US destroyer and a Chinese coast guard vessel as described by Graham Allison in his book Destined for War could be the start of a huge military conflict. (Allison G. , 2017)

### **Challenge #3: U.S. Military in Asia-Pacific**

**Figure 6: American Military in Asia-Pacific 2016**

	ACTIVE DUTY					
	ARMY	NAVY	MARINE CORPS	AIR FORCE	COAST GUARD	TOTAL
JAPAN	2,717	11,005	13,521	11,548	16	38,807
SOUTH KOREA	15,865	284	142	7,897	1	24,189
PHILIPPINES	12	10	2	11	1	36
SINGAPORE	8	115	16	29	7	175
THAILAND	45	9	214	28	0	296
GUAM	172	1,803	0	1,904	0	3,879
<b>TOTAL</b>	<b>18,819</b>	<b>13,226</b>	<b>13,895</b>	<b>21,417</b>	<b>25</b>	<b>67,382</b>

Taken from DOD End Strength Report 30 Sep. 2016

**Figure 7: American Military in Asia-Pacific 2017**

COUNTRY	ACTIVE DUTY						TOTAL
	ARMY	NAVY	MARINE CORPS	AIR FORCE	COAST GUARD		
GUAM	169	1,935	0	2,465	0		4,569
JAPAN	2,581	11,602	18,585	11,777	17		44,562
KOREA, SOUTH	15,337	290	221	7,786	1		23,635
SINGAPORE	0	157	18	29	7		217
THAILAND	0	9	229	27	0		309
PHILIPPINES	32	7	70	12	1		101
<b>GRAND TOTAL</b>	<b>18,119</b>	<b>14,000</b>	<b>19,123</b>	<b>22,096</b>	<b>26</b>		<b>73,393</b>

Taken from DOD End Strength Report 30 Sep. 2017

In 2011 President Obama decided to rebalance the military, by 2020, he announced, "the Navy will re-posture its forces from today's roughly 50/50 percent split between the Pacific and the Atlantic to about a **60/40** split between those oceans". From the Chinese perspective, the presence of US naval ships in their waters are "unwelcome hangovers from the Second World War." (Allison G. , 2017) Their position is for us to "butt out". (Destined for War Can America Escape Thucydides's Trap? , 2017)



**USS Ronald Reagan Carrier Strike Group in Busan, S. Korea for a port visit, Oct. 21. 2017**

The aircraft carrier USS Ronald Reagan (CVN 76) with embarked staff of Commander, Task Force (CTF) 70, Destroyer Squadron (DESRON) 15 staff and Carrier Air Wing (CVW) 5, and the guided-missile destroyers USS Stethem (DDG 63) and USS Chafee (DDG 90) pulled into Busan after participating in Maritime Counter Special Operations Force Exercise (MCSOFEX) 2017. (Navy, 2017)

The focus of the bilateral training exercise was to increase the readiness of U.S. and Republic of Korea (ROK) forces and maintain stability on the Korean Peninsula. The Ronald Reagan Carrier Strike Group is on patrol in the U.S. 7th Fleet area of operations to support security and stability in the Indo-Asia-Pacific. (Navy, 2017)

This type of aircraft carrier is called a super carrier. The United States has ten of these super carrier strike forces and nine smaller air craft carriers for helicopters and vertical take-off and landing stealth F35's. China has one super carrier and is currently building a second. Russia has one super carrier that they proudly sailed through the English Channel while we proudly took 5 million pictures of it.

#### **Current US Military deployments in Asia**

I am going to look at the data from the perspective of not only where our troops are deployed in Asia Pacific but also what the mission of the base is. This way one can get a sense of what kind of jobs our service men and women are doing and see what a huge advantage the United States military has in Asia Pacific. Since I spent 25 years in the Air Force, I'm a little bit more familiar with the Air Force and will give a more detailed description of Air Force assets but nothing classified or what cannot be found on the internet. I firmly believe what General Billy Mitchell said towards the end of World War One, "*If you control the air, you cannot be beaten; if you lose the air, you cannot win.*"

First off, does the United States have a strong enough economy to support an intense security competition with China. The US Department of Commerce recently reported that the US economy increased at an annual rate of 3.0% in the third quarter of 2017. (Department of Commerce, 2017) Unemployment on October 4, 2017 fell to 4.1%. (Bureau of Labor Statistics, 2017) This is the lowest it has been in seventeen years. Yes, the economy can support a strong military presence and compete against China in the Asia Pacific.

In Japan there are three large Navy bases, two in Japan proper and one in Okinawa. The only Navy base I went to in Japan was in Sasebo, where I took my high school marksmanship team in 2012 and 2013 for a Far East Competition. We finished second in 2012 and should have never left Korea in 2013. The bus that took us from Fukuoka Air Port to Sasebo drove through downtown Nagasaki. It looked perfectly normal, it had been completely rebuilt with no visual sign of being hit with an atomic bomb. We did not drive by the Peace Park Memorial but could only imagine the devastation of August 9, 1945.

Yokosuka Naval Base in Tokyo is enormous. Its presence says that the United States defeated Japan in 1945 but allows Japan to be a free country in 2017. The United States Navy has even conducted joint operations with Japan and India. But Japan's Chief of Naval Operations refused to do a Freedom of Navigation sail through the South China Seas.

The situation in Okinawa is very different. There are several US Marine bases and as many as 19,000 marines were in Okinawa just a couple of years ago. Several crimes against Okinawan women have recently heated Okinawa to the boiling point. Okinawa wants all the marines to leave, but that won't happen. When I was in Okinawa in 1971-72

working for ITT on a government contract, I had the good fortune to be in Okinawa on May 15, 1972 when the US gave Okinawa back to Japan. As I recall, Okinawa did not want to be returned to Japan. They wanted to be independent and they wanted us to leave.

The Air Force Bases at Kadena, Okinawa and Misawa, Japan are fighter wing bases. That means that the mission is defense and attack. The main aircraft are F-15 Eagles on Kadena and F16's on Misawa. Very few Air Force pilots are good enough to get to fly Air Force fighter jets (F's), they are the elite and have special clubs on base.

Yokota Air Base is how the US Military supports all of Asia Pacific and a small atoll in the Indian Ocean called Diego Garcia. Most Air Force aircraft in and out of Yokota are cargo planes, carrying the "C" prefix, i.e. C5A (the biggest AF plane). When I fly to Singapore, I can fly on Air Force cargo planes to Yokota Air Base, Japan and then on to Paya Lebar Air Base, Singapore. As such, I've been to Yokota Air Base many times.

The Army has a small footprint in Japan, only 2,581 soldiers with a stated mission to help defend Japan. Overall, Japan has the most troops in Asia Pacific with 44,562.

In South Korea the Army has a big footprint with 15,337 troops that with the Air Force contingent of nearly 8,000 are ready to go to war to keep the peace. Army posts and garrisons are all over South Korea. Some small positions are up at the DMZ, where actual hostile fire happens now and then. Which is why if you are within 50 miles of the DMZ you receive 5% additional pay. The DMZ is a big tourist attraction, the one time I went there on a 58-passenger bus, there were at least 10 other large passenger buses filled with Koreans and visiting tourists. I even went into the building where the Korean War cease-fire was signed and into one of the tunnels that the North Koreans dug during the 1970's.

Osan Air Base, 45 miles from the DMZ, where I was assigned for the five years (2011-2016) is the tip of the spear. If the balloon goes up and hostilities commence, they will be first in the fight. Every morning right around 8 AM a U2 spy plane takes off with a roar that you can hear for five miles. Their missions used to be classified but now you can see pictures of a U2 at Osan Air Base on the internet. The other two fighter aircraft on the base are the A10 and the F16. The A10 is for close interdiction in support of infantry and a tank killer. The F16 is for air to air combat and can deliver ordinance on the North Korean, capital of Pyongyang, in under 5 minutes. It was a neat place to work with all the neat stuff going on in the background. Kunson Air Base, on the coast is a back up to Osan. They also flew F16's and participated in exercises with Osan.

During joint exercises in the five years I spent at Osan Air Base in South Korea, I twice witnessed overflies of the massive B52 bomber, but they never landed. On September 21, 2016, three months after I left Korea, the Air Force landed and is keeping a B1B bomber on base for the first time. (Osan, 2016) Now, that is a message.

By the small numbers of Navy and Marine Corps in South Korea one can see their being in South Korea was not the primary mission of the Navy. U.S. Naval Forces Korea moved from U.S. Army Garrison Yongsan to Busan in 2015. (Rowland, 2015) This will put the Navy on the Korean peninsula's southeastern coast and near South Korean naval headquarters. There it is anticipated that 100 Navy staffers will interact with their South Korean Navy counter parts. At Osan Air Base I would occasionally see small numbers of sailors and marines. Usually when there was an exercise. Once I ran into one of my former female high school students from California at the food court in the Osan Base

Exchange. When she saw me, she screamed at the top of her lungs "I know You".

Everyone in the general vicinity turned around and laughed.

The Navy and the Air Force have a large presence on Guam. For the Air Force at Anderson Air Force Base is where there is a contingent of B52 bombers. Every year during the joint ten-day long exercises in South Korea the Air Force would do a B52 fly over. This is another example of an increase in security competition.

With only 101 military people currently in the Philippines, I can only guess that they are there to start negotiations on the where, what and when regarding the five new bases. In Thailand the military footprint of just 309 people is concerned with planning joint military training exercises. (DOD, 2016) And I suspect some of the 27 Air Force personnel might just be aircraft maintainers for the 50+ American made fighter jets that the Royal Thai Air Force owns. (Worlds Air Forces, 2016)

Singapore with just 217 US military, 157 Navy and 29 Air Force, has a very interesting story. The US Navy is in the north of Singapore called Sembawang. My last trip to Singapore I went to the Navy Exchange at Sembawang to get some American goodies that were either prohibitively expensive or not available on the Singapore market. Curious person that I am and with a Retired Air Force ID card I wandered around the non-restricted areas. The base used to be used by the British when it was their colony. Now it is a ship yard for Singapore civilian vessels and to a small degree, for logistics support for the US Navy. It could be beefed up very quickly if the US Navy needed it.

The Air Force presence at Paya Lebar Air Base provides maintenance, repair and training on over 100 American made F5's, F15's and F16's. (Worlds Air Forces, 2016) While in Singapore I saw daily flights of F16 formations. When I flew into Paya

Lebar, my destination was Singapore. The Air Force cargo plane that I came in on from Yokota, Japan had a different destination. It was going to a highly restricted joint American and British base at Diego Garcia in the middle of the Indian Ocean. That is where we launched B1 bombing sorties into Afghanistan.

The most intriguing aspect about Singapore is its geography. The narrow passage way along Malaysia, the Malacca Straits ends at Singapore. It would take very little effort for the US Navy to blockade the straits and only let cargo through for allies. Currently, the US Navy and Indian Navy practice this. Certainly, China knows this.

The last element of American military in Asia Pacific has to do with reopening bases in the Philippines. Early in 2016 an agreement was made with the Philippine government to reopen five old air force bases. This is an ongoing development, the last time I was in Okinawa in 2017 and Japan in 2018, I saw that we have military flights going into the Philippines. This reassures our allies against fears of abandonment and reassures China that we are not leaving.

What I hope I showed with this segment of the paper is the overwhelming position the United States military has in Asia Pacific and that security competition with China has already begun. This supports John Mearsheimer's position as an Offensive Realist and correctly describes what is going on in Asia today. But, conflict is not likely.

**Figure 8: Plans for 5 New bases in the Philippines**



## **Economic Superiority**

### **China's Century? Not Yet**

Over the past 50 years America has suffered through declines that never really happened. On November 18, 1956, Soviet Premier Nikita Khrushchev announced that “We will bury you”. Authoritarian regimes often compile impressive short-run economic records. For several decades, the Soviet Union’s annual growth in gross national product (GNP) exceeded that of the United States. (Lynn-Jones, 1998) In 1957 the Soviet Union launched Sputnik, the first satellite and on April 12, 1961 Yuri Gagarin went around the world. All Alan Shepard could do was a sub-orbital flight. If you took a poll of Americans in the 1960’s they would have said that the US was declining. America was falling behind the Soviet Union.

In an example of offensive realism by President Reagan, there was a massive military buildup in Europe in the early 1980’s. The Berlin Wall came crashing down. And by the end of the century, not only had the Soviet Union not passed the Americans, there was no more Soviet Union. (Nye, 2014)

By the end of the 1980’s fueled by three decades of miraculous growth Japan looked like they were going to be the world’s next super power. If you took a poll in the 1980’s most Americans would have believed that we were in decline and Japan was passing us up. In fact, many people believed that the Japanese firms Sony and Hitachi would eventually acquire American electronics bellwethers Intel and IBM. (Colombo, 2012) In 1989 Sony purchased Columbia Pictures Entertainment Inc. for \$3.45 billion

and Mitsubishi Estate bought the Rockefeller Center building in New York City for \$1,4 billion. (Hongo, 2014)

Japan's Nikkei stock average hit an all-time high on December 29, 1989, closing at 38,915.87. The market had sharp drops and continued to fall for 20 years settling at 7,054.98 on March 10, 2009. (Hongo, 2014) That is an 80% drop in the Japanese stock market. Japan endured a twenty-year Bear Market before it turned around in 2009. The growth rate for Japan for the past 20 years has been 1 percent. (Nye, 2014)

Most experts doubt that China will continue its rapid economic expansion. Economist Jagdish Bhagwati argues that "no one can maintain these growth rates in the long term. Sooner or later, China will have to rejoin the human race." Some observers predict that the stresses of high rates of economic growth will cause political fragmentation in China. (Lynn-Jones, 1998)

People will often point out that China has several trillion dollars of reserves, and they say this shows that China is more powerful than the U.S. Because if China were to dump these dollars on world markets it could bring the United States to its knees. But ironically if China did dump these dollars on world markets, it might bring the United States to its knees, but it would bring China itself to its ankles. Because China is so dependent upon exports and opening to the American market that it would be self-destructive for China to do such a thing. (Nye, 2014)

In Graham Allison's book, *Destined for War*, he cites the International Monetary Fund, GDP at purchasing power parity (PPP) estimate for 2015 as evidence that China has surpassed the United States economy. (*Destined for War Can America Escape Thucydides's Trap?* , 2017) Nominal GDP is by far, the most widely used and best

measure of a country's economy. The United States has a \$20 trillion-dollar economy and China has a \$14 trillion-dollar economy.

The problem with Graham Allison's statistics is that he assumes that China will continue to grow at a rate of 6-7%. And the US at 2%. China reports that their economy is currently growing at 6.5%. (China, 2018) Other economists suspicious that the figures are inflated think China's growth rate this year is at no more than 4%. The US growth rate is at 3.2%. Bottom line, irrespective of whatever growth rate you use, China must double the growth rate of the United States to catch us in 20 years.

Alarmists show a serious lack of understanding of economics when they say that the Chinese have passed us up. If they do, who cares, that does not mean we are worse off. This is just the third example of America's non-existent decline.

### **Technological Superiority**

The United States is still the leader in research and development, including some of the technologies, which will be most important to this century. Technologies like biotechnology and nanotechnology as well as the newer aspects of information technology. The U.S. still is in the lead. And this is bolstered by the role of American Universities. If you look at the rankings of universities by impartial observers, non-American, such as Shanghai Jiao Tong ranking of world universities, the Americans are far ahead of every other country. (Nye, 2014)

Nanotechnology has the capability of being another breakthrough technology for the United States. This is where you are working at the protein level or 1 40,000<sup>th</sup> the

size of a human hair. According to Reuters in 2013 U.S. based inventors accounted for 54 percent of the nanotechnology patent applications, followed by South Korea with 7.8 percent, Japan with 7.1 percent, Germany with 6.2 percent and China with 4.9 percent. This is 10 times what China is doing.

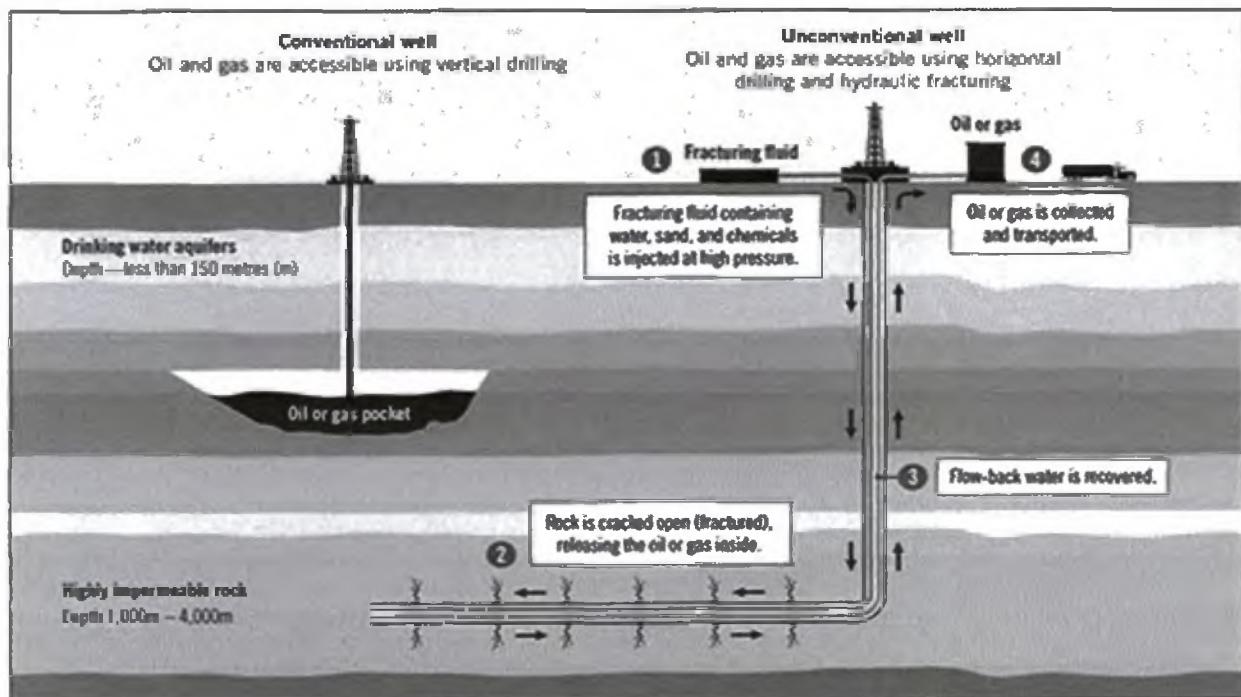
The future is in high technology where China continues to lag far behind the US. The United States has more nanotechnology centers than the next three nations combined (Germany, the United Kingdom, and China). (Beckley, 2011)

Windfall profits and high technology is the definition of Hydraulic Fracturing. This state-of-the-art technology is a new way of extracting oil and natural gas. The Environmental Protection Agency description describes it as “Hydraulic fracturing produces fractures in the rock formation that stimulate the flow of natural gas or oil, increasing the volumes that can be recovered. Wells may be drilled vertically hundreds to thousands of feet below the land surface and may include horizontal or directional sections extending thousands of feet.” (EPA, 2017)

In her book discusses Megan O’Sullivan talks about the strategic benefits of the oil and gas boom due to hydraulic fracturing. “Over the last 10 years, we had what is really an unexpected boom in the production of oil, natural gas, and we understand that has delivered *economic* benefits. But what I really focus on in my book is how that has delivered *strategic* benefits — because it’s changed the environment in which the United States operates, and it’s affected our friends and our adversaries”. The U.S. and China recently agreed to a major liquid natural gas (LNG) trade deal, which could generate \$26 billion annually for America.

Figure 9 gives a good simple look at how hydraulic fracturing works, the depth it goes to and compares it to conventional drilling.

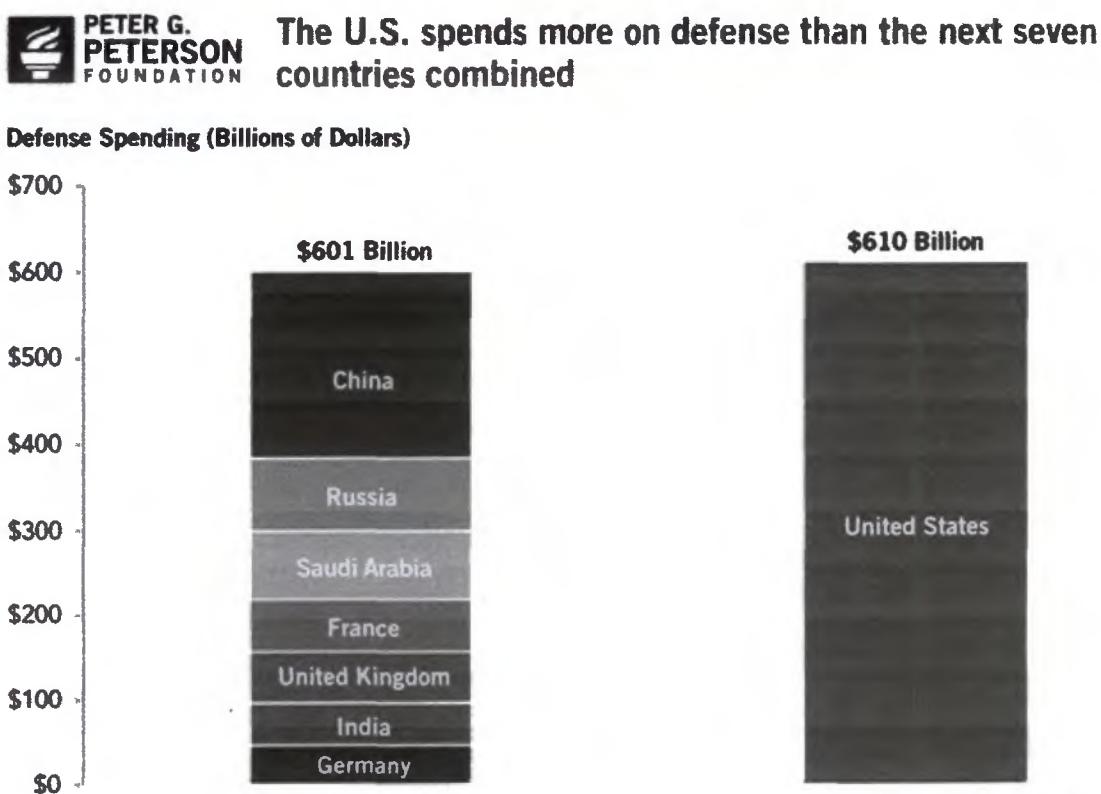
**Figure 9 Hydraulic Fracturing compared to a Conventional Well**



## Military Superiority

In looking at Figure 10 it is easy to see that the United States spends more than anybody else by far. US: \$600B, China: \$200B and Russia: \$65B. The US spends almost ten times what Russia spends and triple what China spends.

Figure 10



SOURCE: Stockholm International Peace Research Institute, SIPRI Military Expenditure Database, April 2015. Data are for 2014. Compiled by PGPF.  
NOTE: Figures are in U.S. dollars, converted from local currencies using market exchange rates.

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PGPF.ORG



### China's Maximum Missile Range

This map supposedly shows the maximum range of China's missiles. The outer range H-6 with LACM represents delivery of a Land Attack Cruise Missile by an aircraft that is a Russian licensed TU-16 with Chinese improvements called the H-6 or H-6K. The H-6K is a long range, non-stealth bomber that can be picked up by the Navy's radar and intercepted by photo 2.

This is intended on being a photographic essay of new military assets for the US Navy and Air Force to demonstrate military superiority. My intent is to show new “game changer” assets.

**Sea Power:**



**1. Lockheed Martin concept for their new Helios 150 kw laser for Navy ships.**

By 2020, for the first time, the US Navy will put a lethal laser on a warship. In testing it can hit a target the size the size of a box of oatmeal at two miles. The military is now currently developing 350 KW lasers.



**2. AN/SPY-6(V) – the Navy's next generation of air and missile defense radar.**

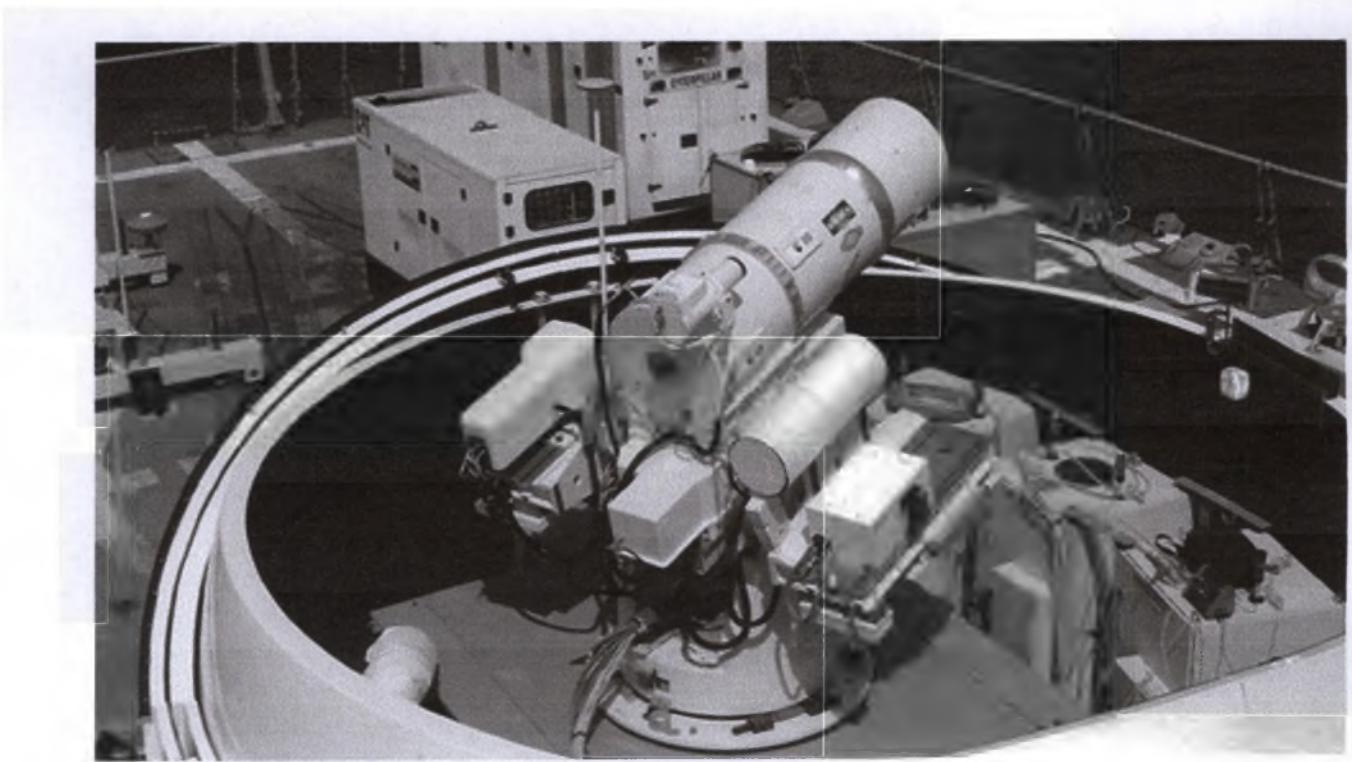


**3. Navy lands jets on carrier via remote control.**



#### **4. New Boeing MQ-25 Unmanned Jet Aircraft for Carriers.**

Loaded with jet fuel, the drones will vastly extend the ranges of carrier-based aircraft operating in the expanses of the western Pacific. This lets the Navy strike deeper into China's layered defenses while keeping the big aircraft carriers out of range of China's anti-ship missiles.



## 5. Navy laser prototype during an on-board test

This is used on the newest Gerald R. Ford-class aircraft carrier to defend against cruise missile and swarm-boat threat.

**Air Power:**



1. **F-35 stealth fighter jet capable of vertical takeoff and landing.**

"When I see the F-35, I see a computer that happens to fly." Air Force Chief of Staff



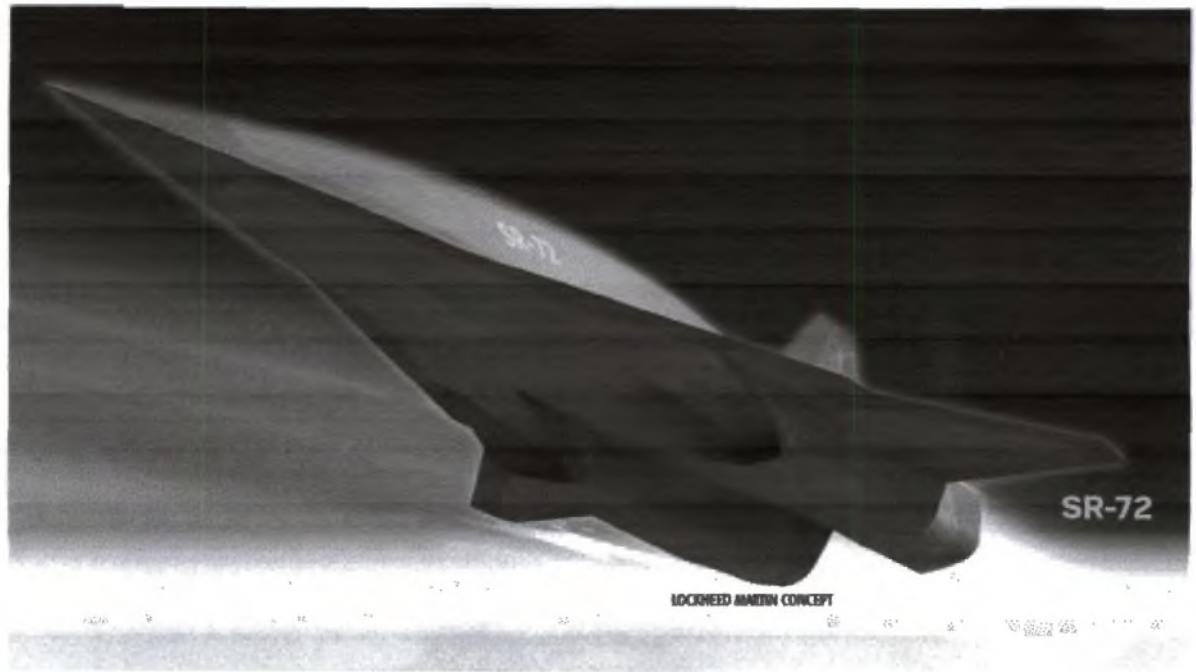
Photo by Ethan Miller/Getty Images

**2. MQ-9 Reaper Drone @ Creech Air Force Base, Nevada.**



\* ARTIST RENDERING

**3. B21 Raider, latest long-range stealth bomber.**



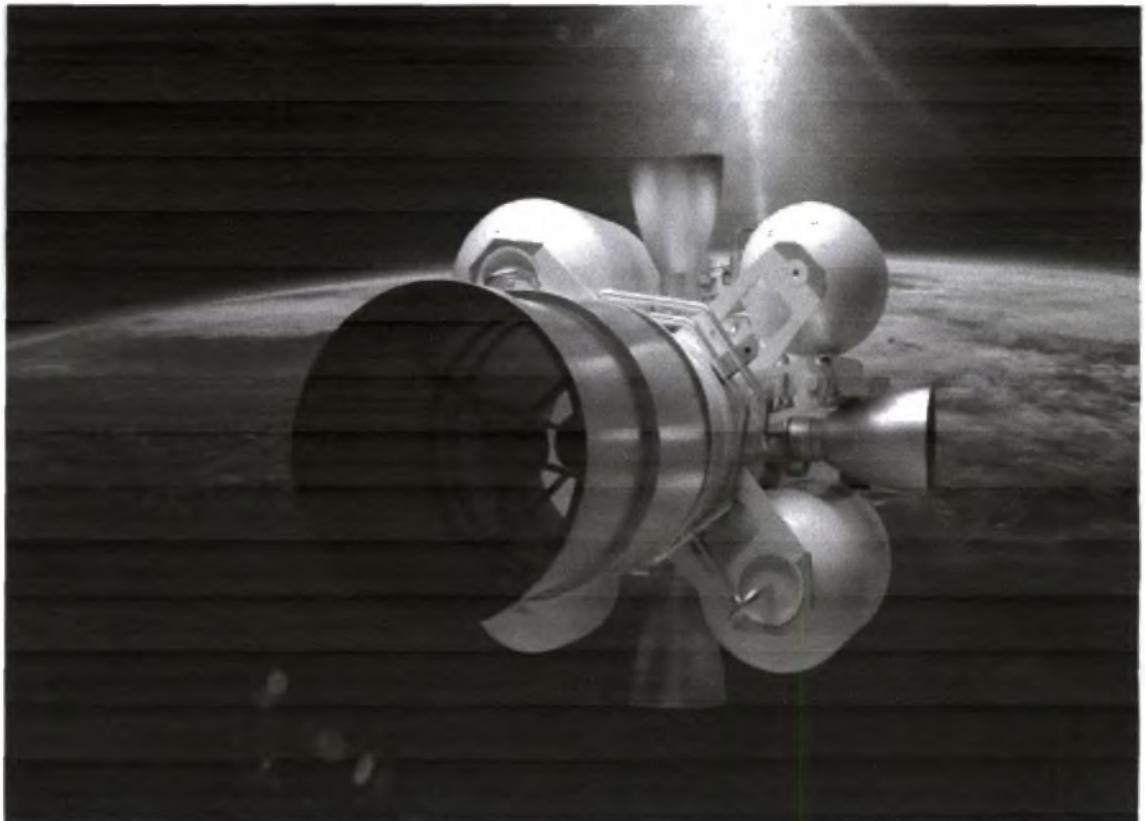
4. **Lockheed Skunk Works SR-72 UAV capable of Mach 5 almost complete.** Hypersonic unmanned aircraft capable of Mach 5, or just over 4,500 mph. At hypersonic speeds, the SR-72 will be able to traverse any continent in around an hour — meaning, if they're strategically positioned around the world on aircraft carriers, the US military can strike or surveil any location on Earth in about an hour.

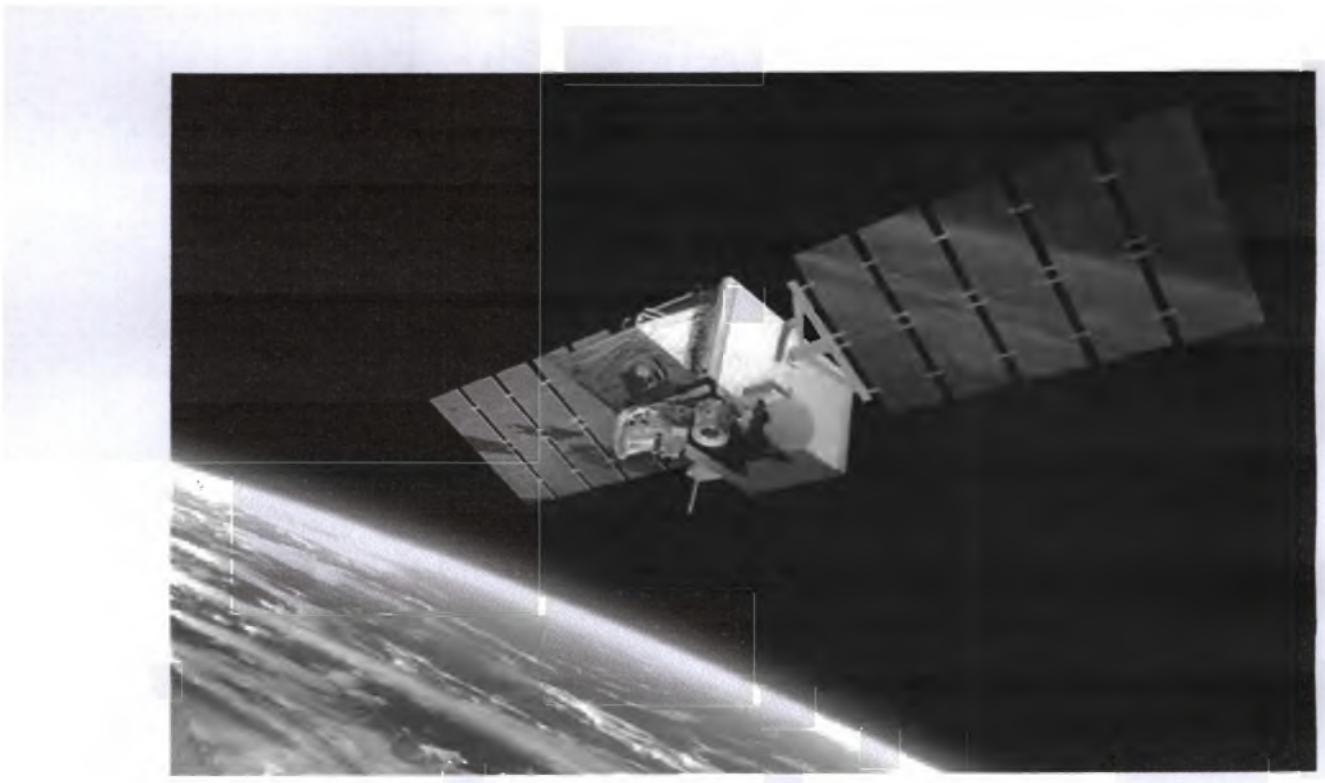


5. **The X-51A Wave rider hypersonic cruise missile prototype.**

**Space Power:**

- 1. Raytheon's Exo-atmospheric Kill Vehicle is deployed and operational.**





**2. Space Tracking and Surveillance System detects and tracks ballistic missiles.**



### **3. Air Force X37-B unmanned space vehicle.**

This is the premier example of military technological superiority.

- OTV-1 began April 22, 2010, and concluded on Dec. 3, 2010, after 224 days in orbit.
- OTV-2 began March 5, 2011, and concluded on June 16, 2012, after 468 days on orbit.
- OTV-3 chalked up nearly 675 days in orbit before finally coming down on Oct. 17, 2014.
- OTV-4 conducted on-orbit experiments for 718 days landed May 7, 2017.
- OTV-5 Launched September 7, 2017. Still in orbit. Mission particulars:  
**CLASSIFIED**

This segment of the paper showed the overwhelming military and technological superiority that the United States currently possesses. What I have reported on does not include the classified material that no one knows about. Like space-based laser weapons, that the Air Force says are too expensive to develop.

## Conclusion

My conclusion is that even though China and the United States have serious challenges, a very different form of government, and huge cultural difference both countries can and do cooperate. Though a conflict could happen, it is not inevitable. A more likely outcome is peace through strength due to the preponderant military and economic position of the United States.

It benefits both the United States and China enormously to continue the trillions of dollars in trade. Also, the United States should use its economic superiority and reinstate the Trans Pacific Partnership. This would be an effective use of soft power.

However, the United States must be careful. In 2010 John Mearsheimer wrote, “It is also possible, although not likely, that China and the USA could get dragged into a war over Taiwan, or even North Korea.” (Mearsheimer, 2010)

### **Interview:**

On November 5, 2017 I interviewed Mr. William Mok, my son-in-law, a senior network engineer and systems administrator for Uber. He speaks fluent Chinese and oversaw the network hardware component of initially installing and configuring the Uber backbone in China and its subsequent removal when Uber decided to do business elsewhere in Asia.

Will, thank you for allowing me to interview you for my research project.

#### **1. What are the major challenges and opportunities in U.S.-China relations?**

I think some of the major challenges for U.S./China relations are cultural gaps. We have many different perspectives on how to conduct business, even within our own country. For instance, my first experience going to China was a bit of embarrassment. I had been warned prior going to China, to bring gifts. This could be food or drink. I showed up at a business meeting that was informally done over dinner. During this time, our vendor presented several bottles of nice wine. We had not brought any gifts and it seemed as though we had early started off on the wrong foot. We essentially gave the impression that we could mend issues with money, rather than establishing an interpersonal relationship. I have seen this cultural difference happen in other parts of our law, which affects the way we can conduct business. For example, we have strict laws on animal testing within our country. However, China will not allow cosmetic products to be imported without being animal tested.

I believe the major opportunities comes from our ability to tolerate the cultural differences between our country. We may not be able to conduct business on every level, but we should try to educate each other on our cultures and the challenges we face internally. For instance, China may not know that some companies in the U.S. observe Chinese New Year. They also might not know that many U.S. companies are facing a company culture crisis today. The boundaries of equality are constantly being tested and may result in different biases towards how we conduct business with international countries, such as China. From the U.S. perspective, we still have much to learn about how the Chinese conduct business. For instance, I did not know that e-mail is not always a preferred means of communication. They have heavily adopted "instant message" tools such as WeChat and use the platform for all sorts of business interactions.

**2. Will China be a potential threat to the United States or form a strategic partnership with the United States in the twenty-first century?**

China does pose a potential threat to the United States but would seek to gain more by becoming a strategic partnership. They have the governance to police important issues like climate change. They have enacted laws such as banning motorcycles in major cities in order to alleviate the air quality issues. However, they can accelerate their innovation and strategy if they take lessons from a country that has been through some of the same hardships. The U.S. has learned to do business with countries worldwide and proven itself to be an economic powerhouse. If both countries were able to partner up, they may be able to make great leaps for human innovation. I have once heard the saying, "China may rule the world in business someday, but it will be done in English".

**3. Can America and China avoid a military confrontation or is war inevitable?**

I believe China and America do not want to go to war. Both countries pose large detrimental threats to one another that would not benefit either country.

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