



## **Implications of China-US Competition in the Digital Age**

**Speaker:** Dr. Yan Xuetong, Distinguished Professor & Dean, Institute of International Relations, Tsinghua University; Secretary General, World Peace Forum, Beijing

**Chair:** Amb. Ashok K. Kantha, Director, Institute of Chinese Studies

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The speaker began by explaining how the present-day competition between US and China is different from the Cold War between US and USSR. He defined “cold war” as a military competition between two countries through a proxy war for ideological purposes to control local governments in another country. The competition between US and China, according to him, is similar in nature but different in form, content and strategy. Elaborating further, Prof. Xuetong argues that by no means President Trump wants to advance American ideology in the world as “the Trump administration is in itself a representative of anti-establishment and their ideology is opposite to liberalism”. Although Trump, he argues, tries to use ideology as an instrument, China has reiterated its intent to avoid any ideological confrontation against the US. Moreover, both US and China do not want to adopt proxy war as a strategy. Thus, ideology is not the goal and proxy war not the measure of the current competition between these two countries. US, according to him, has abandoned the traditional strategy of proxy war and has decided to pull out 2000 troops from both Iraq and Afghanistan; China also has never engaged in a proxy war since 1979.

China and US, according to Prof. Xuetong, compete for digital supremacy. In this age, digital technology is the primary resource for both national wealth as well as national security. Cyber security, he argues, is more important than any other national security issue today. Thus, in the digital age, both China and US compete with each other to establish digital superiority over the other. This, in his opinion, is the reason why US adopted technological decoupling against China. Explaining the important of digital supremacy, the speaker remarked that digital superiority enables countries to accumulate wealth faster than the traditional way of controlling natural resources like oil, minerals, sea, water, etc. Today, in the major industrialized countries such as USA, Germany, Japan, South Korea, France, the digital economies account for more

than 50% of GDP. Also, in the last 15 years the growth rate of digital economy is about 2.5 times faster than the general GDP of whole world. Thus, the share of digital economy in the world is increasing and that of non-digital economy is shrinking.

On the security issue, Prof. Xuotong observed that, cyber war is being carried out every day. Few years back, Iran's nuclear lab was totally destroyed by a US-led virus attack. It used cyber-attack to damage the power station which caused disruption of power for three days. The speaker noted that cyber-attacks typically do not cause casualties and therefore, looks peaceful.

Prof. Xuotong also discussed on the strategy for digital superiority based on technological innovation which is again focused on people- competent engineers and scientists. If both countries spend same amount of money on research and development activities, then the differentiating factor would be about who has more qualified engineers and scientists; this again points to education and the policy to recruit talents. According to him, the US is adopting decoupling policy in order to stop Chinese scientists learning from the US and take back their skills to China for technological development. China is also forbidding certain technologies to foreign countries through regulations, and the speaker warns that this competition would intensify over time.

As the digital economy creates more wealth for the two countries, the speaker remarked that the question is how to capture the market. The size of the East Asian digital economy consisting of China, Japan, South Korea is larger than that of Europe. USA and China are both competing for this market. The pandemic has impacted all sections of the economy but online business is booming. Pointing out that in the New York stock exchange, 8 out of the 10 largest companies are part of the digital economy, Prof. Xuotong noted that the digital economy today controls so much wealth that the digital companies are too powerful to even undermine the government, so much so that Trump even prevented US companies from entering into a direct deal with China's TikTok, in an attempt to control such deals.

In these circumstances, the speaker observed that, unlike the Cold War, the countries are not entering into alliances; rather the countries are adopting a hedging strategy which is considered more sophisticated. For example, countries might align with China on economic issues and with the US on security issues. The world is not only shaped by competition between US and China but by the hedging strategies of other countries. Both China and US are dealing with hedging and are both giving priority to bilateral diplomacy. He remarked that as globalization is becoming weak and anti-globalization gaining momentum, multilateral diplomacy is giving way to bilateral diplomacy in solving real problems. In this context, the speaker also drew reference to the real issues between China and India, which according to him, can only be solved through bilateral dialogues.

The speaker answered a number of questions from the participants. On the India- China standoff, he was of the view that mere finger-pointing would not solve the issue and that the solution lies only on bilateral dialogue. He also noted that India has abandoned Non-Alignment and was siding with US on many key issues. On the question of global leadership on cyber security, he said that there may not be any such leadership for at least the next decade. On the question of two internets – the Chinese and US, Prof. Xuotong clarified that it does not necessarily mean that the digital economy would be divided into two, but rather, many groups not necessarily based on geography. For example, Germany, Japan, India, Australia are planning to form a digital supply chain, so are China, Russia, Pakistan, ASEAN countries and South Korea. On the question of ideological confrontation with the US, he said that China never went into war since 1979. On the questions of China's aggressive stance in the South China Sea, Bhutan, Nepal, Indian border etc., he said that as a country becomes richer, they have to protect their territory. Thus, military is important but cyber security is becoming more important. On the question of US presidential elections and its implications on China, the speaker noted that Biden, if chosen to power, would continue confrontation with China but with a different strategy. Instead of a trade war, he might put pressure on the political and human rights front. On the question on Artificial Intelligence (AI) in military applications, he said that the advancement of weapon systems would lead to less killing of people and more damage to weapons, buildings, properties, etc. Also, the nuclear deterrence would prevent major powers from engaging in a full-blown war.

He concluded by saying that digital mentality should replace geo political mentality and cold war mentality should be replaced by a new non-cold war mentality for the new world.

*This report was prepared by Amitava Banik, Research Intern, Institute of Chinese Studies.*

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