

# Geopolitics and Grand Strategy: The Sino-American Cold War

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ΠΑΝΕΠΙΣΤΗΜΙΟ ΠΕΙΡΑΙΩΣ

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**UNIVERSITY OF PIRAEUS**

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## Evolving Global Framework

| Bipolar Cold War                               | Unipolar Moment           | Fragmented Globalization  |
|--|---------------------------|---|
| U.S. and allies<br><br>Soviet Union and allies | U.S.<br><br>Globalization | 2+2+<br>(two major powers:<br>China and the U.S.<br><br>two secondary powers:<br>Russia and Europe)<br><br>New Cold War |

**September 26, 2023**



Jamie Dimon warns: 'Now may be the most dangerous time the world has seen in decades'

# November 2, 2023

## Nothing Worries CEOs Right Now as Much as Geopolitics

Business leaders everywhere are speaking up about the dangers of geopolitics.

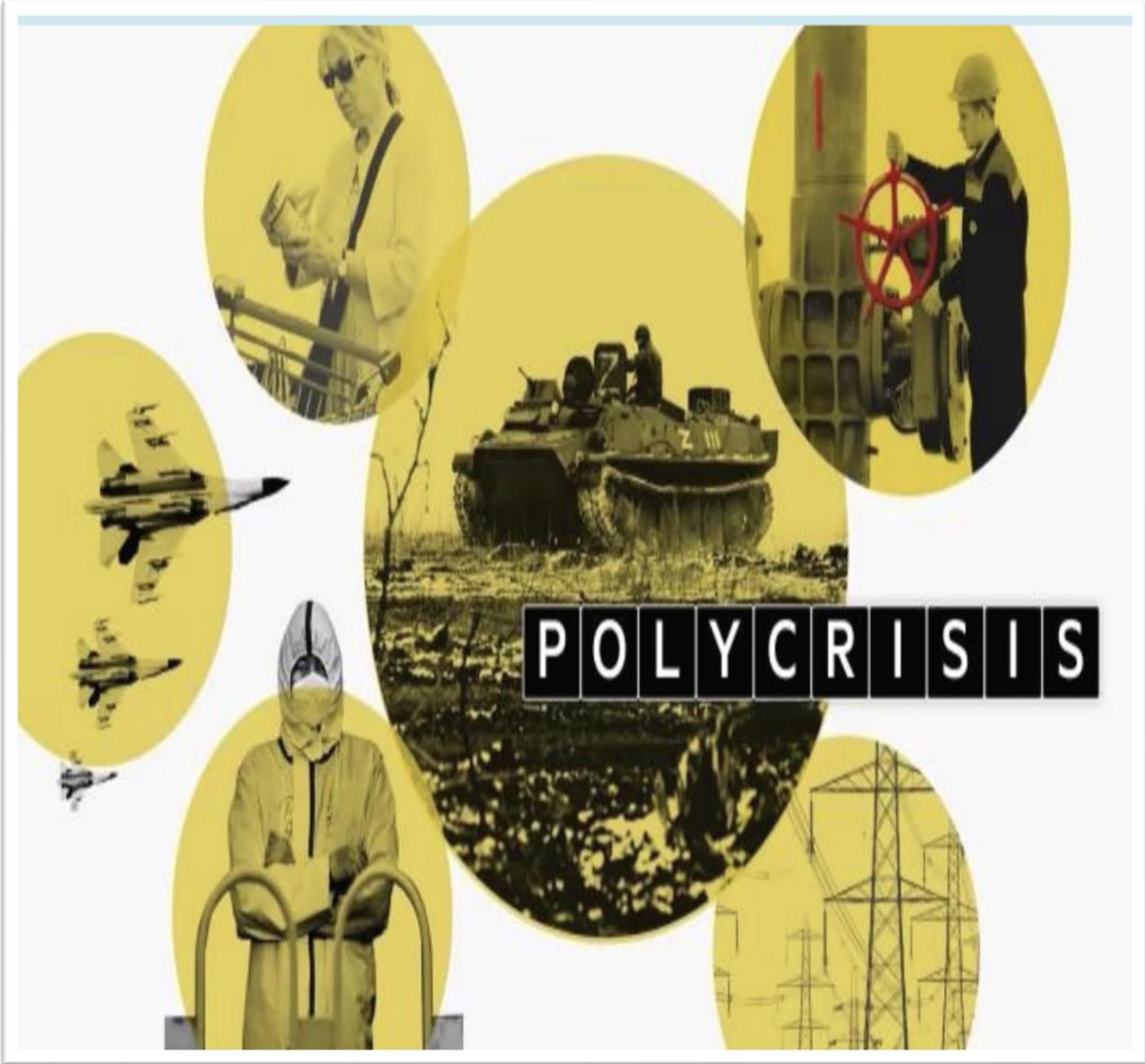


# Companies in the 'Global West' are talking more about geopolitics

4-quarter sum of corporate transcripts with 'geopolitics' or 'geopolitical' in North America, Europe and Japan



Source: AlphaSense  
© FT



POLYCRISIS

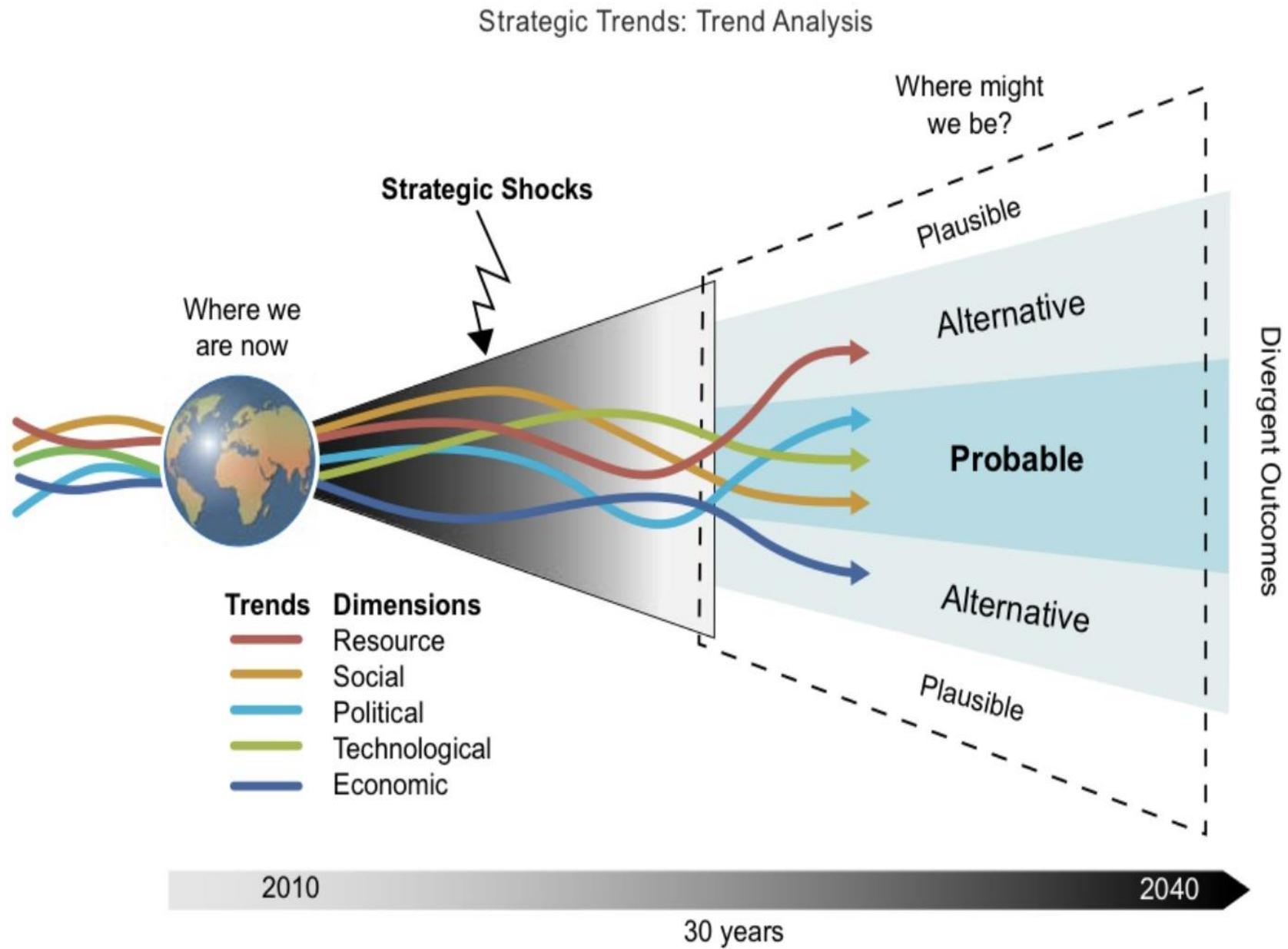
# polycrisis

[poli-krai-sis] *noun*

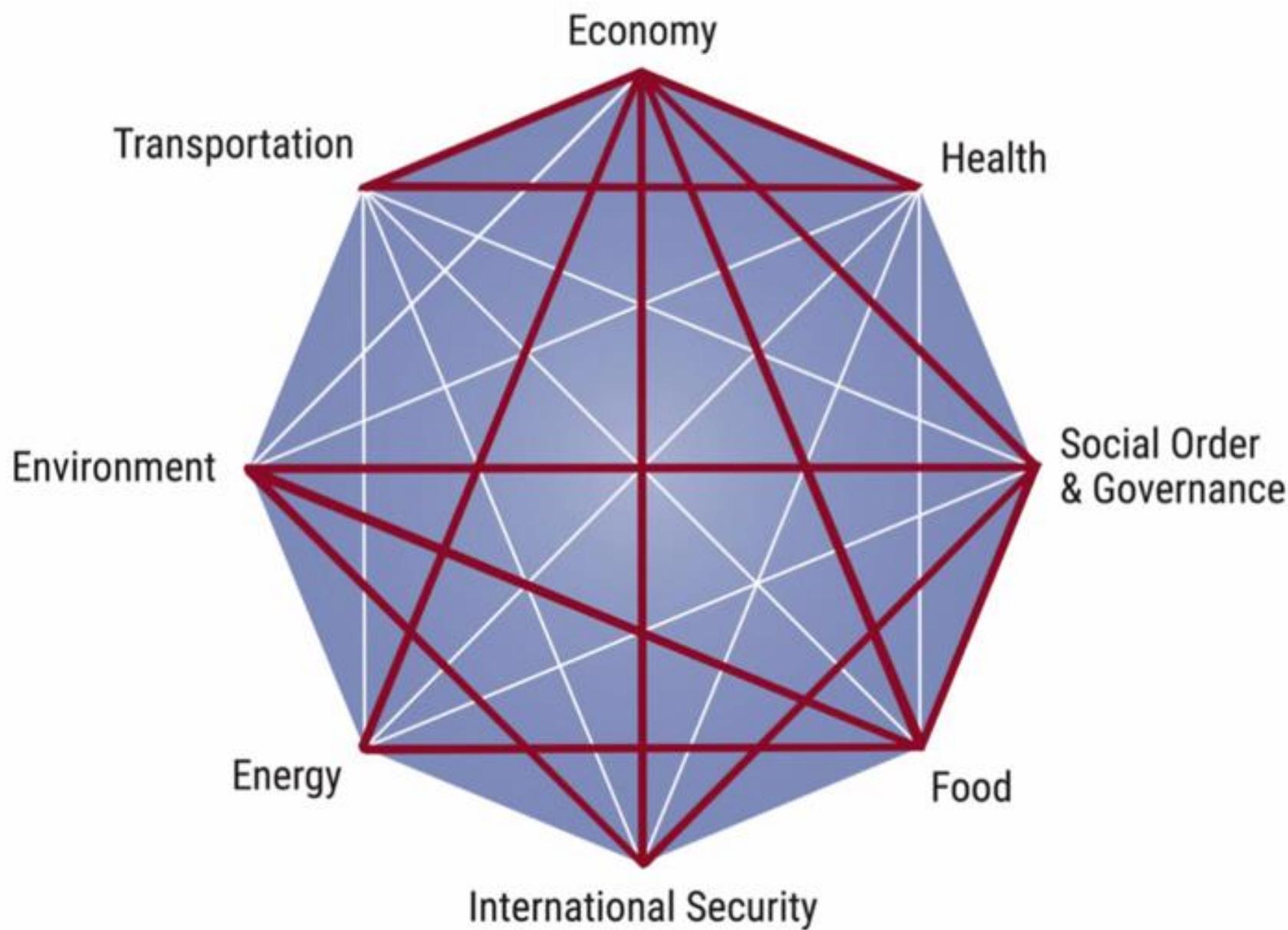
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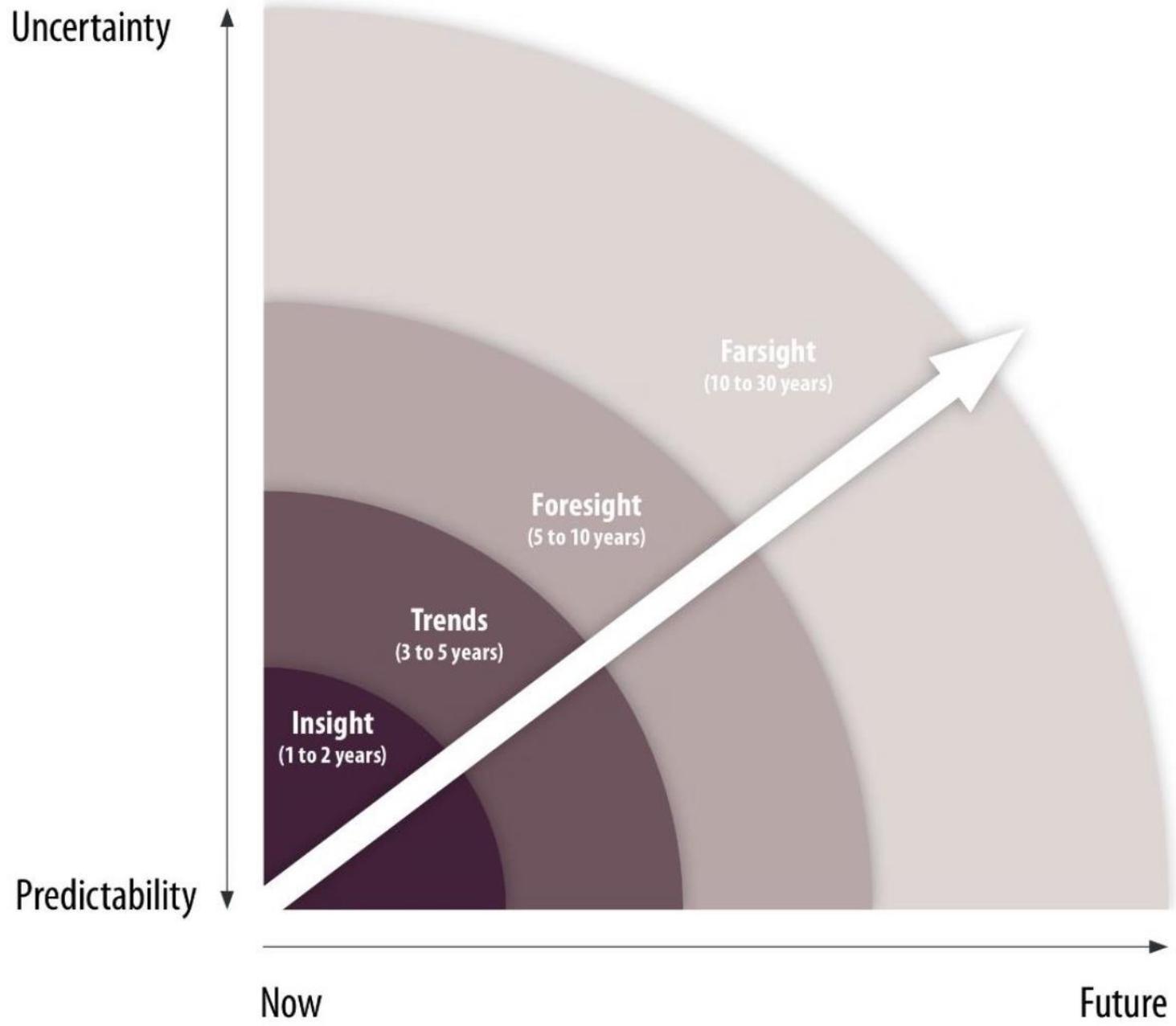
the simultaneous occurrence of  
several catastrophic events





**Figure 1 – Global Strategic Trends: Outcome Assessment**



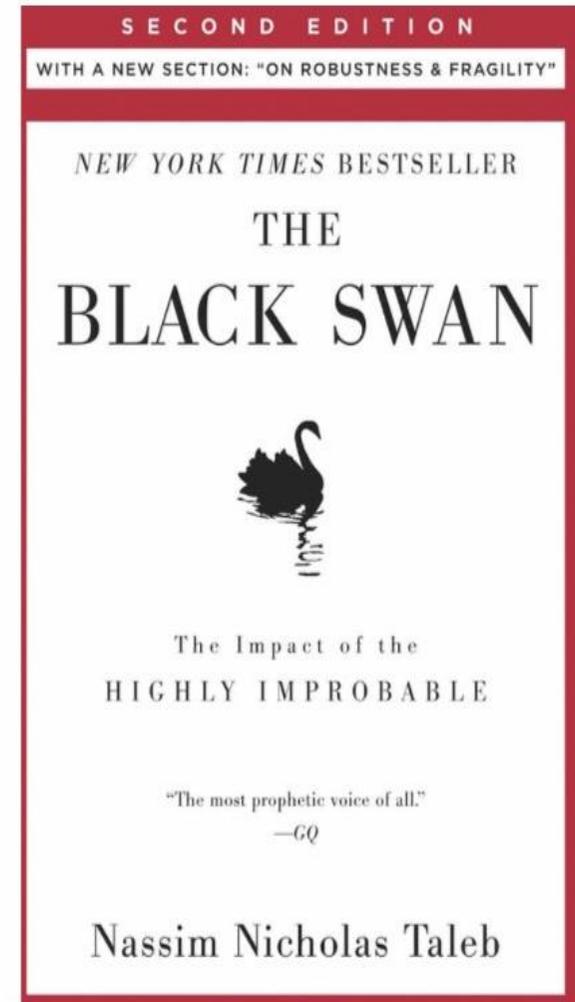


# Black Swan: Low probability / High Impact

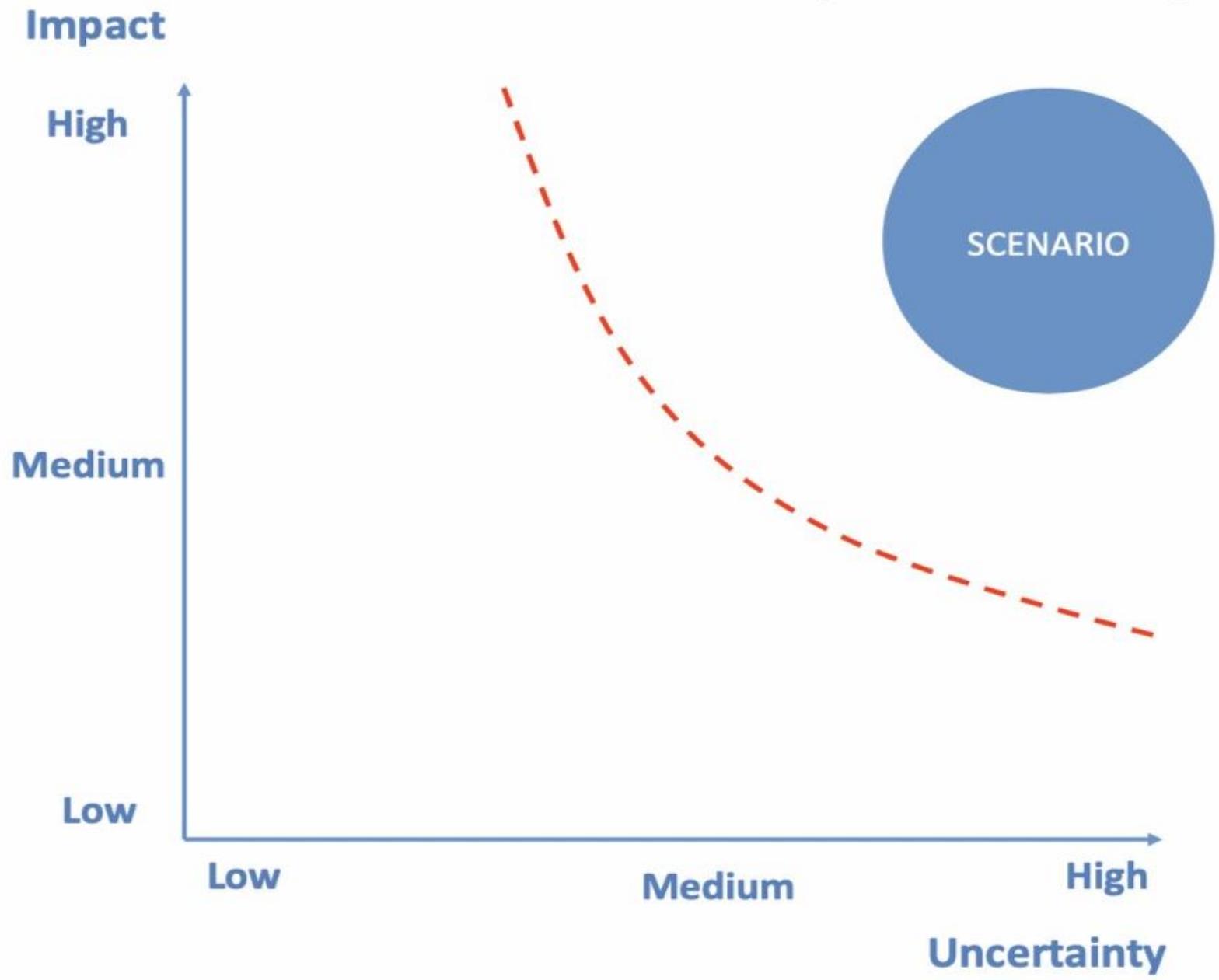
A Black Swan event has three criteria:

1. It must be an outlier
2. It must have a major impact
3. It must be declared predictable in hindsight (*Low probability/High Impact*)

**Is the 2018 trade war a Black Swan event?**



Rank the drivers in relation to impact and uncertainty



# Unknown unknowns

*There are known knowns; there are things we know that we know.*

*There are known unknowns; that is to say, there are things that we now know we don't know.*

*But there are also unknown unknowns – there are things we do not know we don't know.*

-Donald Rumsfeld

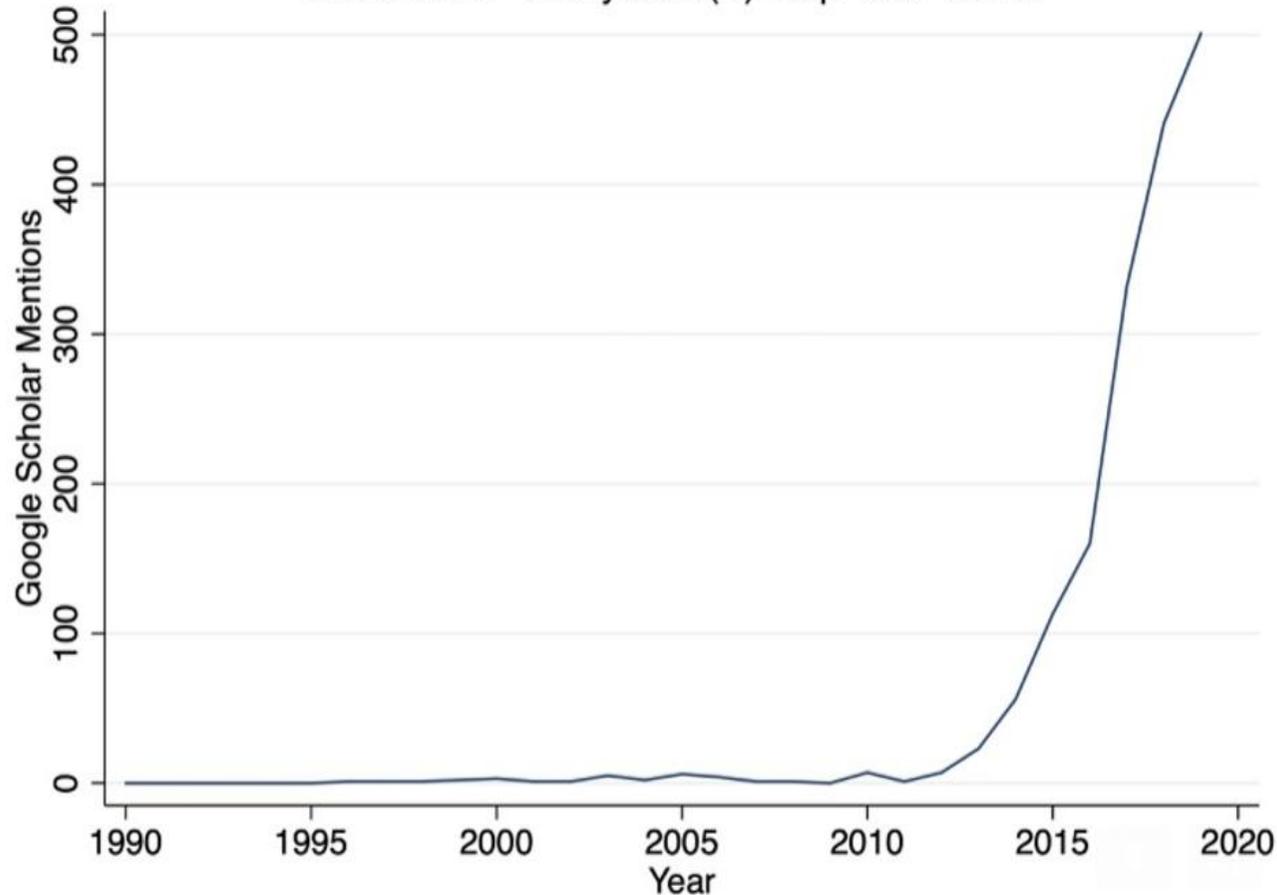




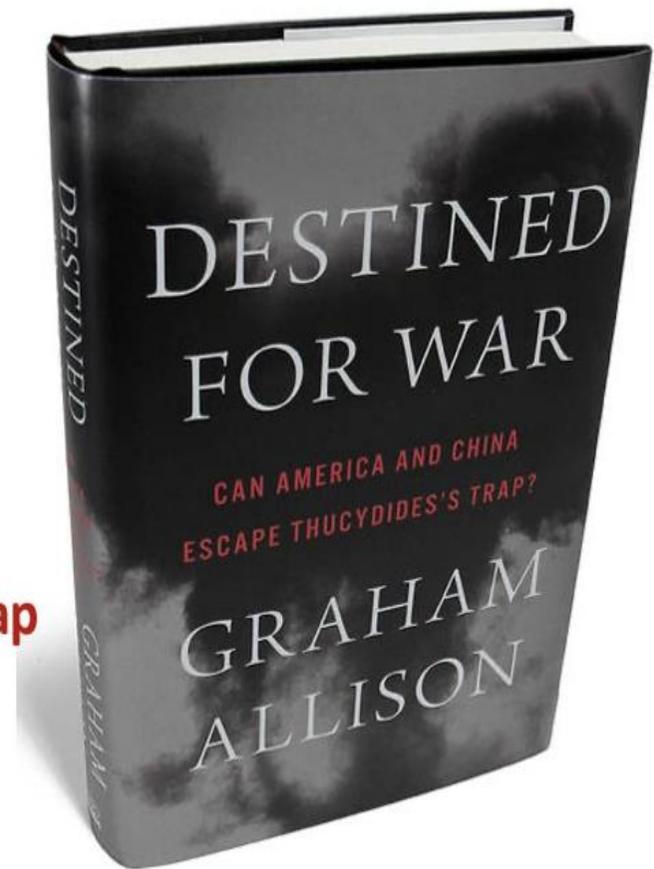
## **The Sino-American Antagonism**

# What do we really know about wars of Hegemonic Transition?

Mentions of "Thucydides('s) Trap" and "China"



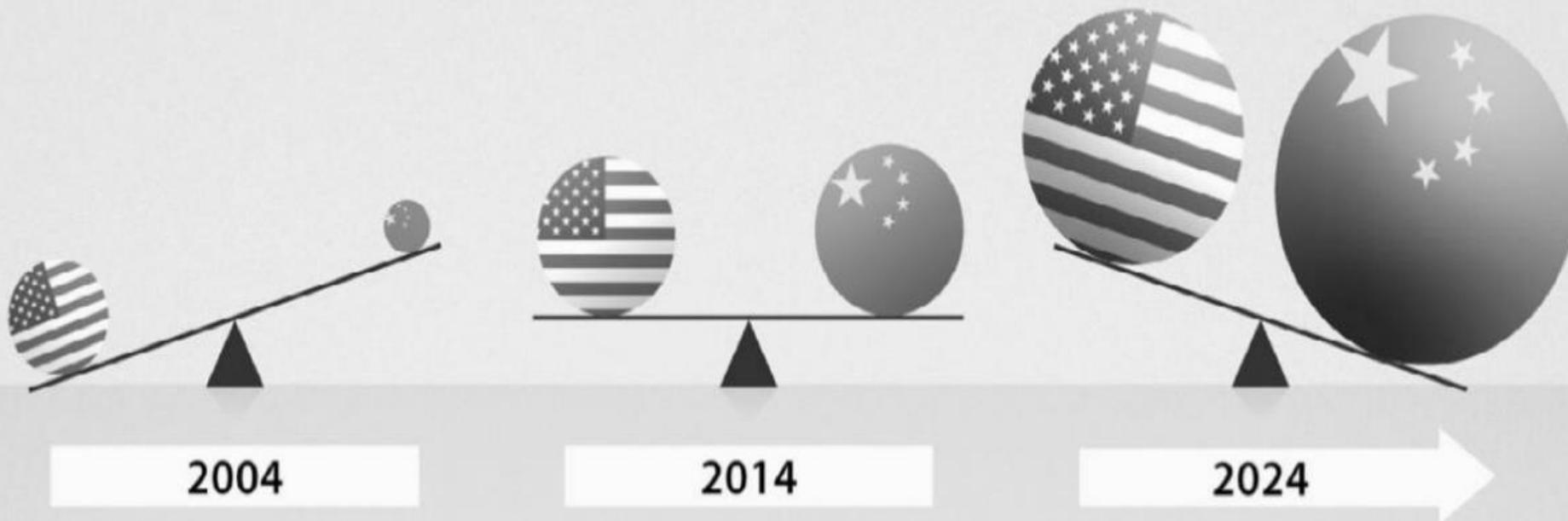
Why the White House Is Reading Greek History:  
The Trump team is obsessing over Thucydides, the  
ancient historian who wrote a seminal tract on war  
*The Politico, June 2017*



**Xi Jinping:** "There is no such thing as the so-called Thucydides Trap in the world,"

**Ash Carter:** "The dominant mental methodology of real policymakers is historical reasoning, not economics."

# Who's rebalancing whom?



GDP (PPP), in billions of dollars

|       | 2004   | 2014   | 2024 est. |
|-------|--------|--------|-----------|
| China | 5,760  | 18,228 | 35,596    |
| US    | 12,275 | 17,393 | 25,093    |

Source: IMF, Economist Intelligence Unit

# USA vs CHINA 2024

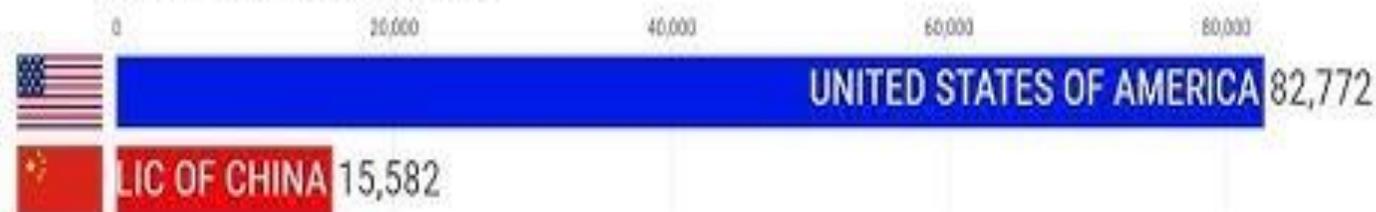
Nominal GDP (in billion \$)



GDP PPP (in billion \$)



GDP Percapita (in \$)



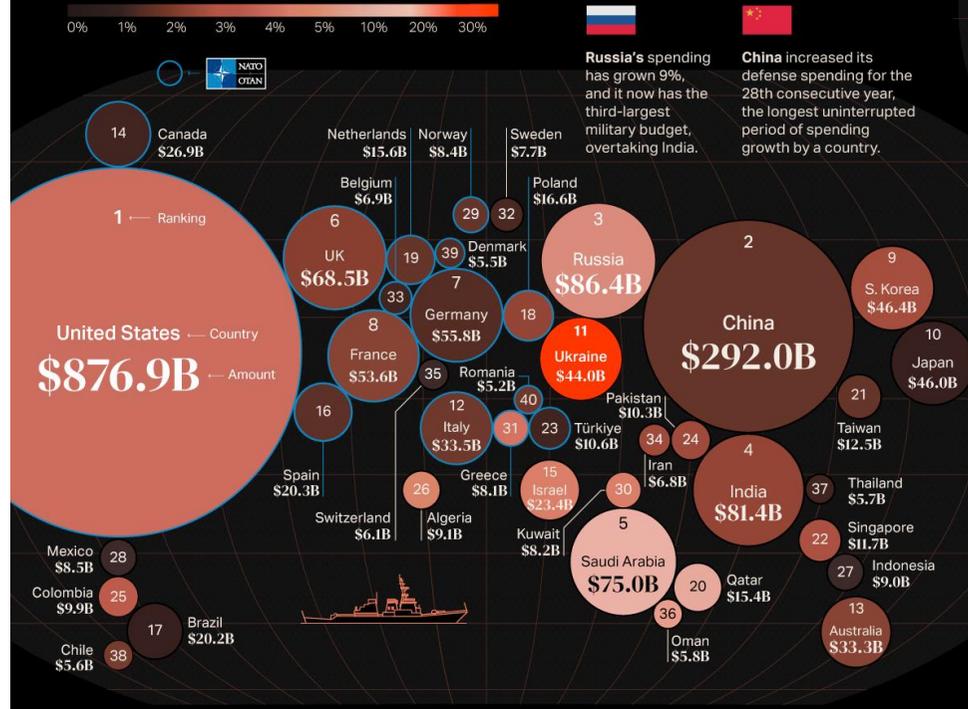
Population (in million)





# TOP 40 COUNTRIES IN Military Spending 2022

MILITARY SPENDING AS A SHARE OF GDP (%) 2022

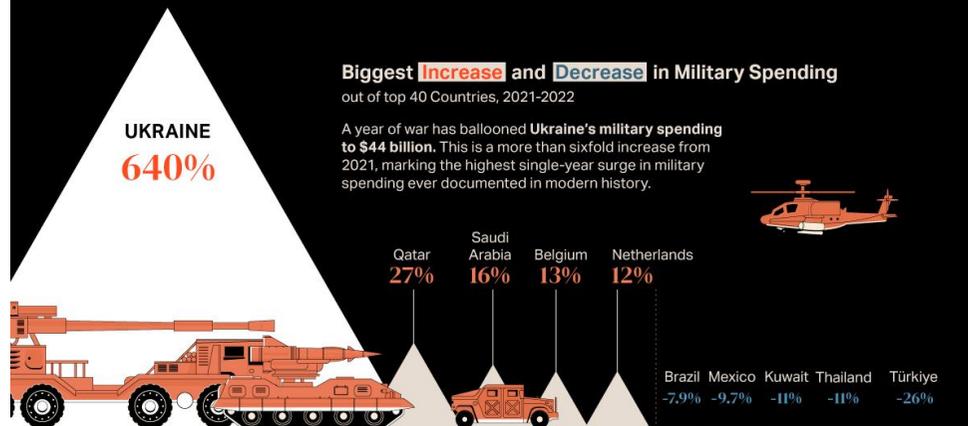


**Russia's** spending has grown 9%, and it now has the third-largest military budget, overtaking India.

**China** increased its defense spending for the 28th consecutive year, the longest uninterrupted period of spending growth by a country.

## Biggest Increase and Decrease in Military Spending out of top 40 Countries, 2021-2022

A year of war has ballooned **Ukraine's** military spending to **\$44 billion**. This is a more than sixfold increase from 2021, marking the highest single-year surge in military spending ever documented in modern history.



Source: Trends in World Military Expenditure, 2022, Stockholm International Peace Research Institute (SIPRI)

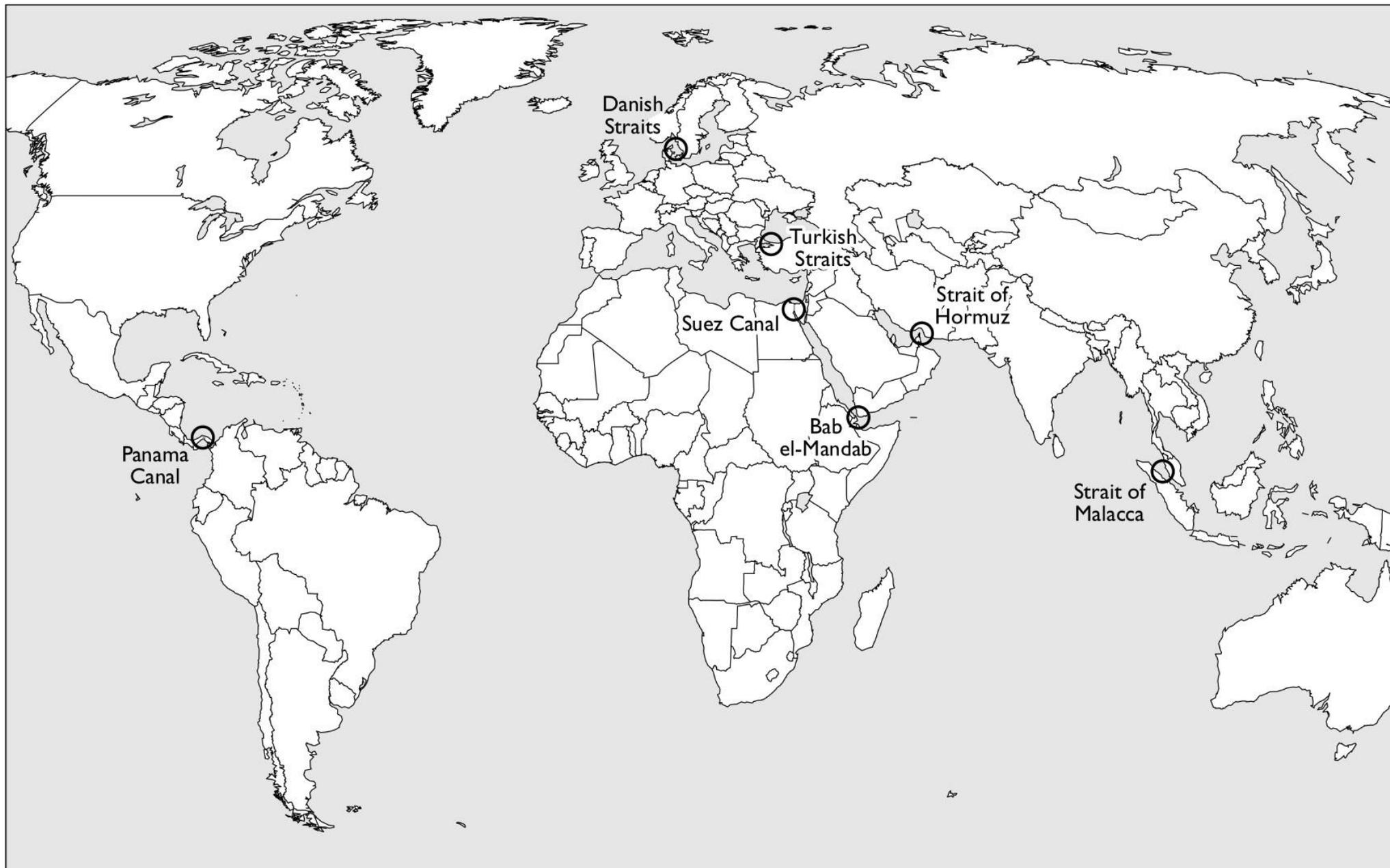


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# Additional US strategic advantages

- Hegemony on the cheap: only 3,5% of GDP for defense (7% Cold War, 42% WWII)
- Geography: surrounded by two friends and two oceans
- Economic sufficiently
- Energy dominance, energy exporter
- Control of the sea (95%) and the global commons
- Share of world innovation:35%
- Primacy in Artificial Intelligence (AI), machine learning
- Leading education: 16 out of the top 20 universities
- Political and social resilience
- Alliance dynamics: bandwagoning
- Control of foreign currency reserves: 64%
- Good long-term demographics: stable median age
- Global military presence (600 bases) and formidable power projection



MAP 2 Major chokepoints

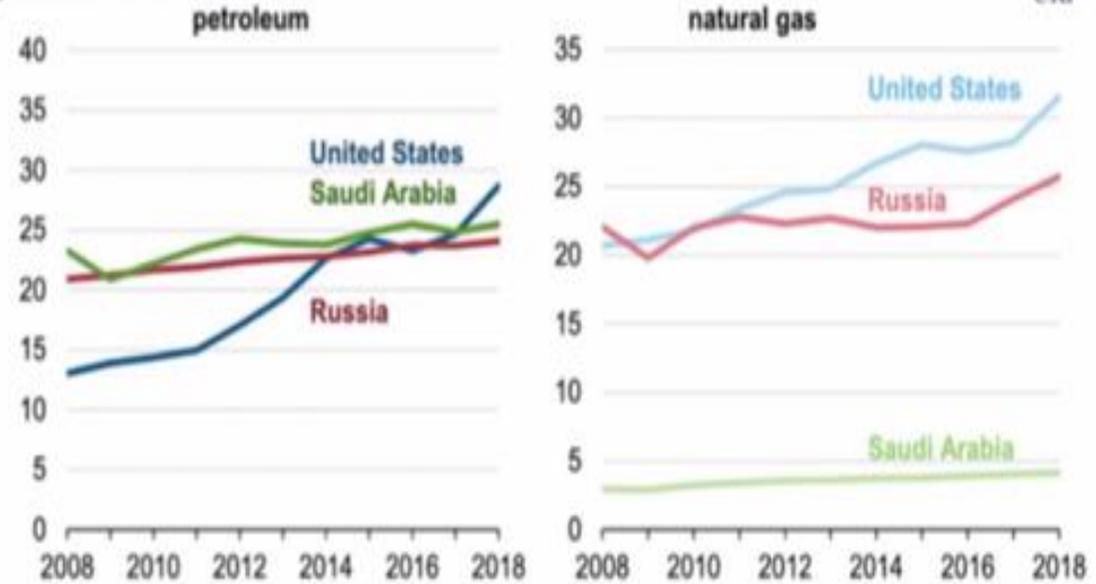
# Pumped

Oil and gas production  
As % of world total



Source: BP

Estimated petroleum and natural gas production in selected countries  
quadrillion British thermal units



**Fig. 11.1** Estimated petroleum and natural gas production in selected countries (Source U.S. Energy Information Administration, based on International Energy Statistics. Note Petroleum includes crude oil, condensate, and natural gas plant liquids)

# US grand strategy matrix

*Deep*

*Soft*

*Engangement*

Liberal  
hegemony

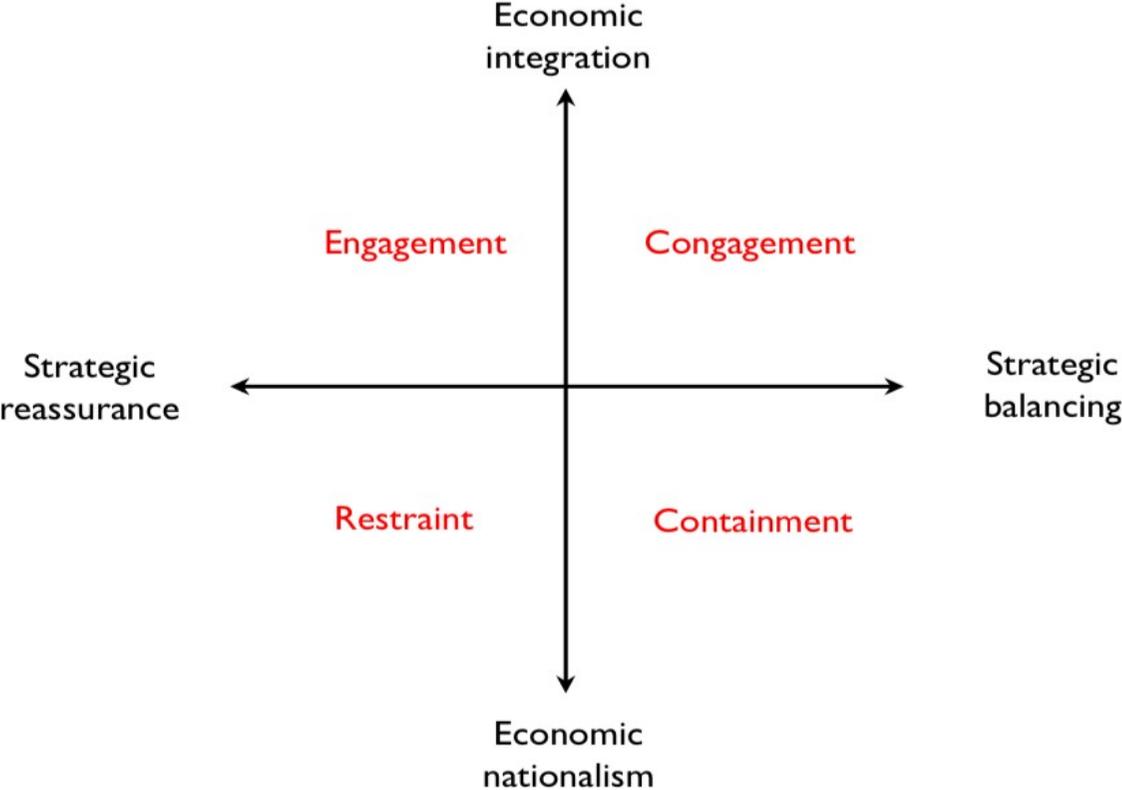
Selective  
engagement

*Disengagement*

Isolation

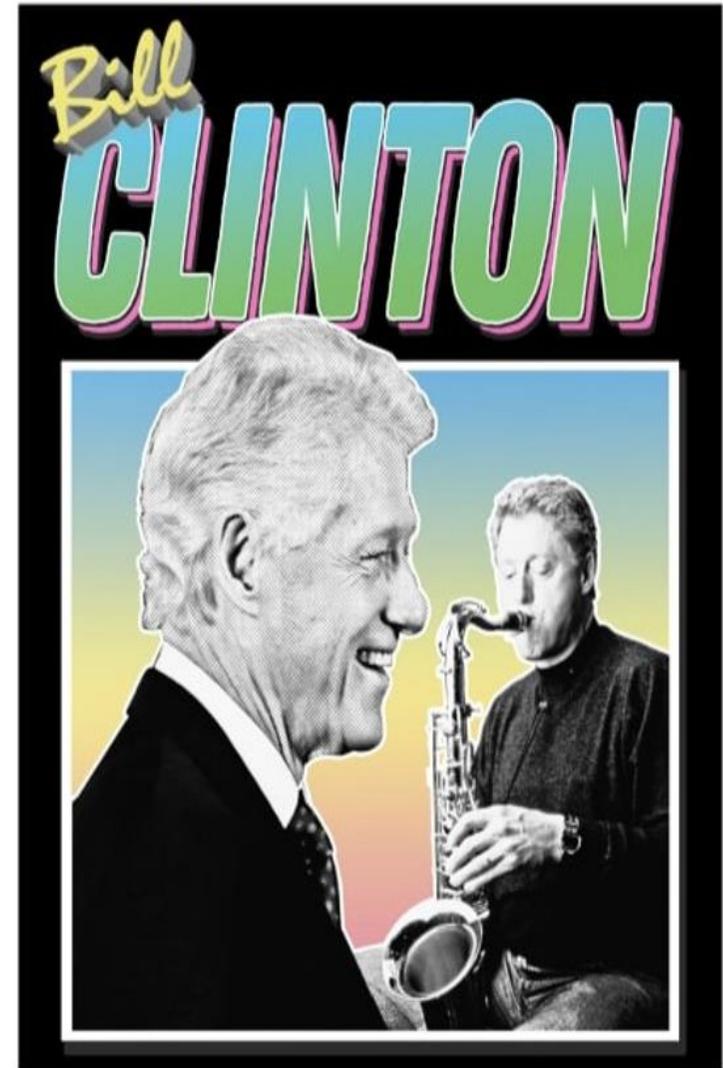
Restraint/Offshore  
balancing

US strategic responses to China's rise



# From engagement

By joining the W.T.O., China is not simply agreeing to import more of our products; it is agreeing to import one of democracy's most cherished values: **economic freedom**. The more China liberalizes its economy, the more fully it will liberate the potential of its people — their initiative, their imagination, their remarkable spirit of enterprise. And when individuals have the power, not just to dream but to realize their dreams, they will **demand a greater say**.



# to decoupling and strategic protectionism (Containment?)

The PRC, by contrast (to Russia), is the only competitor with both the intent to reshape the international order **and, increasingly, the economic, diplomatic, military, and technological power** to advance that objective. 2022 USNSS, p.8

Dr. Peter Navarro:

**Economic Security = National Security**

**Strategic Advantage VS. Comparative Advantage**

FIRRMA - Foreign Investment Risk Review Modernization Act (2018)

Biden has retained the tariffs on China imposed by Trump and added lavish subsidies designed to reindustrialise America and give the US the lead in the technologies of the future.

## NATIONAL SECURITY STRATEGY

OCTOBER 2022



THE WHITE HOUSE  
WASHINGTON





# US Geoeconomic Policy Actions

## Confronting China – the U.S. National Security Toolbox

### Export Controls



### Sanctions

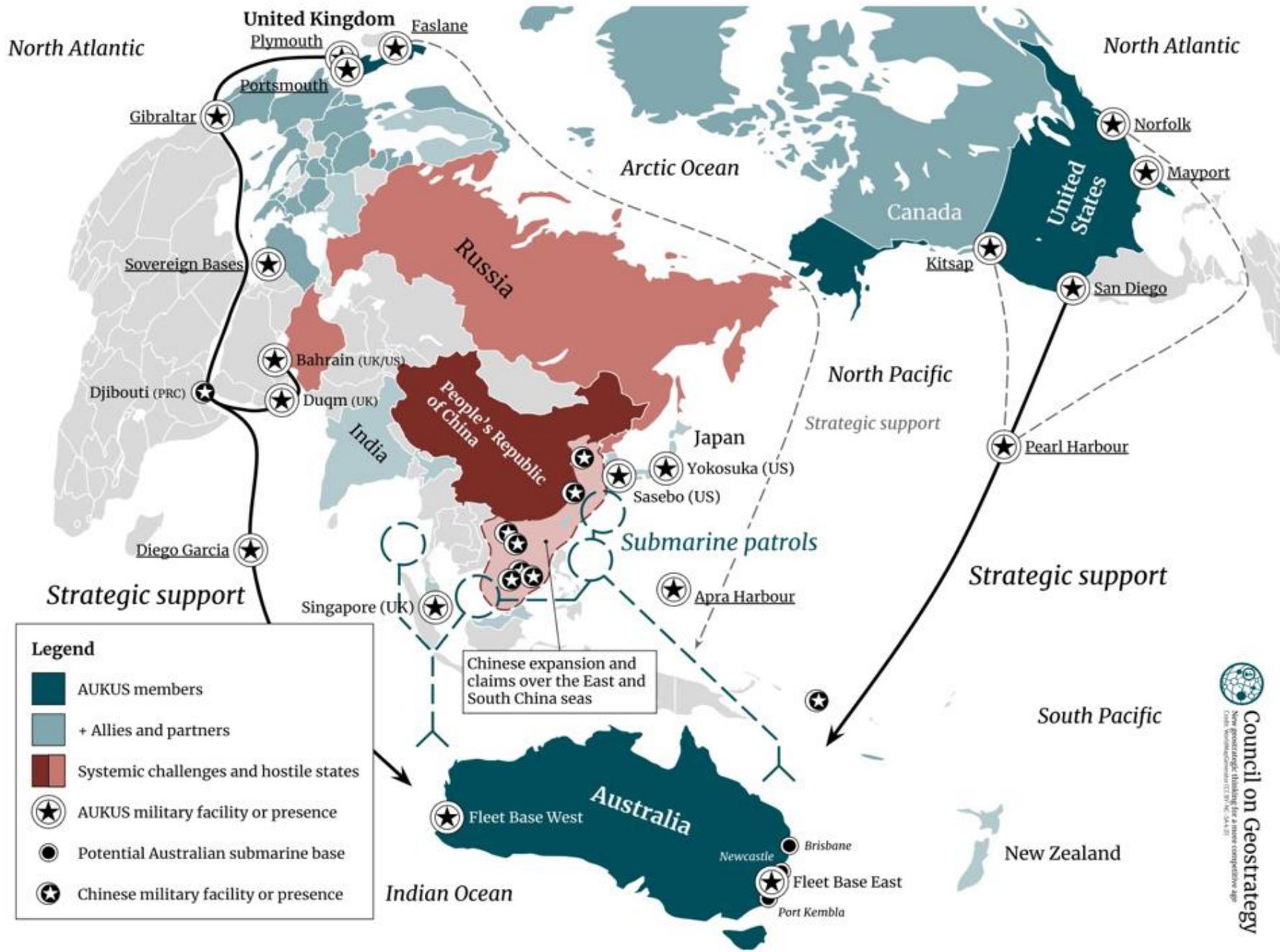


### Other Measures



# Chokepoints and U.S. Encroachment

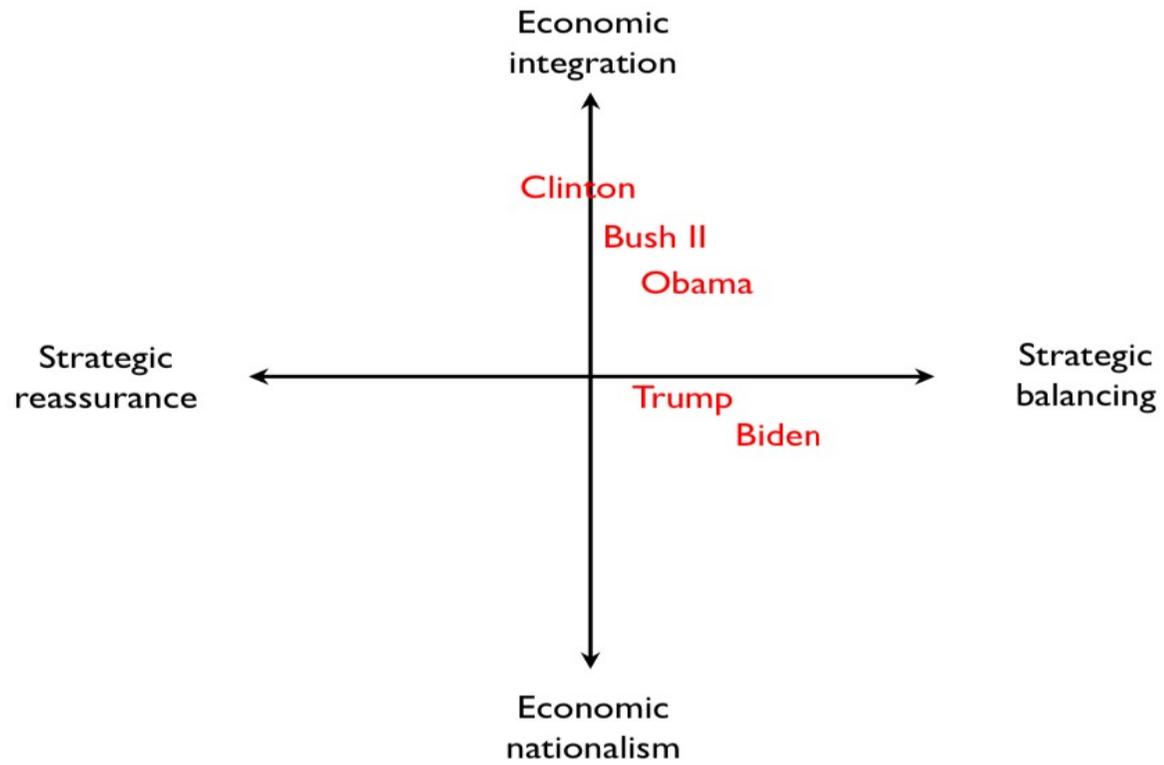




**Legend**

- AUKUS members
- + Allies and partners
- Systemic challenges and hostile states
- ★ AUKUS military facility or presence
- Potential Australian submarine base
- ★ Chinese military facility or presence

## US responses to China's rise by president

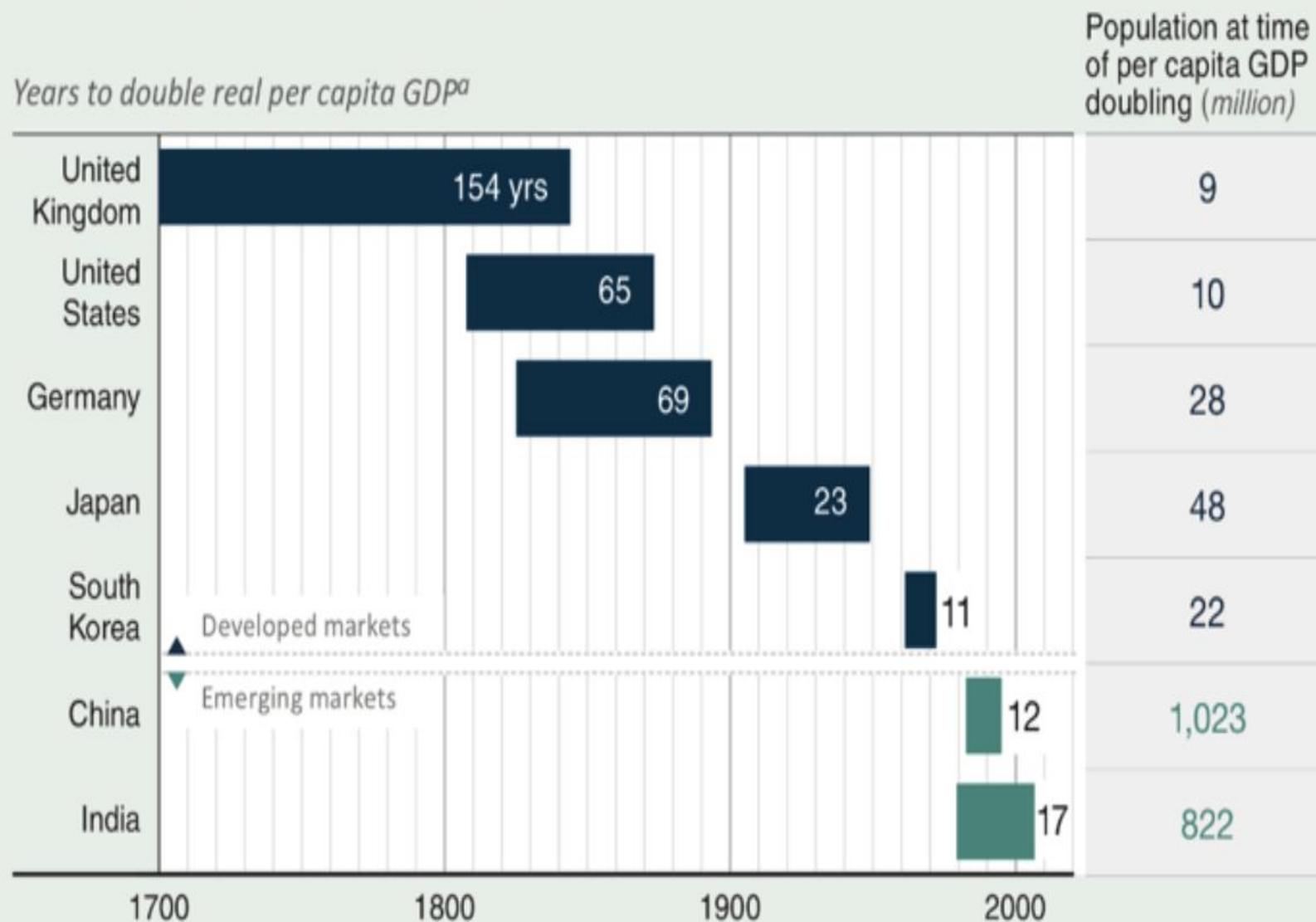




Britain's Royal Navy defeats China in the First Opium War, 1839–1841, giving Britain control over Hong Kong and initiating what China calls the “Century of Humiliation.”

# In Emerging Economies, Incomes Are Rising Faster, and at a Greater Scale, Than at Any Point in History

India and China doubled per capita income much faster than much smaller emerging economies in the past.



<sup>a</sup>From \$1,300 to \$2,600 per year at purchasing power parity.

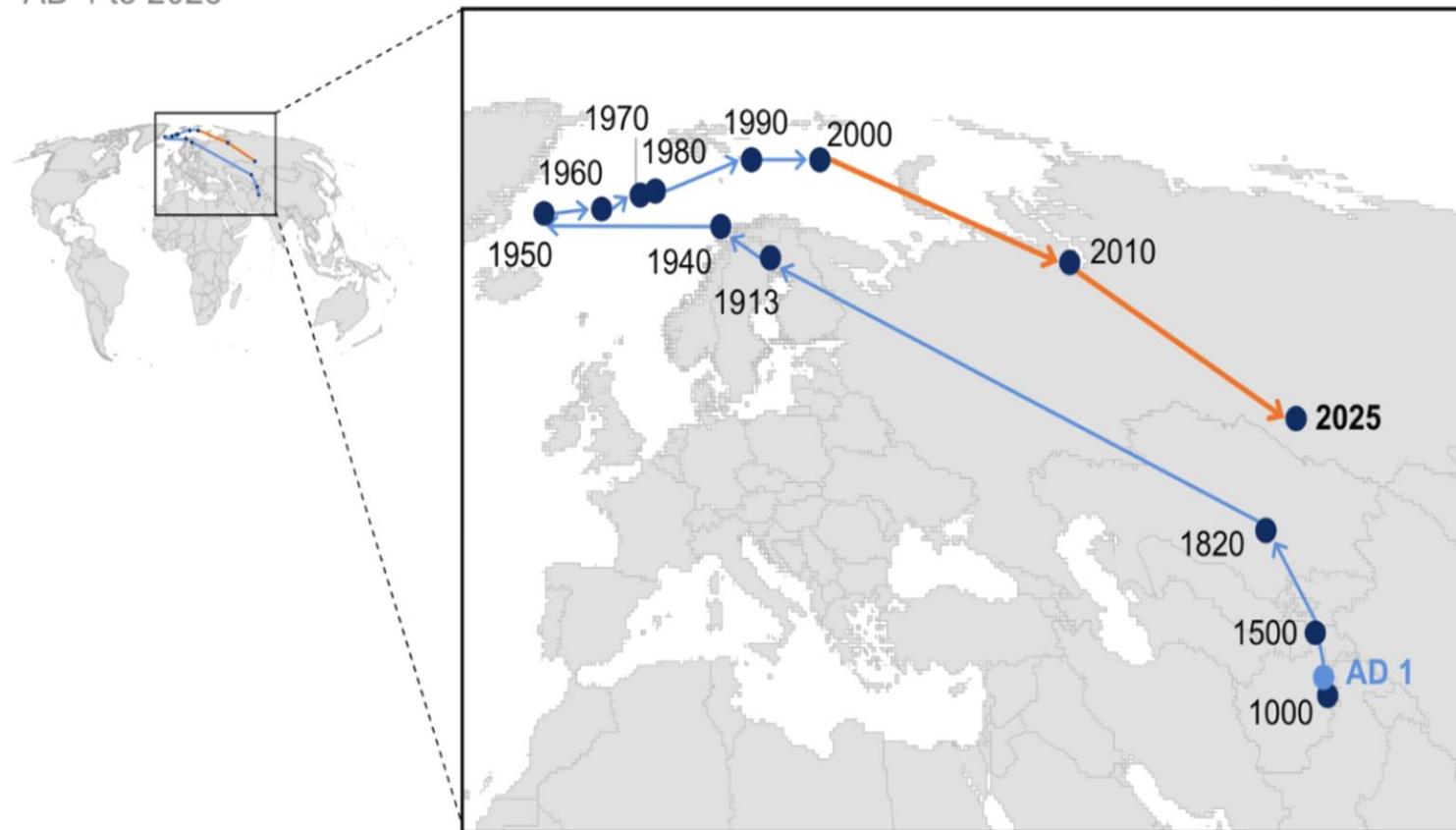
Source: Groningen Growth and Development Center, The Maddison-Project database, Groningen, Netherlands, 2013. <http://www.ggdc.net/maddison/maddison-project/home.htm>, 2013 version.

### Exhibit 3

**By far the most rapid shift in the world's economic center of gravity happened in 2000–10, reversing previous decades of development**

Evolution of the earth's economic center of gravity<sup>1</sup>

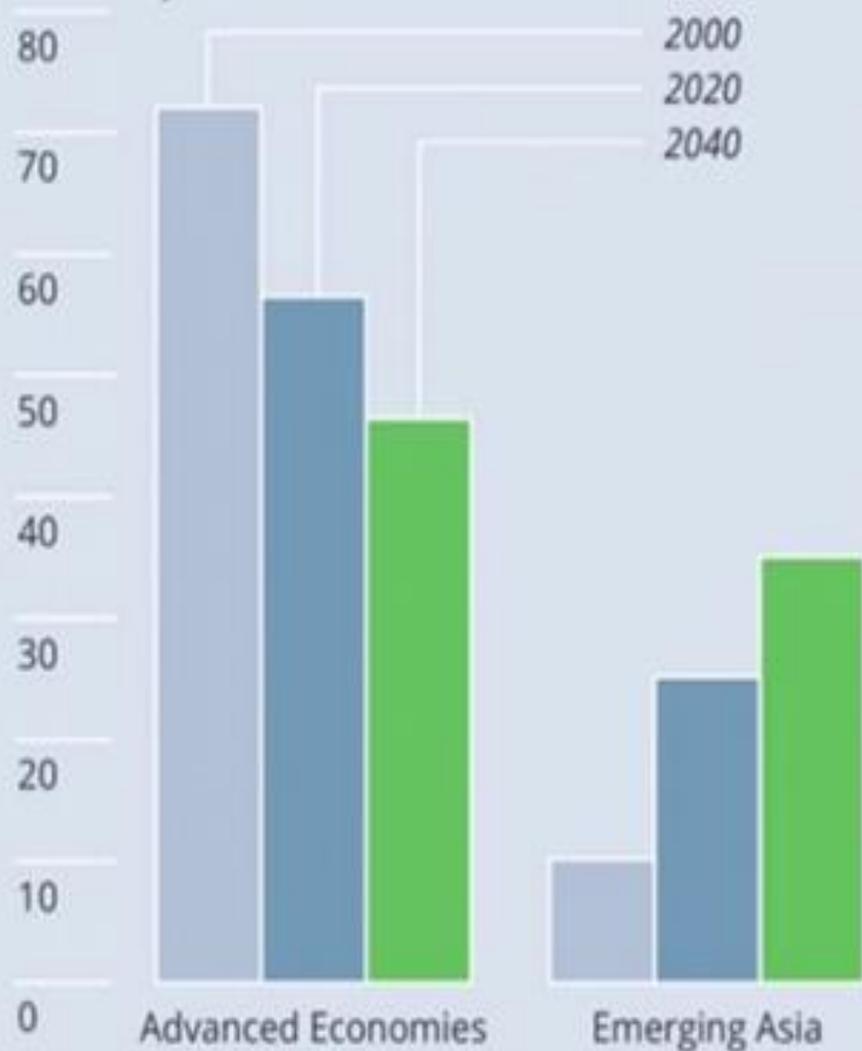
AD 1 to 2025



<sup>1</sup> Economic center of gravity is calculated by weighting locations by GDP in three dimensions and projected to the nearest point on the earth's surface. The surface projection of the center of gravity shifts north over the course of the century, reflecting the fact that in three-dimensional space America and Asia are not only "next" to each other, but also "across" from each other.

## ECONOMIC WEIGHT SHIFTING TO ASIA

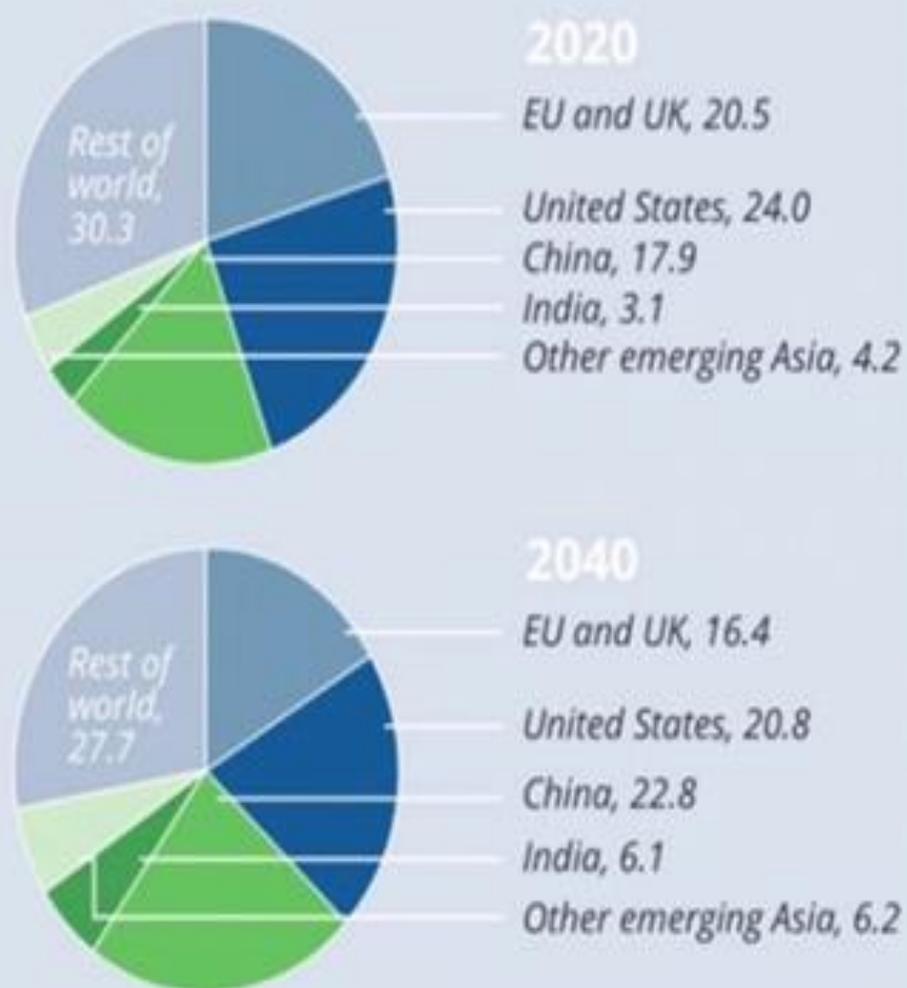
Percent of world GDP



Source: Oxford Economics.

## FORECAST SHARE OF WORLD GDP

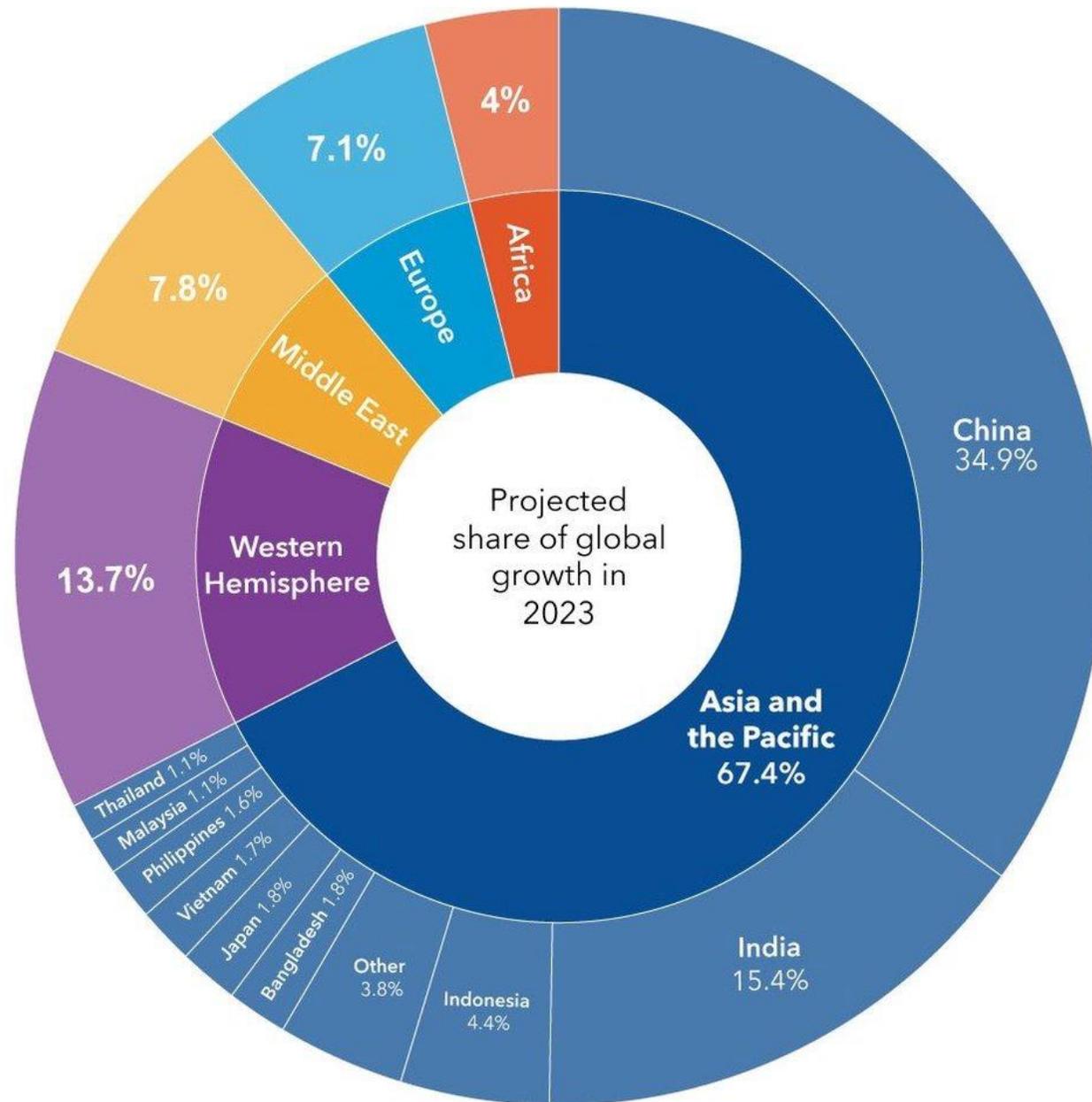
Percent



Source: Oxford Economics.

# Bigger driver

Asia will contribute about 70% of global growth this year.



Source: IMF, World Economic Outlook, April 2023.

Note: Groupings based on IMF Regional Economic Outlook classifications.

# Meet My Five Billion Neighbors

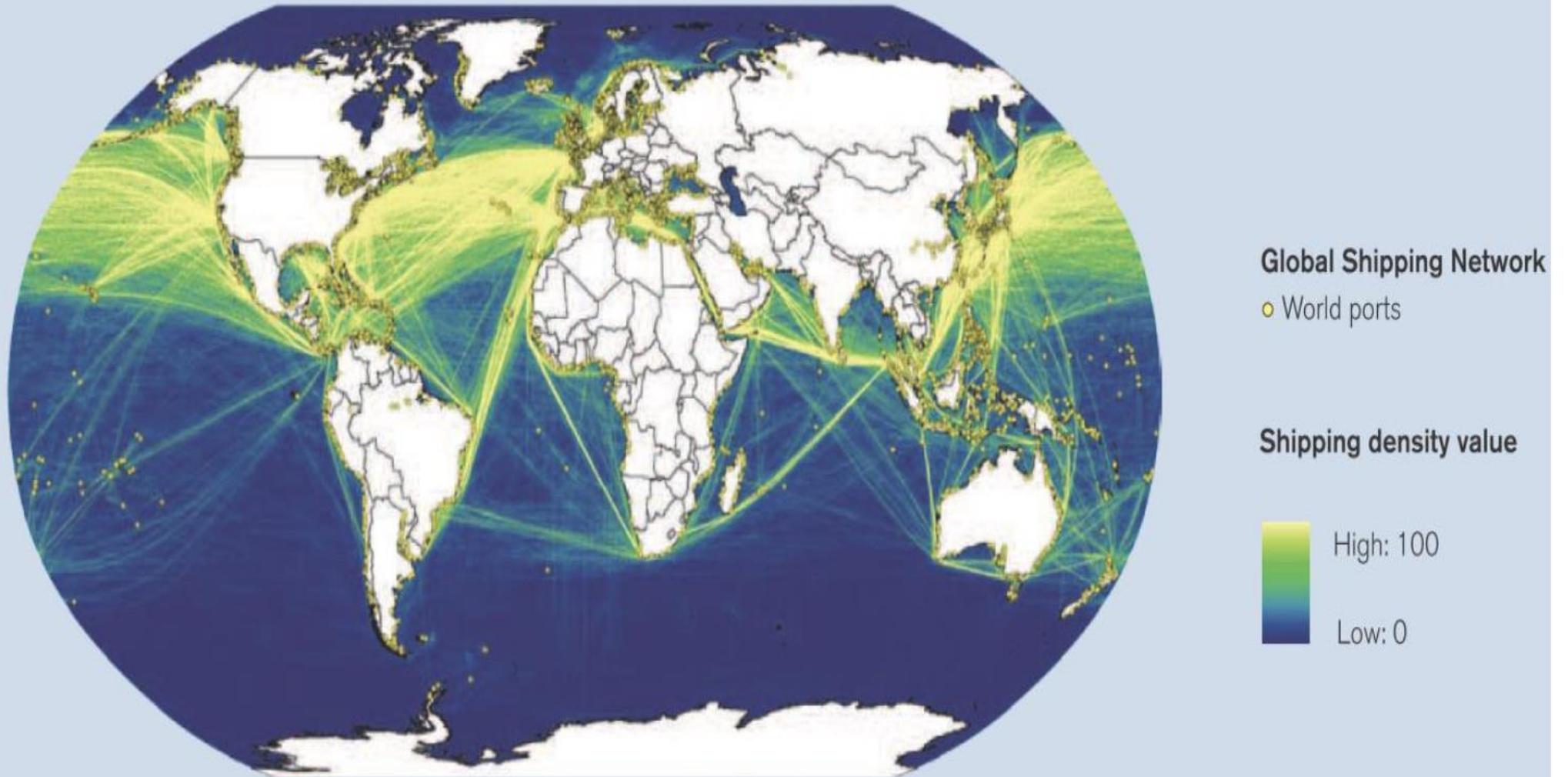
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There are more people living inside this circle than outside of it.

**POPULATION: Asia = 5 Billion > Americas (1 Billion) + Europe/Middle East/Africa (2 Billion)**

Figure 4.12: Global shipping routes, pipelines and world ports



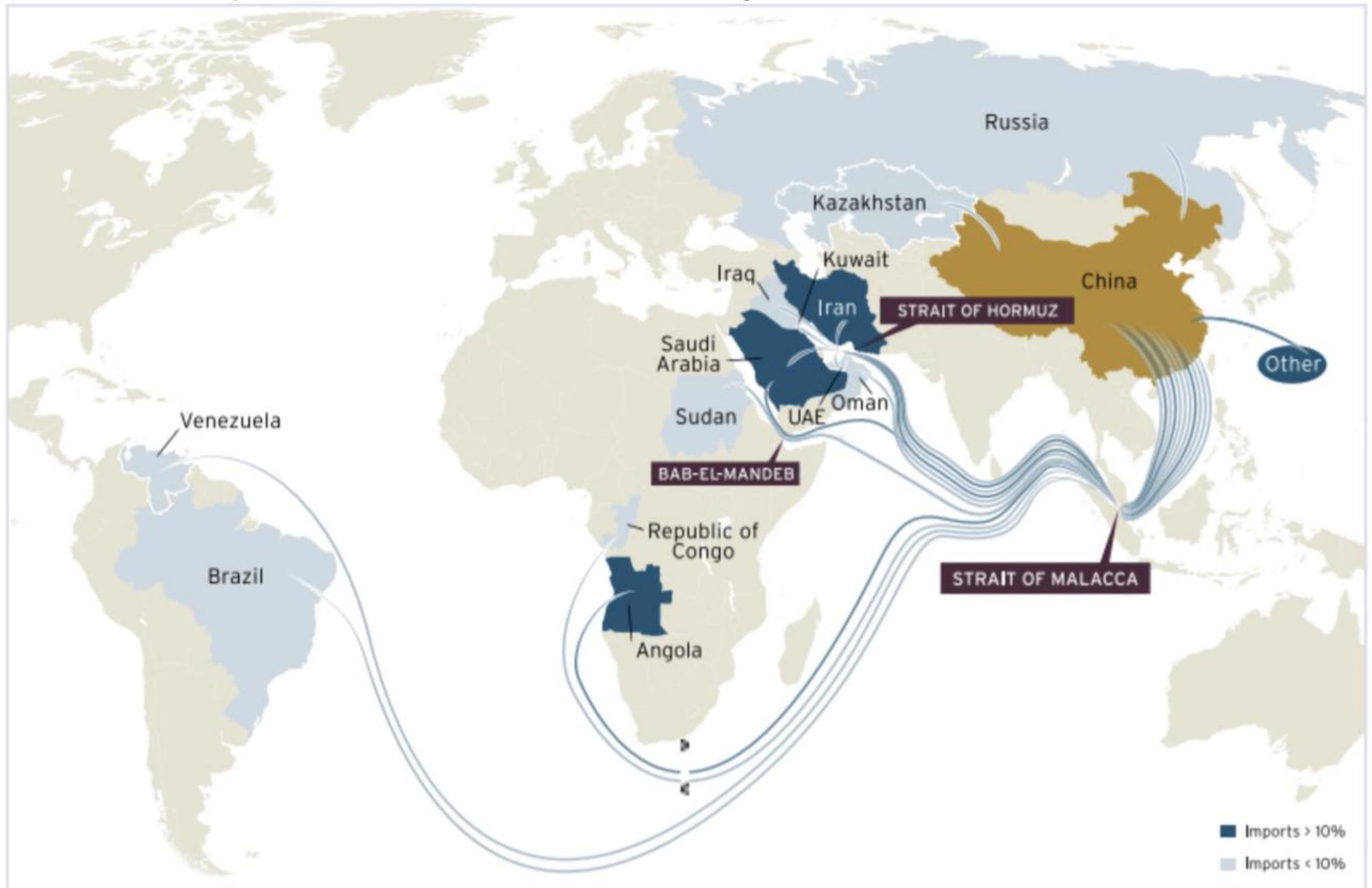
Sources: Hadley Centre (2010), NCEAS (shipping routes), FAO (ports), GIS-Lab (pipelines).



A huge container ship in Shanghai's port.  
Seven of the ten largest container ports in the world are in China



# China imports: Trade vulnerability and the Malacca dilemma





Satellite image from CNES 2021 on Thursday shows Ever Given stuck in Suez Canal. (CNES image)

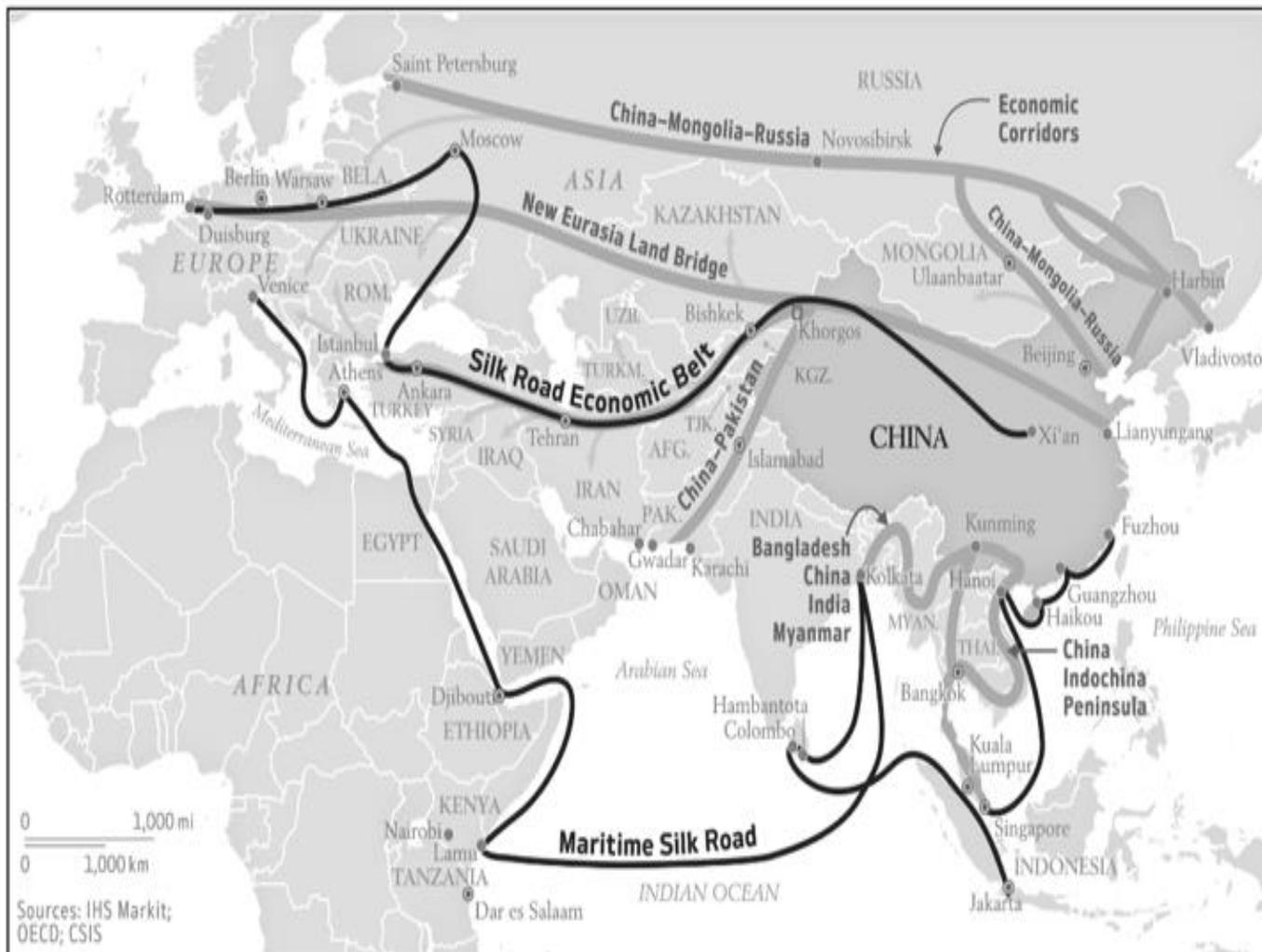


| The Evergreen container ship, stuck and blocking the Suez Canal.

# Ever Given

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- Mar 2021 – *Ever Given* caught in sandstorm (doing 15 in a 10), turned sideways, blocked width of Suez
- Required 14 tugs and a supermoon to dislodge vessel
- 300+ ships impacted almost immediately
- 16.9 million tons of cargo
- *Lloyd's List* estimates blockage cost \$400M/hour and,
- Additional \$9B/day in disruption in ripple effect
- Impacted already low inventory due to Covid



## China's Belt and Road Initiative

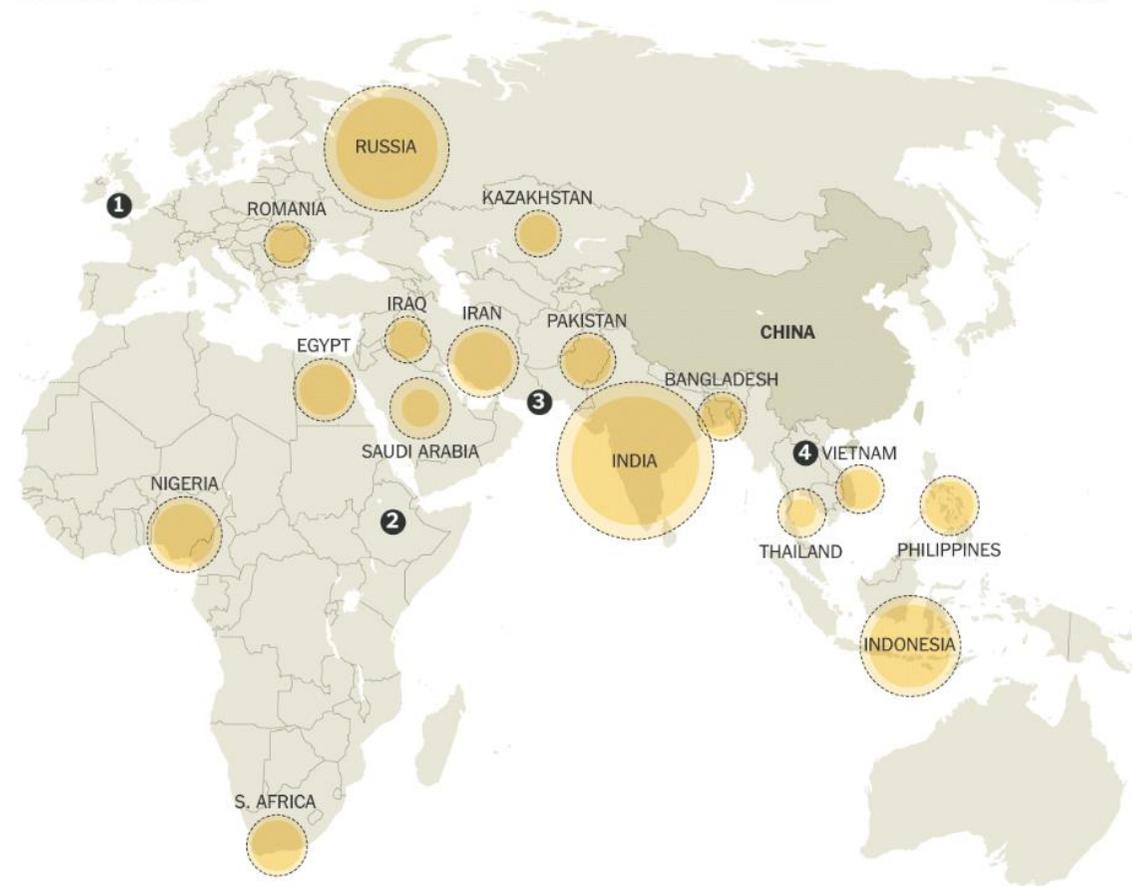
*Launched in 2013, the "BRI" aims to promote "connectivity" and reorder the global economy.*

## China's Global Ambitions

Under the "One Belt, One Road" plan, President Xi Jinping is remaking global trade and nurturing geopolitical ties. The audacious plan, with little precedent, promises more than \$1 trillion in infrastructure investments that span 60-plus countries across Europe, Asia and Africa.

**Countries participating in the plan and selected African countries expected to receive the most investment from China from 2017 to 2021**

Forecast investment from China 2017 - 2021, in billions



Selected major Chinese international investment projects



Khorgas was a crossing point through the mountains on the ancient Silk Road. Today, on the border between China and Kazakhstan, it is the giant “land port” for speeding containers filled with goods from China on to Europe.



A freight train leaves Khorgos, on the border of China and Kazakhstan, October 2017

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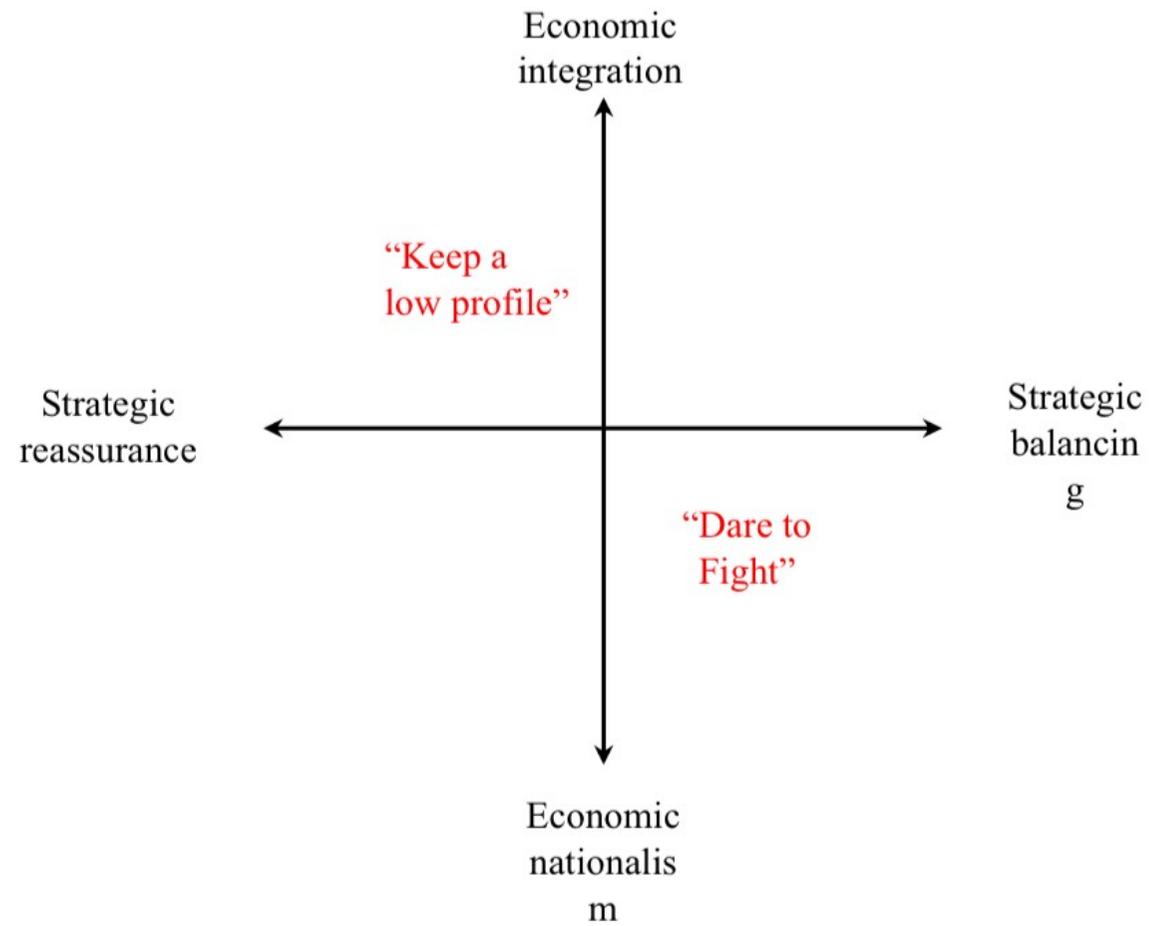


# Piloting to the East



[Trans-Mongolian Route for Power of Siberia 2](#)

## China's responses to American hegemony

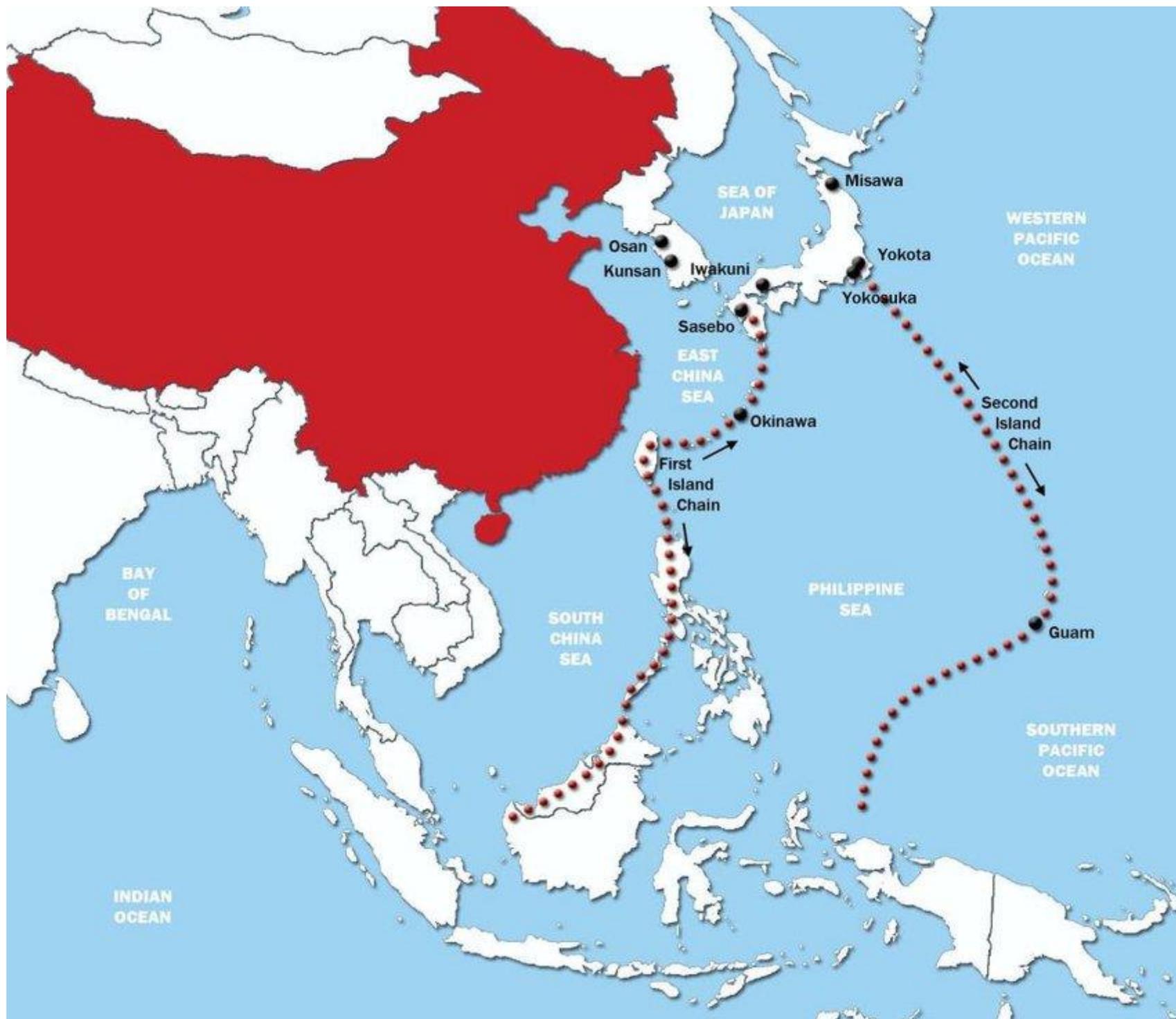




# BRICS Plus: Equal Partnership of Unequals?

GDP of current and future BRICS countries in 2022  
(international dollars at purchasing power parity)





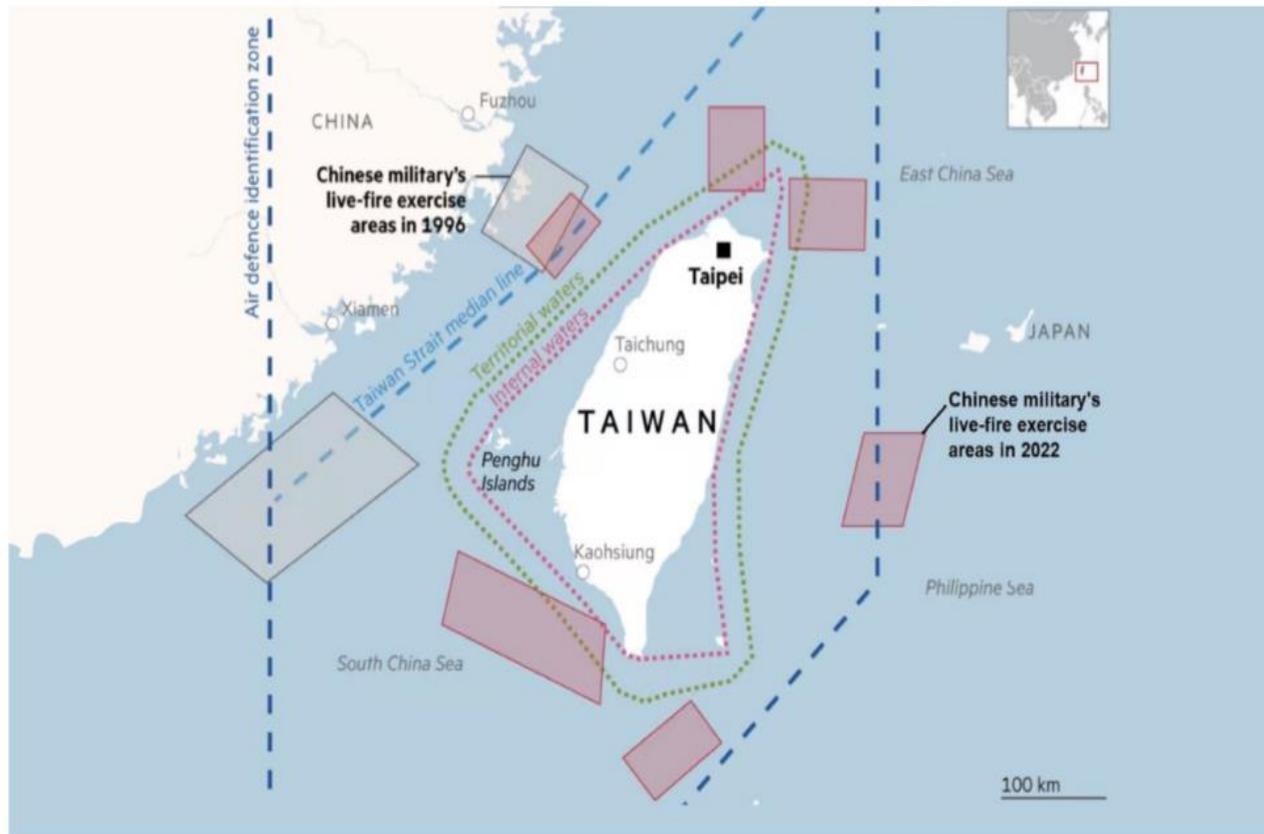


### South China Sea

China is claiming most of the South China Sea with its Nine-Dash Line map, leading to tension with Southeast Asian countries and the United States.



# East Asia: Impact of China and Taiwan conflict on shipping



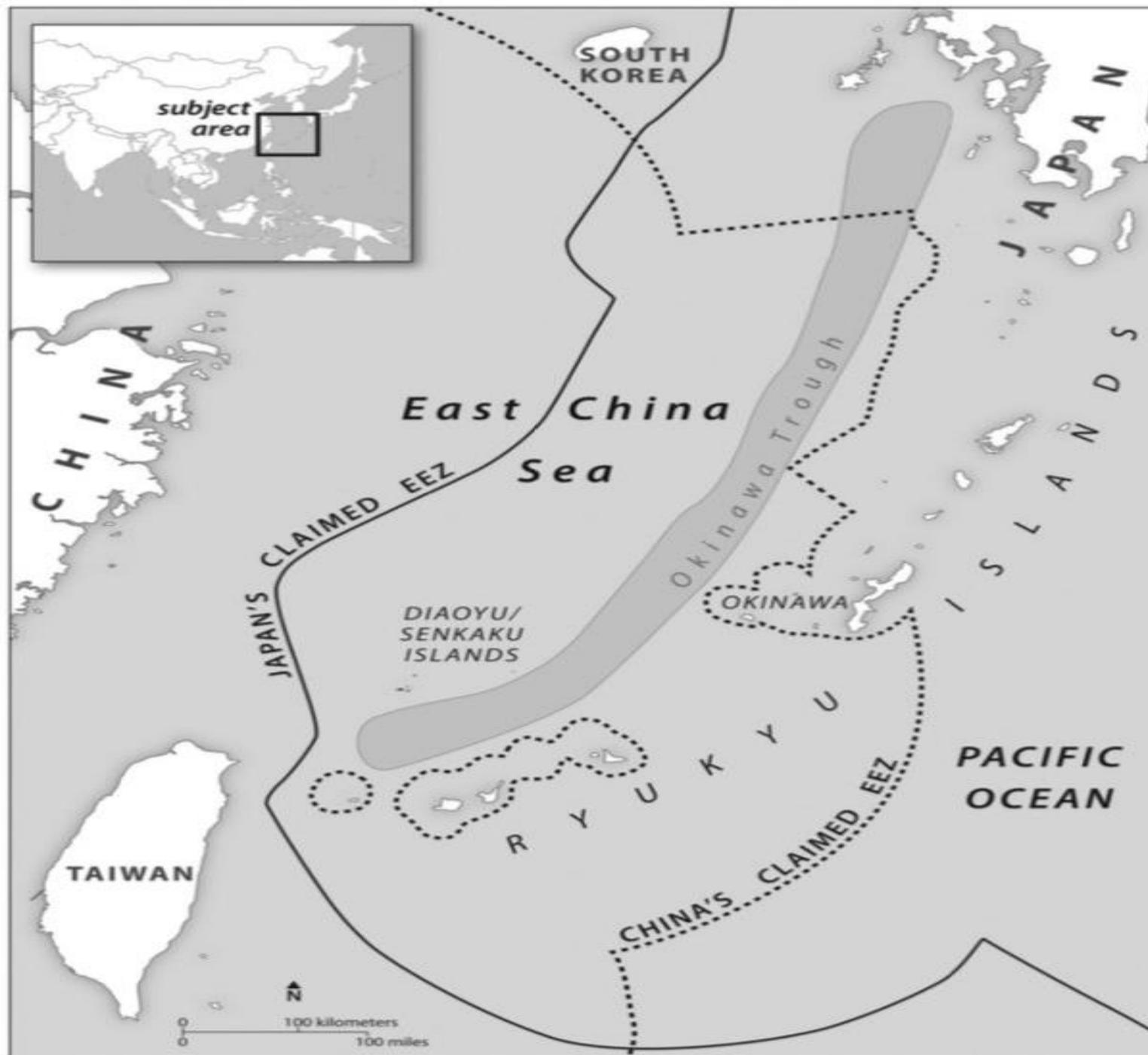
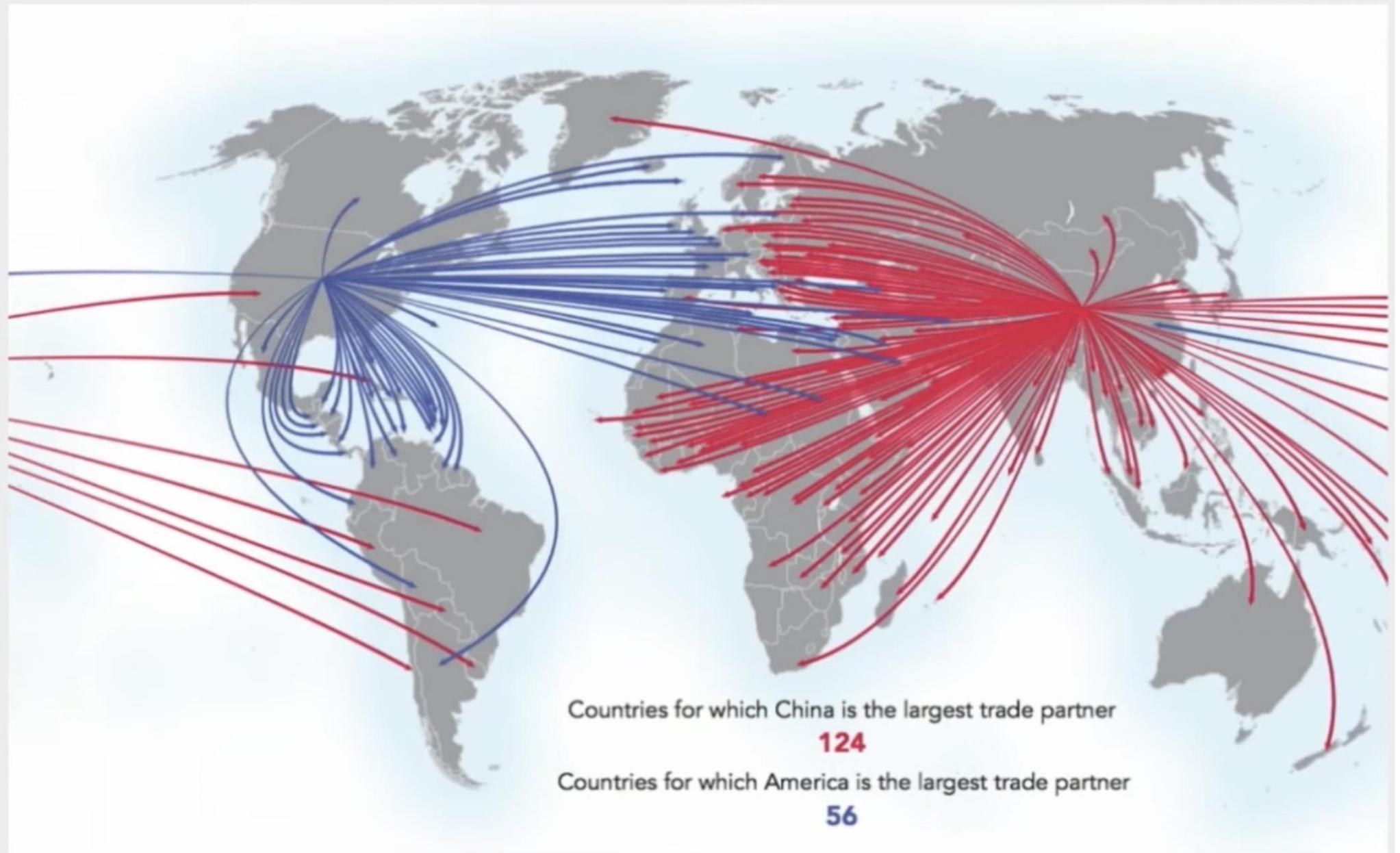


FIGURE 7.1. East China Sea and the Diaoyu/Senkaku Islands.

# Top Trading Partner of Most Nations



# Welcome to the New Brave World of Geoeconomics

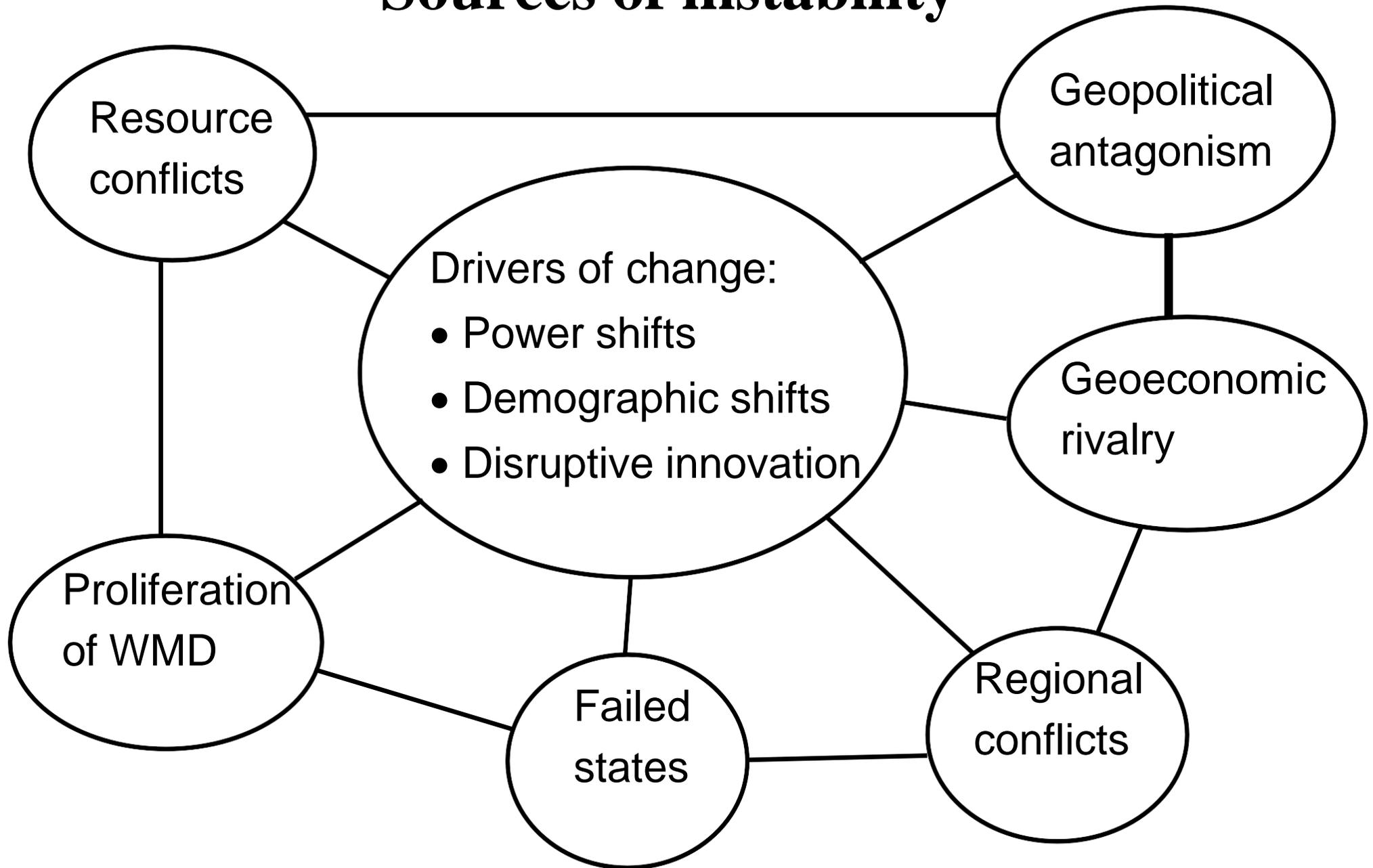
## Companies in the 'Global West' are talking more about geopolitics

4-quarter sum of corporate transcripts with 'geopolitics' or 'geopolitical' in North America, Europe and Japan



Source: AlphaSense  
© FT

# Sources of instability





**Thank you for your attention!**