

Evolving US Economic Strategic Approaches to China

Walter M. Hudson, Colonel, US Army (retired) is an associate professor at the Eisenhower School for National Security and Resource Strategy of National Defense University

Photo courtesy: Official White House Photo by Adam Schultz

Summary:

The United States has embraced a strategic rethink towards economic security in an attempt to engage in geoeconomics in recent years. Largely spurred by the rise of China and a recognition that economic considerations are inextricably linked to national security concerns, US efforts to develop an economic strategy have evolved along a general trend with two variations: a “small yard, high fence” approach and “industrial strategy.”

This first approach can be characterized as developing along a strategic center of gravity called “invest/align/compete” against China and shaping international order in the favor of the United States and its allies and partners. At the same time, this strategy keeps the door open to economic interaction with China, particularly if it behaves as a responsible actor within the current order.

The second, more forward-leaning approach developed as the administration hardened its approach over time in 2022. In particular, the United States now aims to maintain an edge over China technologically, by both investing at home and preventing Chinese access to bleeding edge critical technologies. This is partially a response to the scale of the challenge posed by China and other revisionist states, notably Russia following its unjustified invasion of Ukraine. Importantly, the “industrial strategy” approach includes a greater willingness to challenge existing features of the post-war international economic order and to engage in industrial policy.

While debate continues to rage, including about “peak China,” this merging of previously siloed economic and security policy signals a new era in US strategy.

Policy Implications:

- Regardless of whether it adopts a “small yard, high fence” or an “industrial strategy” strategic approach, US economic strategy should be flexible, pragmatic, and adaptable.
- US economic strategy will reflect the vicissitudes of each institution and administration, and it may change or evolve over time depending upon political conditions and the international environment. A strategy is rarely fixed.
- The United States should be cognizant of tensions within its current narratives

on US economic strategy. Movements toward a robust “industrial strategy” may strike many observers that the administration is shifting away from its promise to “return to order” toward a more nationalized and even transactional economic modality.

- The convergence of economic interest and national security concerns has not been seen for several decades in the United States. This shift in thinking will have profound implications for how US policymakers approach domestic policy, and how they develop foreign strategy with long-established allies including Japan as well as with authoritarian regimes.

In the spring of 2022, the Japanese Parliament passed the Economic Security Promotion Act, a comprehensive four-part economic strategy that covered a range of topics, from ensuring resilient supply chains for designated strategic resources to providing research and development funds for advanced technologies.¹⁶ In contrast, the United States typically does not often or readily engage in such economic strategizing. US economic *policy*—something that sets broad parameters regarding economic issues—occurs frequently. But strategy—to include economic strategy—seeks “to create effects that protect or advance the state’s interests in the strategic environment.”¹⁷ Strategy connotes something much more intentional, directed, and definite.

Indeed, any long-term economic strategy, especially focused on a peer competitor, has generally been something quite outside the range of the US experience. During the Cold War, the strategic competition with the Soviet Union was overwhelmingly militarily focused, and economic considerations would often take a back seat. That was easier too, given the limited economic interaction between the United States and the USSR at the time. Dealing with economic competition is also not as straightforward due to domestic considerations with the United States. While the US executive branch may be in the lead for a militarily and/or diplomatically dominant strategy, given the President’s commander-in-chief authority and his primacy in foreign affairs, the President’s power to control the economy is considerably limited by law and constitution. Fiscal policy is ultimately directed by Congress, and monetary policy by the independent Federal Reserve. There are inherent structural limitations to economic strategy that do not exist for the President and his administration when crafting a more militarily or diplomatically focused one.

Yet times have changed, and this may be the beginning of a new era that sees a shift in US geostrategic thinking toward a more *economically* oriented, if not dominant, strategy. Or some may even call it a “gEOeconomic” strategy.¹⁸ What has come forth in the last year or so from the current US presidential administration should indeed be considered as an attempt at economic strategizing, with specific focus toward a peer competitor, China. This effort has not appeared suddenly from out of nowhere, but has emerged gradually, even keeping some concerns and themes from the previous administration.

A Review of the Current Administration's Economic Strategic Approaches

This effort can be traced by reviewing foundational strategic documents and even more so by examining and evaluating a number of speeches by high-ranking administration officials beginning in the spring of 2022. Speeches from senior-ranking administration officials are recognizably not the best way to predict an administration's behavior. Such speeches are made with the speakers' particular agendas, and the speakers often take into account their audiences and those audiences' own agendas. Nonetheless, speeches made over time can serve not only as guideposts but as windows into an administration's positions and even its strategies.

The first glimpses of a shift toward economic strategizing occurred in the last administration: "Economic security is national security" served as an epigraph to "Pillar II: Promote American Prosperity" of the previous administration's 2017 National Security Strategy (NSS).¹⁹ The current administration's 2022 NSS went even further and specifically designated China as the chief economic rival. It set forth a three-prong economic strategic approach: invest in the foundations of US strength at home; align efforts with network of allies and partners; and compete responsibly with China.²⁰ Admittedly abstract and perhaps even purposefully vague, this "invest, align, compete" outlook also highlighted possible tensions and potential sources of contention: a US-focused investment strategy could result in antagonizing allies; an effort to compete "responsibly" with China left open the question as to what such responsible competition entailed.

Secretary of State Anthony Blinken elaborated on the 2022 NSS's "invest, align, compete" approach in a May 26, 2022 speech at George Washington University. He provided examples for each of the approaches' three parts: the passage of the 2021 Infrastructure Investment Jobs Act (invest), the launching of the Indo-Pacific Economic Framework for Prosperity (IPEF) (align), and the use of stronger export controls and better cyber defenses (compete) were specifically referenced. He also announced the creation of a China House—a "department-wide integrated team that will coordinate and implement our policy across issues and regions, working with Congress as needed"—thus implying that the China House could be the strategic center of gravity in the "invest, align, compete" effort.

He also set forth what might be called a strong and even aggressive approach

regarding the administration's approach toward China. China seemed to have the intent to "reshape the international order...and move us away from the universal values that have sustained so much of the world's progress over the last 75 years." Beijing was "undermining" that international order's laws, agreements, principles, and institutions. Furthermore, the United States could not "rely on Beijing to change its trajectory." Instead, the United States had to "shape the strategic environment around Beijing to advance our vision for an open, inclusive international system." Blinken noted nonetheless that China is "integral to the global economy and to our ability to solve challenges from climate to COVID."²¹

In other words, China could be and, in fact, needed to be, reintegrated into the extant international order, an order of international institutions, of comity and collaboration among nations, and of market-based principles (sometimes referred to as the Washington Consensus). Blinken's speech in that sense was retrospective in that it still sought an ordering within a system in which international economic competition could still be managed to produce win-win scenarios. China was no longer a youthful aspiring power to be turned into a responsible stakeholder within the liberal international order. It was instead something of an errant prodigal power that has to be forced, if need be, to re-enter it.

A September 2022 speech by National Security Advisor Jake Sullivan at the Global Emerging Technologies Summit, hosted by former Google CEO Eric Schmidt's Special Competitive Studies Project, provided an even more expansive version of economic strategy, with an especial emphasis on China as a rival and competitor. In somewhat unprecedented fashion for a national security advisor, Sullivan discussed not simply geopolitical, but primarily economic and technological competition with China.²²

Sullivan's remarks did not contradict Blinken's "invest/align/compete" approach. But his speech was a more forward-leaning attempt at economic strategy. It could even be read as challenging the notion of whether China could return to the international order at all in the foreseeable future. Sullivan referred to a US "modern industrial and innovation strategy." He presented it as holistic, involving a "deep integration of foreign policy and domestic policy." Moreover, Sullivan put US-China competition in very stark terms that sounded more like "winner take all" than "win-win": "We are facing a competitor that is determined to overtake US technological leadership and willing to devote nearly unlimited resources to

that goal.” For three critical technologies—“computing-related,” “biotechnologies and biomanufacturing,” and “clean energy”—the goal was not collaboration with China but quite the opposite: “Given the foundational nature of certain technologies,” Sullivan stated, “*We must maintain as large a lead as possible* [emphasis added].”²³

Sullivan also set forth four pillars to this US economic strategy: invest in the science and technology ecosystem; nurture top STEM talent; protect US technology advantages; and deepen and integrate alliances and partnerships. These sounded very much like the first two “invest” and “align” parts of the 2022 NSS and Blinken’s speech. But the latter “compete” part, especially of the sort that Blinken indicated was mutually and globally beneficial and to the betterment of the overall international order, was absent.²⁴

Sullivan’s speech was complemented by Secretary of Commerce Gina Raimondo’s remarks given at MIT in November 2022. She underscored how different the geopolitical environment was today by noting that China had abandoned any effort at a reformist path. The world was in a “dramatically transformed strategic environment.” And she, like Sullivan, provided a four-part strategy that in many areas overlapped what Sullivan had discussed in his September speech, and that also aligned with the NSS and Blinken’s “invest/align/compete” strategic typology: invest in competitiveness, innovation, and talent at home; harden defenses against threats to US workers, businesses and national security; align with allies and partners to shape the environment in regard to China; and finally continue to engage with China, although in ways “consistent with US interests and values.”²⁵ Yet this latter “compete” part was seemingly less hopeful sounding than Blinken’s remarks in regards to China’s reintegration into the international order. Toward the end of her speech, Raimondo noted that the United States had been overly sanguine about the benefits of that order: “For almost forty years, we championed the benefits of a robust trade and investment relationship with China, overlooking the long-term costs for the near-term benefits.”²⁶

The year 2022 ended with what appeared with a relatively stable “invest/align/compete” strategic approach, though with a more forward-leaning variation proposed by Sullivan and Raimondo. And there was further perhaps at least an implicit questioning from Sullivan and Raimondo about whether it was even possible to re-institute China into the international order, and, even more funda-

mentally, whether that order had advantaged China and disadvantaged the United States.

But 2022 hardly gave the last word in economic strategy from the administration. In April 2023, Treasury Secretary Janet Yellen gave a speech at the Johns Hopkins School for Advanced International Studies that certainly appeared less assertive than Sullivan's or Raimondo's. Yellen asserted that the US economic approach to China had "three principal objectives," with the first the securing of national security objectives and the protection of human rights. But she quickly moved to the other two objectives, which were a "healthy economic relationship with China: one that fosters growth and innovation in both countries" and "cooperation [with China] on the urgent global challenges of the day" such as the macroeconomy, climate issues, and debt distress.²⁷

Yellen further noted China's problems such as "vulnerabilities in its property sector, high youth unemployment, and weak household consumption," as well as other structural challenges such as an aging demographic and a productivity downturn. She pointed out that notions of US declinism had "always been proven wrong." Perhaps given this relative optimism, Yellen asserted that the United States did not seek a "winner take all" competition with China, and instead would take "narrowly targeted actions" (such as export controls, sanctions, investment reviews)—not to gain economic advantage, but rather to rectify specific wrong-doing.²⁸

The speech appeared as something of a walk back after the more aggressive Sullivan-Raimondo speeches of the fall, and it met with some criticism.²⁹ Yet what Yellen asserted was not new at all, but what has sometimes been termed the "small yard, high fence" approach toward China (taken from a remark by former Secretary of Defense Robert Gates about China's technology theft, and often referred to in commentary about cybersecurity and innovation protection³⁰). Namely, the United States would vigorously protect certain areas, but not be over extensive, and certainly not engage in all-out economic competition with China that could involve significant decoupling or other significant economic breakdown between the two countries.

Even more so, Yellen's speech was consistent with a worldview that sought China's re-entry into the international order whose free-market underpinnings remained sound and ultimately beneficial around the world. Her comments that US economic decline was exaggerated, and that China's economic troubles were

many were themselves arguments for her somewhat less robust economic strategy. Implied in Yellen's speech was that a too-robust industrial strategy was very likely an overreach, unneeded, and in contradiction to the US free market-oriented approach.

Just a week later, Jake Sullivan gave another speech, this time at the Brookings Institution, that was perhaps the most comprehensive economic strategy statement to date.³¹ After first thanking the audience “for indulging a National Security Advisor to discuss economics,”—acknowledging how atypical it was—he immediately noted Yellen's speech the week before “on our economic policy with China.” Sullivan sought to differentiate his speech by indicating he would “zoom out to our broader international economic policy...to more deeply integrate domestic policy and foreign policy,” that latter phrase a restatement from his September remarks.

Sullivan's remarks indeed transcended a China-focused economic strategy. What he proceeded to do was to articulate “fundamental challenges” that called into question the free market underpinnings of the extant international order itself. First, he noted that America's industrial base has “hollowed out” based upon the false assumptions that “markets always allocate capital productively [and that] ...the type of growth did not matter.” Second, he asserted that the United States needed to adapt to a “new environment defined by geopolitical and security competition,” whereas it had previously relied on the premise that “economic integration would make nations more responsible and open.” Third, he referenced an “accelerating climate crisis,” and an accompanying need for energy transition. Finally, he challenged US wealth inequality and its “damage to democracy.”³²

These challenges contrasted sharply with Yellen's statements that US decline was exaggerated. He then went further and laid out a near-futuristic set of propositions that in no way looked like a return to ways of old, in yet another economic strategy that was similar in some ways—but dramatically sharper and more robust in others—to the approach he set forth in September. As he did in his previous speech, Sullivan once again openly called for a “modern American industrial strategy,” though with more detail. This strategy would identify “specific sectors” that are “foundational to economic growth.” It would deploy public investment and would enable private business to innovate, scale and compete. It would look to smaller scale industrial policy initiatives such as DARPA and NASA as precursors

and inspirations. Along with working with partners to build capacity and resilience, Sullivan also called for the United States to move beyond “traditional trade deals to innovative new economic partnerships.” His proffered strategy would work on everything from ending the global “race to the bottom on corporate taxes” to reforming the “multilateral trading system.” Sullivan also looked beyond the World Bank to regional developmental banks to help mobilize “trillions in investment into emerging economies.”³³

After such a bravura exposition, remarks even on China seemed somewhat shrunken in significance, though he did offer some. He underwrote the Blinken/Yellen position with statements such as “We are competing with China on multiple dimensions, but we are not looking for confrontation or conflict,” and “We’re looking to manage competition responsibly and seeking to work together with China where we can.” Yet Sullivan’s broad scoped propositions that preceded his China remarks seemed at odds with the foundations of the Blinken/Yellen position. In its very capaciousness, in its broadly gauged themes, Sullivan’s speech called into question not only the “small fence/high yard” approach but also whether the notion of China returning to the global order was an enterprise that was even possible, given that that order itself was subject to question. After all, Sullivan’s call for a modern American industrial, sectoral strategy, for a new understanding of trade and global taxation, and for a shift beyond international institutions to more regional ones was hardly an affirmation of the global status quo.

Mixed messages on US economic strategy

If there are two economic strategic approaches, then, in this administration—the “small yard, high fence” that Yellen and perhaps Blinken affirm, and the more full-throated “industrial strategy” that Sullivan and perhaps Raimondo proposes, they operate from different premises. Yellen’s approach especially does not advocate for extreme measures because there is no reason to do so. The current international order is sound; China is only a deviant from it. Sullivan, on the other hand, appears to view that order with much greater skepticism. That order, or at least a somewhat complaisant attitude toward it, is partially responsible for China’s economic rise and at least some of America’s corresponding economic decline. Whether either of the two approaches will “prevail,” or whether there will be some combination of the two remains in question.

Three considerations that may be influential should be kept in mind.

The first is political. The current administration staked its accession to power on a promise to return the US to normalcy within the international order. This order is premised on free trade, the free flow of capital, and the capacity of international institutions. It rests on the assumption that globalization is not only inevitable but ultimately beneficial. Movements toward a robust “industrial strategy” may strike many observers that the administration is shifting away from its promise to “return to order” toward a more nationalized and even transactional economic modality. Some tension can already be felt in, for example, complaints from allies and partners about the Buy America provisions in the Inflation Reduction Act.³⁴

The second is institutional. Both the Departments of State and Treasury have outsized international equities that the National Security Council and the Department of Commerce do not. Regardless of administration, a commitment to the liberal international order, in its geopolitical and economic manifestations, is deeply rooted in State and Treasury. The Department of State as an institution has an understandable, long-enduring commitment to this order that it largely helped to construct over the past three-quarters of a century. From Marshall to Acheson, from Dulles to Kissinger, from Shultz to Baker, and even beyond past the end of the Cold War, for all its flaws, this order has lasted without resort to cataclysmic planetary war. Likewise, the Department of Treasury has a long-standing commitment to that order’s corresponding market economic principles, as evidenced by its long-standing commitment to free trade, capital markets, and attendant international institutions. In other words, the speeches made by Secretaries Blinken and Yellen are speeches also made with their institutions’ own memories and convictions, which are not easily dismissed or overcome.

The third has to do with the vicissitudes of history itself. Prognosticators have long predicted China’s imminent collapse.³⁵ “Peak China” is a recurring trope inside and outside the Beltway.³⁶ China’s economic slowdown, even pre-Covid, was evident. And while its initial post-zero Covid numbers seem encouraging,³⁷ there is a widespread feeling that China’s problems, from demographics to excessive debt, are simply too large. Other rivals to the United States including Japan have come and gone. Paul Samuelson’s infamous economics textbook with its notorious graph showing that the Soviet GDP would surpass the United States in the mid-1980s particularly comes to mind.³⁸ There is the thought among a significant num-

ber of policymakers and pundits that America should not let loose on a full-out “industrial strategy,” but keep its proverbial powder dry: let China economically self-destruct, or at least significantly diminish, on its own.

Flexible, Pragmatic, Adaptable Leadership—Regardless of Strategy

Whether and how these considerations will matter, and whether one strategic approach will be favored more than the other, or whether they will somehow combine is an open question. Regardless of the strategic approach, leadership for any US. economic strategy should be flexible, pragmatic, and adaptable.

The views expressed are the author's alone, and do not represent the views of the U.S. Government or the Wilson Center.

Endnotes

- 1 Keith Bradsher, “Amid Tension, China Blocks Vital Exports to Japan,” *New York Times*, September 22, 2010, <https://www.nytimes.com/2010/09/23/business/global/23rare.html>
- 2 Eleanor Olcott et al, “Covid outbreak throws Chinese factories and supply chains into chaos,” *The Financial Times*, December 18, 2022, <https://www.ft.com/content/598c81b7-bbc7-40f2-ba04-ee0d0ddfb989>
- 3 White House Briefing Room, “FACT SHEET: Biden-Harris Administration Announces Supply Chain Disruptions Task Force to Address Short-Term Supply Chain Discontinuities,” The White House, June 8, 2021, <https://www.whitehouse.gov/briefing-room/statements-releases/2021/06/08/fact-sheet-biden-harris-administration-announces-supply-chain-disruptions-task-force-to-address-short-term-supply-chain-discontinuities/>
- 4 Jun Tsutsumi, “Japan’s New Economic Security Law’s Implications for Financial Business,” *NRI*, July 26, 2022, <https://www.nri.com/en/knowledge/publication/fis/lakyara/1st/2022/07/03>
- 5 White House Press Office, “FACT SHEET: CHIPS and Science Act Will Lower Costs, Create Jobs, Strengthen Supply Chains, and Counter China,” White House, August 9, 2022, <https://www.whitehouse.gov/briefing-room/statements-releases/2022/08/09/fact-sheet-chips-and-science-act-will-lower-costs-create-jobs-strengthen-supply-chains-and-counter-china/>
- 6 US Department of Commerce Office of Public Affairs, “Joint Statement of the US-Japan Economic Policy Consultative Committee Strengthening Economic Security and the Rules-Based Order,” US Department of Commerce, July 29, 2022, <https://www.commerce.gov/news/press-releases/2022/07/joint-statement-us-japan-economic-policy-consultative-committee>
- 7 Yuka Hayashi and Vivian Salama, “Japan, Netherlands Agree to Limit Exports of Chip-Making Equipment to China,” *Wall Street Journal*, January 28, 2023, <https://www.wsj.com/articles/japan-netherlands-agree-to-limit-exports-of-chip-making-equipment-to-china-11674952328>
- 8 Reuters, “Japan Government Sounds Alarm Over US EV Tax Credits,” *Reuters*, November 4, 2022, <https://www.reuters.com/business/autos-transportation/japan-government-sounds-alarm-over-us-ev-tax-credits-2022-11-05/>
- 9 The White House, “Quad Leaders; Summit Fact Sheet, The White House, May 20, 2023, <https://www.whitehouse.gov/briefing-room/statements-releases/2023/05/20/quad-leaders-summit-fact-sheet/>
- 10 Rishi Iyengar, “Who Will Make the Chips?” *Foreign Policy*, May 30, 2023, <https://foreignpolicy.com/2023/05/30/semiconductor-chips-competition-united-states-china-engineers/>
- 11 Gabriel Dominguez, “Japan, Long a Prime Target for Spying, Seeks to Improve Handling of Sensitive Info,” *The Japan Times*, March 9, 2023, <https://www.japantimes.co.jp/news/2023/03/09/national/economic-security-sensitive-info/>
- 12 Lara Seligman, “China Dominates the Rare Earths Market. This US Mine Is Trying to Change That,” *Politico*, December 14, 2022, <https://www.politico.com/news/magazine/2022/12/14/rare-earth-mines-00071102>
- 13 Agnes Chang and Keith Bradsher, “Can the World Make an Electric Car Battery Without China?” *The New York Times*, May 16, 2023, <https://www.nytimes.com/interactive/2023/05/16/business/china-ev-battery.html>
- 14 Joseph Rachman, “China Has Sewn Up a Critical Metals Market,” *Foreign Policy*, April 17, 2023, <https://foreignpolicy.com/2023/04/17/china-indonesia-nickel-metals-inflation-reduction-act/>
- 15 Jake Sullivan, “Remarks by National Security Advisor Jake Sullivan on Renewing American Economic Leadership at the Brookings Institution,” The White House, April 27, 2023, <https://www.whitehouse.gov/briefing-room/speeches-remarks/2023/04/27/remarks-by-national-security-advisor-jake-sullivan-on-renewing-american-economic-leadership-at-the-brookings-institution/>
- 16 Japan Times, “Japan passes economic security bill to guard sensitive technology” May 11, 2022, *The Japan Times*, available at: <https://www.japantimes.co.jp/news/2022/05/11/business/japan-passes-economic-security-bill-protect-sensitive-technology/>.

- 17 Harry Yarger, *Theory of War and Strategy, Vol I, The Strategic Appraisal* (Carlisle Barracks, PA: Strategic Studies Institute, US Army War College, 2008), 51.
- 18 Much has been written about “geoeconomics” in the past few years. See, e.g., Robert Blackwill and Jennifer Harris, *War by Other Means: Geoeconomics and Statecraft* (Belknap Press of Harvard University Press: Cambridge, MA, 2016).
- 19 Donald J. Trump, *The National Security Strategy of the United States of America*, December 2017, available at: <https://trumpwhitehouse.archives.gov/articles/new-national-security-strategy-new-era/>.
- 20 Joseph R. Biden, Jr., *The National Security Strategy*, October 2022, available at: <https://www.whitehouse.gov/briefing-room/statements-releases/2022/10/12/fact-sheet-the-biden-harris-administrations-national-security-strategy/>.
- 21 Anthony J. Blinken, “The Administration’s Approach to the People Republic of China,” May 26, 2022, available at: <https://www.state.gov/the-administrations-approach-to-the-peoples-republic-of-china/>.
- 22 Jake Sullivan, “Remarks by National Security Advisor Jake Sullivan at the Special Competitive Studies Project Global Emerging Technologies Summit,” September 16, 2022, available at: <https://www.whitehouse.gov/briefing-room/speeches-remarks/2022/09/16/remarks-by-national-security-advisor-jake-sullivan-at-the-special-competitive-studies-project-global-emerging-technologies-summit/>.
- 23 Ibid.
- 24 Ibid.
- 25 Gina Raimondo, “Remarks by US Secretary of Commerce Gina Raimondo on US Competitiveness and the China Challenge,” November 30, 2022, available at: <https://www.commerce.gov/news/speeches/2022/11/remarks-us-secretary-commerce-gina-raimondo-us-competitiveness-and-china>.
- 26 Ibid.
- 27 Ibid.
- 28 Ibid.
- 29 See, e.g., Matt Turpin, “Matt Turpin’s China Articles-April 23, 2023,” available at: <https://chinaarticles.substack.com/> (by subscription only).
- 30 For another reference to “small yard, high fence,” see, e.g., Lorand Laskai and Samm Sacks, “The Right Way to Protect America’s Innovation Advantage: Getting Smart About the Chinese Threat,” *Foreign Affairs* (October 23, 2018), available at: <https://www.foreignaffairs.com/articles/untied-states/2018-10-23/right-way-protect-americas-innovation-advantage>.
- 31 Jake Sullivan, “Remarks by National Security Advisor Jake Sullivan on Renewing American Economic Leadership at the Brookings Institution,” April 27, 2023, available at: <https://www.whitehouse.gov/briefing-room/speeches-remarks/2023/04/27/remarks-by-national-security-advisor-jake-sullivan-on-renewing-american-economic-leadership-at-the-brookings-institution/>.
- 32 Ibid.
- 33 Ibid.
- 34 See, e.g. Lee Kyung-min, “Inflation Reduction Act is in clear violation of KORUS FTA [Korea-US Free Trade Agreement],” September 22, 2022, *The Korea Times*, available at: https://www.koreatimes.co.kr/www/tech/2022/09/419_335656.html.
- 35 See, e.g. Gordon C. Chang, *The Coming Collapse of China* (New York: Random House, 2001)
- 36 See e.g., “Is Chinese power about to peak?,” May 11, 2023, *The Economist*, available at: <https://www.economist.com/leaders/2023/05/11/is-chinese-power-about-to-peak>.
- 37 See, e.g., David Lawder and Xinghui Kok, “IMF lifts 2023 growth forecast on China reopening, strength in US, Europe” January 30, 2023, *Reuters*, available at: <https://www.reuters.com/markets/imf-lifts-2023-growth-forecast-china-reopening-strength-us-europe-2023-01-31/>.

- 38 The infamous comparative GDP graph that showed the USSR overtaking the US in the 1980s was shifted to decades further in subsequent editions. Paul Samuelson, *Economics: An Introductory Analysis* (New York: McGraw Hill, 1961).
- 39 Japan Ministry of Foreign Affairs, “G7 Leaders’ Statement on Economic Resilience and Economic Security,” May 20, 2023, Ministry of Foreign Affairs, <https://www.mofa.go.jp/mofaj/files/100506767.pdf>
- 40 Japan Ministry of Foreign Affairs, “G7 Hiroshima Leaders’ Communiqué,” May 20, 2023, Ministry of Foreign Affairs, <https://www.mofa.go.jp/mofaj/files/100506875.pdf>
- 41 The US State department Defines as “the phenomenon of financial institutions terminating or restricting business relationships with clients or categories of clients to avoid, rather than manage, risk.” See, US State Department, “De-risking,” US State Department, <https://www.state.gov/de-risking/>
- 42 Gideon Rachman, “De-risking trade with China is a risky business,” *Financial Times*, May 29, 2023. <https://www.ft.com/content/1caf3dd9-1097-4de2-9b57-80b70e465154>
- 43 European Commission, “Speech by President von der Leyen on EU-China relations to the Mercator Institute for China Studies and the European Policy Centre,” March 30, 2023, European Commission, https://ec.europa.eu/commission/presscorner/detail/en/speech_23_2063
- 44 “G7 Hiroshima Leaders’ Communiqué,” p. 18.
- 45 “G7 Leaders’ Statement.”
- 46 Winston Churchill, “The Sinews of Peace,” at Westminster College, Fulton, Missouri, March 5, 1946. <https://www.nationalarchives.gov.uk/education/resources/cold-war-on-file/iron-curtain-speech/>
- 47 George F. Kennan, “The Sources of Soviet Conduct,” *Foreign Affairs*, Vol. 25, No. 7 (July 1947), pp. 566-582.
- 48 Mike Pence, “Vice President Mike Pence’s Remarks on the Administration’s Policy Towards China,” at Hudson Institute, October 4, 2018. <https://www.hudson.org/events/1610-vice-president-mike-pence-s-remarks-on-the-administration-s-policy-towards-china102018>
- 49 Jane Perlez, “Pence’s China Speech Seen as Portent of ‘New Cold War,’” *New York Times*, October 5, 2018m <https://www.nytimes.com/2018/10/05/world/asia/pence-china-speech-cold-war.html>
- 50 Anonymous, “Longer Telegram: Toward a new American China strategy,” *Atlantic Council Strategy Paper*, January 27, 2018. <https://www.atlanticcouncil.org/wp-content/uploads/2021/01/The-Longer-Telegram-Toward-A-New-American-China-Strategy.pdf>
- 51 CEBR, “World Economic League Table 2022,” December 2021, CEBR, <https://cebr.com/wp-content/uploads/2021/12/WELT-2022.pdf>
- 52 The latest economic analysis, which considers the declining birthrate and reduced economic growth due to COVID-19, suggests that China’s economy will not overtake that of the United States. JCER, “China’s GDP will not surpass that of the US,” *JCER Medium-Term Forecast of Asian Economies*, December 15, 2022. https://www.jcer.or.jp/jcer_download_log.php?f=eyJwb3N0X2lkIjo5OTUxNSwiZmlsZV9wb3N0X2lkIjoOTk1MjUifQ==&post_id=99515&file_post_id=99525
- 53 ルール形成戦略議員連盟, 「提言『国家経済会議（日本版NEC創設）』」, (The Diet Members Caucus for Rule Formation Strategy, “Establishment of a National Economic Council (Japanese version of NEC),” March 20, 2019. https://amari-akira.com/02_activity/2019/03/20190320.pdf
- 54 Strategic Headquarters on the Creation of a New International Order of Policy Research Council of LDP, “Toward Developing Japan’s “Economic Security Strategy,” December 16, 2020. https://storage.jimin.jp/pdf/news/policy/201021_5.pdf

- 55 経済安全保障法制に関する有識者会議「経済安全保障法制に関する提言」Expert Panel on Economic Security Legislation, “The Recommendation for Economic Security legislation,” February 1, 2022. https://www.cas.go.jp/jp/seisaku/keizai_anzen_hosyohousei/dai4/teigen.pdf
- 56 国务院关于印发《中国制造2025》的通知. (China State Council, Made in China 2025, May 8, 2015). https://www.gov.cn/zhengce/content/2015-05/19/content_9784.htm
- 57 The White House, National Security Strategy, October 2022, The White House <https://www.whitehouse.gov/wp-content/uploads/2022/10/Biden-Harris-Administrations-National-Security-Strategy-10.2022.pdf>
- 58 Ibid, p. 22.
- 59 Jun Osawa, “How Japan Is Modernizing Its Cybersecurity Policy,” STIMSON commentary, February 2, 2023. <https://www.stimson.org/2023/japan-cybersecurity-policy/>
- 60 Japan External Trade Organization, “Kaigai Supply Chain Tagenka to Shien Jigyō (in Japanese),” 2022, <https://www.jetro.go.jp/services/supplychain/>.
- 61 Cabinet Office of Japan, Keizai Shisaku wo Itaktekini Kozurukoto niyoru Anzen Hoshō no Kakuho no Suishin ni Kansuru Horitsu (in Japanese), 2022, https://www.cao.go.jp/keizai_anzen_hoshou/index.html.
- 62 Ministry of Economy, Trade and Industry, Tokutei Kodo Johotsushin Gijutsu Shisutemu no Kaihatsu oyobi Donyū ni kansuru Horitsu (in Japanese), 2022, https://www.meti.go.jp/policy/mono_info_service/joho/laws/5g_drone.html.
- Ministry of Economy, Trade and Industry, Keizai Sanhyō Shō Kankei Reiwa 3-nendo Hosei Yosan, Reiwa 4-nendo Toshō Yosan no Pointo (in Japanese), 2022, https://www.meti.go.jp/main/yosan/yosan_fy2022/pdf/01.pdf.
- 63 Ministry of Economy, Trade and Industry, Nitei Tokutei Handotai Seisan Shisetsu Seibi Keikaku (in Japanese), 2022, https://www.meti.go.jp/policy/mono_info_service/joho/laws/semiconductor/semiconductor_plan.html
- 64 National People’s Congress, Export Control Law of the People’s Republic of China, 2020 <http://www.npc.gov.cn/englishnpc/c23934/202112/63aff482fccc44a591b45810fa2c25c4.shtml>
- 65 Ministry of Economy, Trade and Industry (2022), White Paper on International Economy and Trade 2022. <https://www.meti.go.jp/english/report/data/gIT2022maine.html>.
- 66 Inoue, H., and Todo Y., “Propagation of Overseas Economic Shocks through Global Supply Chains: Firm-Level Evidence.” RIETI Discussion Paper, No. 22-E-062, 2022, Research Institute of Economy, Trade and Industry.
- 67 Baldwin, R., *The Great Convergence: Information Technology and the New Globalization*, (Boston: Harvard University Press, 2016).
- 68 Aghion, P., Cai J., Dewatripont M., Du L., Harrison A., and Legros P., “Industrial policy and competition,” *American Economic Journal: Macroeconomics*, 7, (2015), 1-32.
- 69 Kashiwagi, Y., Todo Y., and Matous P., “Propagation of economic shocks through global supply chains: Evidence from Hurricane Sandy,” *Review of International Economics*, 29, (2021), 1186-1220.
- 70 Todo, Y., Oikawa K., Ambashi M., Kimura F., and Urata S., “Robustness and Resilience of Supply Chains During the COVID-19 Pandemic,” (2023), forthcoming in the *World Economy*.
- 71 Nikkan Kogyō Shinbun “Tier 3 no Kadai made Araidasu Toyota no Shunen (in Japanese),” August 7, 2020, reprinted in Newsitch at <https://newsitch.jp/p/23329>.
- 72 Nikkei, “Japan makers to reduce reliance on China suppliers: Nikkei survey,” *Nikkei Asia*, December 1, 2022, <https://asia.nikkei.com/Spotlight/Supply-Chain/Japan-makers-to-reduce-reliance-on-China-suppliers-Nikkei-survey>

- 73 Besedeš, T., "A search cost perspective on formation and duration of trade," *Review of International Economics*, 16, (2008), 835-849.
- 74 Makioka, R., "The impact of export promotion with matchmaking on exports and service outsourcing," *Review of International Economics*, 29, (2021), 1418-1450;
- Martincus, C. V., and Molinari A., "Regional business cycles and national economic borders: what are the effects of trade in developing countries?" *Review of World Economics*, 143, (2007), 140-178.;
- Van Biesebroeck, J., Konings J., and Martincus C. V., "Did export promotion help firms weather the crisis?" *Economic Policy*, 31, (2016), 653-702.
- 75 Toyota Motors, "Toyota Develops New Magnet for Electric Motors Aiming to Reduce Use of Critical Rare-Earth Element by up to 50 percent," News Release, 2018, <https://global.toyota/en/newsroom/corporate/21139684.html>.
- 76 Chen, K., Zhang Y., and Fu X., "International research collaboration: An emerging domain of innovation studies?" *Research Policy*, 48, (2019), 149-168.
- 77 Iino, T., Inoue H., Saito Y. U., and Todo Y., "How does the global network of research collaboration affect the quality of innovation?" *Japanese Economic Review*, 72, (2021), 5-48.
- 78 Ministry of Economy, Trade and Industry, Handotai Senryaku (Gaiyo) (in Japanese), 2021, <https://www.meti.go.jp/press/2021/06/20210604008/20210603008-4.pdf>.
- 79 Ministry of Economy, Trade and Industry, Jisedai Handotai no Sekkei, Seizo Kiban Kakuritsu ni Muketa Torikuni ni tsuite (in Japanese), 2022e, <https://www.meti.go.jp/press/2022/11/20221111004/20221111004.html>.
- 80 Kotaro Hosokawa, "Samsung to build chip development facility in Japan," *Nikkei Asia*, May 13, 2023, <https://asia.nikkei.com/Business/Tech/Semiconductors/Samsung-to-build-chip-development-facility-in-Japan>
- 81 Bussmann, M., "Foreign direct investment and militarized international conflict," *Journal of Peace Research*, 47, (2010), 143-153. Hegre, H., Oneal J. R., and Russett B., "Trade does promote peace: New simultaneous estimates of the reciprocal effects of trade and conflict," *Journal of Peace Research*, 47, (2010), 763-774.



Woodrow Wilson International Center for Scholars

One Woodrow Wilson Plaza
1300 Pennsylvania Avenue NW
Washington, DC 20004-3027

www.wilsoncenter.org