

# Winning the Economic War?

Version 3

Lawrence Tseung

April 2017

# The Economic War

- In the late 1980s, went to a Seminar in Boston
- First Statement from the US Government Speaker was:
  - We are in World War 4 now and we are losing, please help!
- Participants were shocked.
  - War World 3 has not been fought?
  - Have we been sleeping in our history lessons?
- Speaker Clarified:
  - World War 3 was the Cold War, already won by USA
  - World War 4 is the Economic War

# US Disadvantage in the Economic War

- Production Cost higher than Developing Nations.
- Japanese Cars, Refrigerators, TVs are of higher quality.
- South Korea, Singapore, Taiwan Governments help their Industries.
- Internet is helping Developing Nations learn.
- Technology is no longer a scare commodity.
- USA cannot compete on Price on many labor intensive industries such as Garments, Plastics, Toys, etc.

# USA Strategy Discussed by Participants

- Give up some traditional industries but before giving up,
  - Transfer the technology and invest in multiple Nations.
  - Let them “cut throat” to compete for USA Orders.
- Protect some key Industries such as:
  - Computers, Semi-conductors
  - Planes and Weapon Systems.
- Persuade other Nations to open up their Markets including financial:
  - Promote Globalization.
  - Plan on “Big Fish eats Small Fish”.

# Successful World War 4 Battles by USA

- Total Collapse of USSR in 1991
  - The Ruble devalued from 1USD:0.3Ruble to 1USD:4,800Ruble
  - Many Regions declared Independence
- Evaporation of the Asian Miracle in 1997
  - Talk of the Asian Miracle before 1997
  - Attack by Hedge Funds wiped out that miracle
- Huge Profits via Out-sourcing
  - Cheap products from China but most profits go to US Companies.
  - Car Companies became very profitable (e.g. GM, Ford, etc.)
- Just Print Money and Receive Products?

# Unexpected Consequences

- China became “Factory of the World”
  - Low Labor Cost
  - Willing to accept pollution
  - Learned the technology, management and marketing
- The 2008 Financial Crisis from USA
  - Collapse of Lehman Brothers
  - Myth of Invincibility of USA Financial System destroyed
  - **China came to rescue with huge Infrastructure Projects and thin-air money.**
- China realized that its State Capitalism was “superior”
  - Market Force and Profit Motive have major drawbacks.

# The Currency War Weapon (1 of 2)

- USA was relying on its Currency War Weapon that defeated USSR and the Asian Tigers
  - Open up the Financial Market (Take away the Shark Protection Nets)
  - Drain the Currency Reserve
  - Devalue the Currency and Rob the Resources
- Cunning strategy used on China
  - Persuade China to want RMB as a Settlement and Reserve Currency
  - Drop much Financial Controls
  - Get China to Forex Trade in Foreign Forex Exchanges
  - Drain the Currency Reserve (from 4 trillion to 3 trillion)

# The Currency War Weapon (2 of 2)

- China now realized that it can:
  - Forex Trade through its own Forex Exchanges.
  - The Results will still be shown on the International Forex Computer Systems.
- The Comparison is gambling in one's own Casino
  - Winning or Losing makes no practical difference
  - No drain on Foreign Currency Reserve
  - Attack by Hedge Funds no longer possible
- China can manipulate its own Currency
  - Allow RMB to slowly appreciate to achieve goal of Settlement and Reserve Currency

# China's Strategy in Winning the Economic War

- One-Belt-One-Road Initiative
  - Excess production capacity can be used outside China
  - Good-will can be developed via win-win
- The West reluctant to finance Infrastructure Projects in Developing Nations
  - Private Enterprises focus on Profits or Return On Investment (ROI)
  - Most Infrastructure Projects are long term (Dams, Roads, High Speed Rail)
  - Many may never yield a Profit (Hospitals, Schools)
- China is using:
  - Bilateral Agreements or Mutual Credits
  - New Approach to Globalization (win-win, work together via AIIB)

# Review of the Battleground (1 of 2)

- USA self destroying:
  - President Trump keen in overturning Obama Policies
  - TPP and ObamaCare
  - Wall to restrict Mexican Immigrants
- China gaining self-confidence:
  - Keep achieving Economic Goals via 5 year Plans.
  - Mastering the use of thin-air money.
    - Generous compensation allow rapid Infrastructure Construction.
    - Help backward regions to become tourist resorts, get rid of poverty, etc.
- Regional Wars
  - China is trying to keep out.

# Review of the Battleground (2 of 2)

- China is likely to maintain its political stability.
  - Citizens are seeing improvement in Standard of Living.
  - Citizens travel outside China and see that the West is “backward”.
  - Hong Kong turned out to be a “no democracy” warning!
- China is planning to give avenues for its Citizens to invest:
  - Housing is for living and not speculation.
  - One-belt-one-road projects divided into long term and short term.
  - State Investment Funds will come out similar to State Enterprises.
- Numbers (Derivatives) trading under consideration.
  - Own Forex Trading is already an absolute necessity.

# Who is likely to win the Economic War?

- China has a much larger population. It is much better educated by the hour.
- Internet Commerce in China is well-advanced.
- State Support of Enterprises is superior to Multi-nationals.
- China focuses on Relationship Building.
  - Profit (money) can be printed.
  - Sure-win Businesses from China will emerge (as these are State Supported)
    - Village Hotels with Government sending Seniors to enjoy.
    - Government pays farmers not to farm in Loess Plateau similar to US farm policies.
    - Development of Science Parks.

# Sure-Win Businesses (1 of 2)

- Government can print thin-air money.
- Company A spends X dollars, Generates X Plus, Considered Profitable.
- If Government injects some thin-air money into Company A, chance of it becoming Profitable very high.
- Construction Companies involved in one-belt-one-road projects will be profitable and thus sure-win.
- Public Utility Companies such as Electricity, Gas, Water, MTR, Internet Service Providers etc. can be sure-win as Government allows them to increase fees.
- Lottery Systems run or authorized by Governments are sure-win.

# Sure-Win Businesses (2 of 2)

- Dad and Mum Shops cannot compete with Multi-Nationals.
- Multi-Nationals cannot compete with State Enterprises.
- Governments must print thin-air money for their Citizens to become rich.
  - Where they direct the money is the key!
  - Corrupt Governments direct the money to their own pockets.
  - Stupid Democratic Systems encourage Opposition Parties to disrupt the Economy, put the blame on existing Government and thus achieve power.
- Chinese Government directed one-belt-one-road funds will be sure-win as two Governments help (and inject thin-air money).

# The basic Philosophy Difference

- The West:
  - Got rich via technology and robbing the resources of others.
  - Keep them poor so that they cannot rob us back.
- The East:
  - Suffered due to weak technology.
  - Learn, improve and accept low pay for now.
  - Trying to rob the West back is suicide in the Nuclear Age.
  - Go on the path of win-win.
- Is it possible for two Camps compete to help poor Nations Develop?
  - USA et al verse China+Russia et al.

# The Latest Chinese Economic War Weapons

- Development of a “Second Capital Zone”.
- Provinces proposed Infrastructure Projects worth more than 45 trillion RMB (7 Trillion USD) or 11 times the 2008 Effort.
- Public Investors to master Financial Investments?
- Smart Mobile Phone as alternative to paper money.
- Every adult smart phone holder gets 100KRMB Credit?
- Life-long certified education via Internet?
- Super-democracy via smart phone information, discussion and VOTE?
- Social Worker Robots ensuring every citizen gets Public Help?