

**TECHNOLOGY AS A BATTLE GROUND:
US DEMANDS, CHINA'S RESPONSES**

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Executive Summary

1. The United States is on the way to launch a full-blown trade war against China. Trump has explicitly stated that the proposed US tariffs are designed to impede China's technological advancement, particularly Made in China 2025.
2. US sanctions on ZTE, China's second largest telecommunications equipment manufacturer after Huawei, have taught the Chinese a lesson. Many came to realise China's dependence on American suppliers for critical technologies.
3. Reportedly, the Trump administration is considering rules that would bar companies with 25% or more Chinese ownership from acquiring US firms with "industrially significant technology".
4. Moreover, stricter national security scrutiny targeting Chinese students in US universities, US-based scientists/scholars participating in China's talent schemes, and programmes of academic cooperation and exchanges is expected.
5. China tried to make a deal with Trump by giving in to some of his demands. After Trump turned down such deals and imposed tariffs on Chinese goods, China adopted a tit-for-tat strategy, which further escalated the tariff war.
6. Meanwhile, China has toned down Chinese triumphalism and avoided mentioning Made in China 2025. Prior to US sanctions on ZTE, China's propaganda machine had overplayed Chinese nationalism, including techno-nationalism.
7. Overall, China is unwilling to meet Trump's demands. As a result, US-China relationship is heading for more troubles and uncertainties. The worst possible scenario for China is a replication of the US-Soviet race in the Cold War era.
8. Another scenario is the short-lived US-Japan competition in the 1980s. The US fear of losing dominance in technology was dissipated in the 1990s when the United

States regained confidence by leading the internet revolution and trailblazing the information and communication technologies.

9. Today's China is neither a Cold-War Soviet Union nor a 1980s Japan. How the US-China rivalry will play out depends on two questions, one for the United States and one for China.
10. The question for the United States is its confidence level. Its preemptive measures against China reflect its worries about China as a future contender. If the United States continues to take the lead in the emerging "smart technologies", a devastating and destructive US-China rivalry is unlikely to occur in the coming decade.
11. The question for China is whether it will return to autarky/self-reliant techno-nationalism, or re-embrace pragmatic/open techno-nationalism. The choice will impact not only China's leapfrog development from "industry 2.0" to "industry 4.0", but also its credibility as a defender of globalisation.