

## The Hong Kong Demonstrations and US-China Tension

### Why Vietnam Defeated the US – Different Loss Tolerance Limits

The US-China trade war has reached the point where it has become evident that this is actually a struggle between the world's two largest economies for global hegemony. There was no problem when the United States determined the world order (a free market economy (capitalism) and liberal democracy) while China was held back. The government led by President Xi Jinping has proclaimed the "China Dream" and is no longer concealing its ambition to lead the new world order. In his October 4 speech at the Hudson Institute, Vice President Mike Pence at last made it clear that the United States will not back down concerning China's actions for global hegemony. His remarks revealed a stance of treating China as a potential enemy and a blocking China from accomplishing its goals.

The winner of this battle will not be determined solely by military and economic power. Professor Tomohide Murai of Tokyo International University made two interesting remarks in a Sankei Shimbun op-ed titled "China cannot win a war with the United States" on June 3, 2019. "Winning a war means accomplishing the objective of the war before passing the public's tolerance of losses. Losing a war means that the public's tolerance of losses was exceeded before the war's objective was accomplished." "Vietnam, which had more than 3 million deaths, beat the United States, which had about 50,000 deaths. The difference was the gap between the level of tolerance of losses. Furthermore, in the background was a big difference in the willingness of the public to fight."

### The Hong Kong problem has exposed China's low tolerance of losses

Does this thinking apply to the United States and China today? Most people tend to think that China has the advantage. The reason is that the country's one-party rule and strict control of information make it possible to limit the freedom of the people of China. As a result, China should be more powerful and agile than the United States, where public dissatisfaction can easily affect the outcome of elections. But what about the public's willingness to fight? In the United States, public opinion, the Republican Party and the Democratic Party firmly back maintaining strong ties with each other against China in order to protect liberty, human rights, democracy, and a fair and transparent market economy. Apparently, this is creating a willingness to fight for principles and values. In China, on the other hand, the legitimacy of the Communist government is very weak from an ethical standpoint.

There are two weak reasons to justify one-party rule in China. One is that Chinese Communist Party Government has accomplished economic growth and a better standard of living. The other is that no other system of government exists that can oversee a country with a population of 1.3 billion. There may be people who would give risk their lives for human rights and democracy. But there are probably very few people who would sacrifice themselves in order to preserve the current Communist regime. Furthermore, China has an integral role in the international division of labor due to its position as the world's factory. China's economic growth was dependent largely on an enormous current account surplus with the United States. This is in stark contrast to Vietnam, which was originally a self-sufficient agricultural economy.

This point is obvious simply by noting that two million residents of Hong Kong participated in a demonstration to oppose a law that would permit extraditions to mainland China. Hong

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Kong Chief Executive Carrie Lam had no other option than to apologize for causing this turmoil and then withdraw the proposed extradition law. Events in Hong Kong are influencing Taiwan, too. Until recently, the Chinese Nationalist Party, which supports a conciliatory stance regarding China, had been favored to win the general election in January 2020. But the people of Taiwan have become increasingly wary of China. This is creating more backing for the Democratic Progressive Party, which is not a supporter of “One China.” The Trump administration has stated that Hong Kong will be one of the subjects discussed when President Trump and President Xi Jinping meet at the G20 Osaka Summit at the end of June. Discussing Hong Kong, which is an internal Chinese issue, at an international conference would normally be something that President Xi Jinping would want to avoid at all costs. He is probably worried about the enormous damage to his administration that would result from negative worldwide public opinion regarding how China governs its people.

### **Giving in for now without humiliating President Xi Jinping**

The Hong Kong demonstrations show that the Chinese government intention to change “one country, two systems” into empty shell is no longer viable. When he visited Ruijin City the starting point of the Long March on May 20, President Xi Jinping told the people of China that they must embark on a new Long March. Chinese media reports interpreted this statement as the president’s resolve to resist US pressure. In fact, the statement had the opposite meaning. The Great March was a temporary retreat in response to extreme adversity followed by a switch to a war of attrition and the resumption of attacks. The president probably recalled the Long March in order to prepare for the justification of a temporary retreat. This retreat most likely applies as well to the US-China trade negotiations, which are nearing a decisive stage. On the US side, Treasury Secretary Mnuchin has hinted that sanctions on Huawei may be eased if there is progress with trade talks. These developments should be regarded as signs that the United States and China are both seeking a middle ground for an agreement.

“To defeat the United States, China must lower the tolerance of losses of the US public,” say Professor Murai. “However, the people of the United States may regard a war with China as a legitimate conflict in order to protect the great country from an evil enemy. This would create a high tolerance of losses. On the other hand, people who place great importance on material wealth have a low tolerance of losses. This is why China would probably surpass its tolerance of losses before the United States does.”

President Xi Jinping certainly understands this point. As a result, the president’s only course of action is to orchestrate a trade agreement with the United States without losing face before the trade war becomes even more heated.