stratbase

ADRi PUBLICATIONS

NAVIGATING THE POLITICAL ECONOMY OF COLD WAR 2.0

RONALD U. MENDOZA, PH.D.

The Stratbase ADR Institute for Strategic and International Studies (ADRi) is an independent strategic research organization with the principal goal of addressing the issues affecting the Philippines and East Asia through:

1. Effecting national, regional, and international policy change or support
2. Fostering strategic ideas based on cooperation and innovative thinking
3. Providing a regional venue for collaboration and cooperation in dealing with critical issues in East Asia; and
4. Actively participating in regional debates and global conversations

With its international focus, ADRi believes that Philippine and regional security and development can be achieved through the cooperation of the public and private sectors.

ADRi traces its roots to the Stratbase Research Institute (SRI) established in 2004. SRI focused on providing strategic solutions to domestic governance, socio-economic, and other policy concerns. It aimed to contribute to Philippine development through research and responsive policy alternatives.

As SRI sought solutions, East Asia's affairs frequently inserted themselves into the equation. There was and is a clear relation between domestic and regional affairs; movement in one reverberates in the other.

NAVIGATING THE POLITICAL ECONOMY OF COLD WAR 2.0

WRITTEN BY
RONALD U. MENDOZA, PH.D.

stratbase + ADRi PUBLICATIONS
STRATBASE ADRi FOR STRATEGIC AND INTERNATIONAL STUDIES
Manila, Philippines

Stratbase ADRi
Albert Del Rosario Institute for Strategic and International Studies

A Publication of the Stratbase Albert Del Rosario Institute for
Strategic and International Studies

Stratbase ADRi Website: www.adrinstitute.org
Facebook: https://facebook.com/stratbaseadri/
Twitter: https://twitter.com/stratbaseadri/

For information, address ADRi Publications:
The Financial Tower, 6794 Ayala Avenue, Makati City 1226

Design by Carol Manhit
Text set in 11 type Minion Pro

ABOUT THE ORGANIZATION

Victor Andres "Dindo" C. Manhit is the President of Stratbase Albert Del Rosario Institute for Strategic and International Studies. Concurrently, he is Philippine Country Head of the renowned BowerGroupAsia (BGA). He was a former Chair and recently retired Associate Professor of the Political Science Department of De La Salle University. Among the government positions he held include Undersecretary for External Affairs and Special Concerns of the Department of Education, Culture and Sports and Deputy Secretary for Administration and Financial Services of the Philippine Senate. Meanwhile, his legislative experience encompasses the 8^{th}, 9^{th}, 10^{th}, and 12^{th} Congress as the Chief of Staff of the late Former Senate President Edgardo Angara and senior policy research adviser in key senate committees.

BOARD OF TRUSTEES

Ambassador Albert del Rosario was the Secretary of Foreign Affairs of the Philippines from 2011 to 2016. He also served as Philippine Ambassador to the United States of America from 2001 to 2006. Prior to entering public service, Amb. Del Rosario was on the Board of Directors of over 50 firms. He received numerous awards and recognition for his valuable contributions to the Philippines and abroad.

Manuel V. Pangilinan is CEO and managing director of First Pacific Company Limited. He is also the chairman of Metro Pacific Investments Corp., Philippine Long Distance Telephone Company, Manila Electric Co. (Meralco), and Smart Communications, among others. He is a recipient of several prestigious awards including the Ten Outstanding Young Men of the Philippines (TOYM) Award for International Finance in 1983 and the Presidential Pamana ng Pilipino Award by the Office of the President of the Philippines in 1996.

Edgardo G. Lacson is an honorary chairman of the Philippine Chamber of Commerce and Industry (PCCI). He is the Chairman of the Employers Confederation of the Philippines. He holds numerous leadership positions in various companies. He served as a Director of The Philippine Stock Exchange, Inc. and is an Honorary Member of the Rotary Club-Diliman.

Benjamin Philip G. Romualdez is the former president of the Chamber of Mines of the Philippines. He also holds, among others, the following positions: Chairman of MST Management, Inc., President of Oxford University and Cambridge University Club of the Philippines, Director at Philippine-Australia Business Council (PABC), Trustee/Vice President of Doña Remedios Trinidad Romualdez Medical Foundation, Inc, and Trustee/Vice President of Dr. Vicente Orestes Romualdez (DVOR) Educational Foundation, Inc.

Ernest Z. Bower is a senior adviser for Southeast Asia at the Center for Strategic and International Studies (CSIS), having founded the first chair for the region. He is CEO of BowerGroupAsia (BGA) and a leading expert on Southeast Asia.

Renato C. de Castro, Ph.D is a full professor of international studies at De La Salle University – Manila (DLSU). In 2009, Dr. de Castro became the U.S. State Department ASEAN Research Fellow from the Philippines and was based in the Political Science Department of Arizona State University. A consultant in the National Security Council of the Philippines during the Aquino administration, he has written over 80 articles on international relations and security.

Judge Raul C. Pangalangan, Ph.D is a judge of the International Criminal Court. He was previously the dean of the University of the Philippines College of Law and publisher of the Philippine Daily Inquirer. He has taught in many universities around the world, such as Melbourne University, Hong Kong University, and Harvard Law School.

Epictetus E. Patalinghug, Ph.D is a professor emeritus at the Cesar E.A. Virata School of Business, University of the Philippines (UP), Diliman. He received his doctorate degree in Agricultural Economics from the University of Hawaii. His works have been featured in various publications around the world.

Francisco A. Magno, Ph.D is the executive director of the Jesse M. Robredo Institute of Governance and former President of the Philippine Political Science Association. He is a professor of political science at DLSU and previously served as Chair of the Political Science Department and Director of the Social Development Research Center.

Carlos Primo C. David, Ph.D is a licensed geologist and professor in UP Diliman having obtained his PhD in Environmental Science and Geology from Stanford University. He is a former the Executive Director of DOST-PCIEERD. A project leader of the DOST's Project NOAH, Dr. David pioneers short term rainfall forecasting in the country and climate change-related research on water resources. (On government service leave)

CONTENTS

ABSTRACT

In December 2017, the US National Security Strategy introduced the notion of a "new era of strategic competition," describing its once-close economic partner, China, as an "adversary," "rival," and "strategic competitor." Foreign policy analysts point to a looming second cold war between the United States and China, possibly ushering a period of economic dis-integration and the formation of regional trade and national security blocs. Navigating this new economic and geopolitical terrain will be critical for many countries that seek to chart stable and sustained pathways for both economic development and national security. This paper synthesizes the emerging literature in this area, draws on insights from the first cold war, and examines emerging research on the potential implications of a new cold war between the US and China. It briefly outlines the changing global economic and geopolitical terrain in the last several decades, pointing to a dramatic shift into a multi-polar world with a large number of middle powers and then reviews the emerging evidence on the economic implications of a new cold war and the last section revisits some of the main economic and governance lessons from the first cold war. It concludes by outlining some initial policy guidelines for countries navigating cold war 2.0, one of which is where adaptable, countries whether big, small, or middle should find ways to open up to and discover ways in terms of creating mutual value in the mantel of international economic cooperation and regional trade and investment groupings. In this manner, middle countries in particular can effectively dodge being restricted within the confines of the US-China strategic competition. Countries, notably the democratic ones, must rediscover and strengthen their political governance vis-à-vis the populist wave and democratic retreat that now seriously threaten and undermine democratic governance. On top of these political shocks are the technological and other economic shocks. Key therefore to these countries is their ability to steer and diversify alliances, maintain strong independence, and persistently strive for economic, political and technological development and progress.

NAVIGATING THE POLITICAL ECONOMY OF COLD WAR 2.0

RONALD U. MENDOZA, PH.D.

In the immediate post-pandemic period, the international economic system—and notably the system that governs international trade—has become more fractured compared to its status about two decades ago. Foreign policy analysts point to a looming second cold war between the United States and China, possibly ushering in a period of economic disintegration and formation of regional trade and national security blocs.

Growing concern over a new cold war signals the gravity of the present US-China tensions. However, recognizing the differences this time around also emphasizes that this new Cold War likely requires different strategies for an altogether new geopolitical and economic environment (Turker 2023; Wyne 2018). Navigating this new economic and geopolitical terrain will be critical for many countries that seek to chart stable and sustained pathways for both economic development and national security.

This paper reviews the literature in this area, drawing on insights from the first cold war, and synthesizing emerging research to help clarify the implications of a possible new cold war. In what follows, Section 2 briefly outlines the changing global economic and geopolitical terrain in the last several decades, pointing to a dramatic shift into a multi-polar world with a large number of middle powers. Section 3 then reviews the emerging evidence on the economic implications of a new cold war. Section 4 revisits some of the main economic and governance lessons from the First Cold War. A concluding section synthesizes the main insights from the paper and outlines some initial policy guidelines for countries navigating Cold War 2.0.

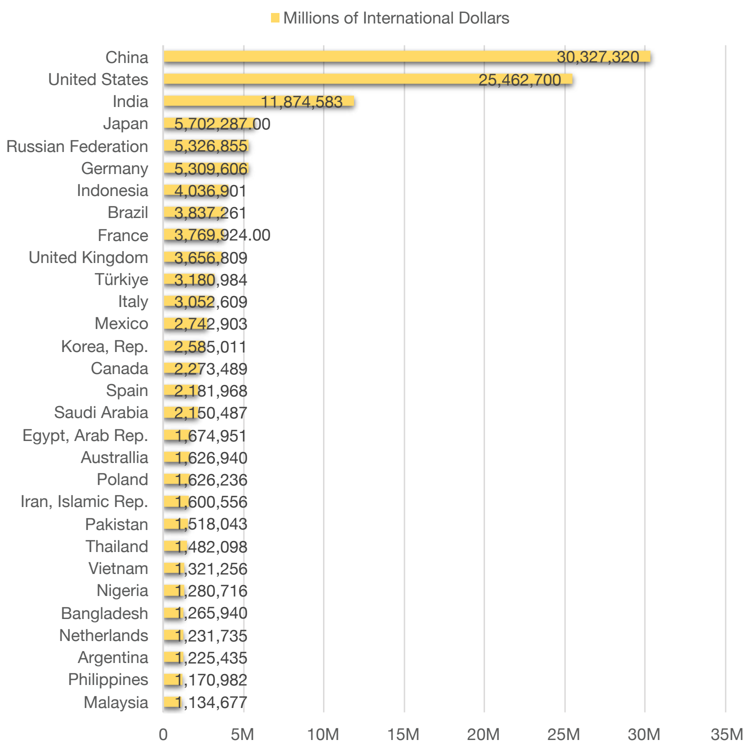
Changing Global Economic Terrain

China formally joined the World Trade Organization in December 2001 and has since enjoyed phenomenal economic growth and development, fueled in large measure by foreign investments and trade. Since 2001, when Chinese exports amounted to about USD266 billion, this grew to reach USD3.57 trillion by 2022, an impressive 13-fold increase in only 2 decades. As a share of total GDP, and even prior to full ascension to the WTO, China's trade rocketed from a mere 12% in 1980 to 39% in 2001 (when it formally joined the WTO after extensive negotiations)—ratchetting further to 64% at its peak in 2006. In 2022, China's trade as a share of GDP stood at about 38%, following an internal structural rebalancing within China in the last decade,[1] the after effects of the COVID-19 pandemic and growing economic and trade tensions fueling protectionism and a reshoring of domestic manufacturing capacity to create jobs among some of its trade and investment partners.[2] Despite recent economic challenges, the Chinese economy now stands as the largest in the world, after overtaking the United States in 2017 (in terms of GDP PPP) (see Figure 1).

Unsurprisingly, analysts expected increased tensions between the two major superpowers, not simply touching on national security issues, but also in terms of increased competition in the economic and technology spheres. In the last two decades, the US and China have occasionally engaged in tit-for-tat trade policy strategies with threats of decoupling and reversal of their deep economic integration. In more recent years, however, a significant departure from previous disputes between the US and China stems from the growing nexus of economic and national security issues. China's expansionist ambitions in Asia, including its release of a new map with a 10-dashed line shortly before the G-20 summit in India in 2023, adds further impetus to this assessment.

Analysts observe how China's "salami strategy" and "cabbage strategy" guide its growing grey zone activities, defined as "coercive actions that are shy of armed conflict but beyond normal diplomatic, economic, and other activities". A dataset

Figure 1 . Gross Domestic Product in 2022 (PPP Terms), Largest Economies

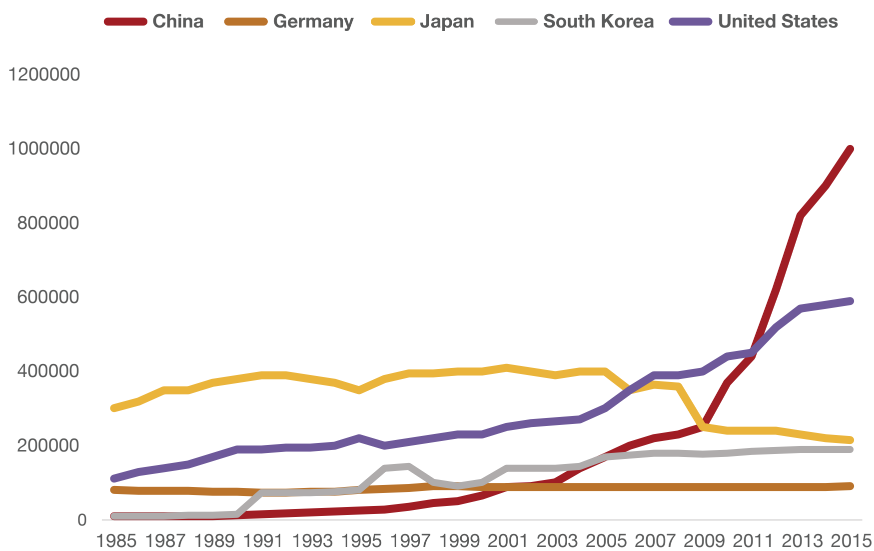


Source: https://databankfiles.worldbank.org/public/ddpext_download/GDP_PPP.pdf

on these activities compiled by researchers from RAND indicates that China deployed almost 80 different grey zone tactics against Taiwan, Japan, Vietnam, India, and the Philippines in the last decade alone (Lin et al 2022). In the South China Sea territorial dispute, what is at stake is an estimated 11 billion barrels of oil and roughly 190 trillion cubic feet of natural gas, as well as the freedom of navigation of many nations in an area where over USD3.4 trillion (roughly a quarter) of global trade transits every year. The US now perceives China's expanding economic and technological prowess as a direct national security threat. In December 2017, the US National Security Strategy, mandated by Congress, introduced the notion of a "new era of strategic competition," describing the once-close economic partner as an "adversary," "rival," and "strategic competitor."[3]

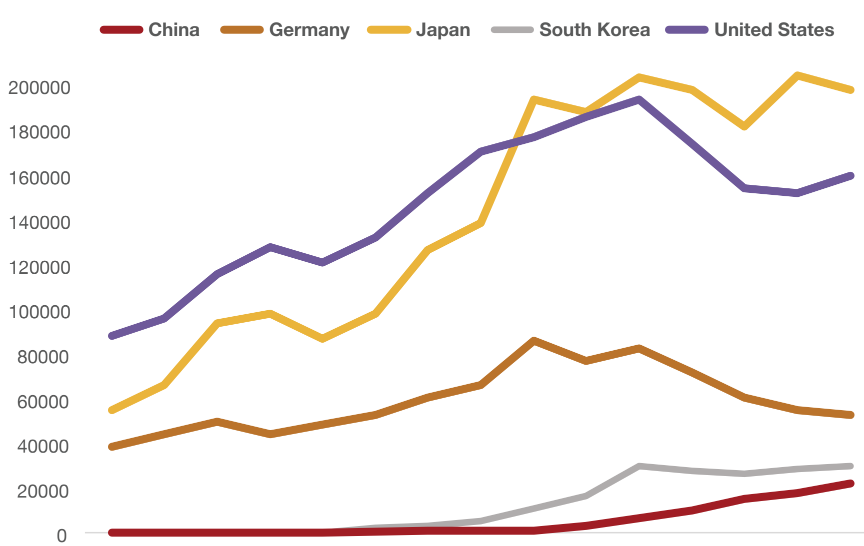
In terms of innovation and intellectual property (IP), Chinese total patent applications surged since the 2000s. As regards triadic patents (i.e., those

Figure 2 . Total Patent Applications 1985-2014, Selected Economies



Source: WIPO as reported by Steinbock (2018, p. 532)

Figure 3 . Triadic Patent Applications 1985-2014, Selected Economies



Source: OECD as reported by Steinbock (2018, p. 532) registered in the US and EU and often seen as more commercially valuable), China's applications have increased six-fold but remains well behind that of Japan, Germany, and the US (see Figures 2 and 3). Nevertheless, there is a contentious side to the rapid economic and technological catch-up of China. As noted by Steinbock (2018, p. 531): "Much of China's IP progress can be explained based on past technology transfer and the government's high investment in science and technology. Yet, in August 2017, only quarter of a year after the directives to assess the state of steel and aluminum imports to the United States, President Trump directed the USTR (United States Trade Representative) to determine if China's policies 'may be harming American intellectual property rights, innovation, or technology development.' In March 2018, the President signed a memorandum outlining USTR's findings, charging China for forced technology transfer, cyber-theft, discriminatory licensing requirements, and attempting to acquire U.S. technology to advance China's industrial power."

According to the US Intellectual Property Commission, US losses due to IP theft could amount from USD225 billion to USD600 billion annually in counterfeit goods, pirated software, and theft of trade secrets. Nevertheless, some observers still question the accuracy of these estimates (see Steinbock 2018).

As a result of all these developments, the international economic system is at an important crossroads—faced with a possible (or de facto) bifurcation in the global economy, resulting in several main economic and national security blocs. Already, there is debate and discussion on whether the world may be entering a new cold war: one that involves the US and its allies on one side, and China and its own group on the other (Ford 2023; Gershman 2023; Hirsch 2022; Kim et al 2023). Short of nuclear war, the battles were fought through proxy conflicts, the space race, economic and development assistance programs, and the battle of ideas in economics (Turker 2023).

Nevertheless, the analogy to the first cold war is enlightening in some dimensions but surely has limits. Unlike the first cold war, for example, China differs from the Soviet Union due to the former's very extensive economic interlinkages with many countries across the world—partly deepened in some cases by its own policies to strengthen economic interlinkages and economic growth benefits such as through the Belt and Road Initiative (see for instance Zhai 2018). Furthermore, some analysts contend that the present geopolitical landscape is a much more multipolar one compared to the earlier era, with a number of economic, military (and nuclear), and technological powers. Global economic growth, among other factors, has contributed to the reduction of poverty and the decline in the number of low-income countries (LICs) altogether. Globally, 6 out of 10 people lived in low-income countries in the 1990s. This has dropped to about 1 in 10 in recent years. Since 2003, the number of low-income countries have declined from 66 to about 31 in 2019. There are 107 middle income countries (MICs) in the world today where 60 of them are classified as upper middle income (Prydz and Wadhwa 2019).

With their economic weight, some of these countries are also referred to among the growing number of middle powers in the world that can exert considerable economic and geopolitical influence. Described as neither superpowers nor great powers, this group may include countries like Australia, Canada, the Netherlands, Poland, Singapore, and South Korea, as well as petro-powers like Nigeria, Saudi Arabia, and Iran (including smaller Gulf states like Qatar and the United Arab Emirates), as well as dynamic emerging market economies like Brazil, India, Indonesia, South Africa, Turkey, and Vietnam (Sweijs and Mazarr 2023). Some analysts also include countries with unique global and regional influence such as Ukraine (Minakov 2023) and the Philippines to this list (Philippines Foreign Service Institute 2021; Heydarian 2023).

Meanwhile, in terms of military capabilities—and notably nuclear weapons—there were only 5 nuclear powers in the early 1960s, while today there are 9. The evidence suggests that some of these nations are ramping up their nuclear arsenal, particularly as new cold war risks emerge. Recent estimates note how China, for example, increased the number of its nuclear warheads from 350 in January 2022 to 410 in January 2023, with expectations that this arsenal will keep growing and may even match the number of intercontinental ballistic missiles (ICBMs) of the USA or Russia by the turn of the decade (SIPRI 2023). Finally, the present era is different from the previous cold war era because the strong interlinkages due to economic (trade and investment) as well as technology ties across countries brought on by the ICT revolution in the 1990s and now the 4th industrial revolution (e.g. AI, robotics, internet of things, social media connectivity) brings with it not just benefits and value creation across countries, but also new risks and ways to inflict damage on each other's economies and societies thanks to this very same integration and interlinkages. Navigating the new global economic, national security, and technological terrain requires a deeper understanding of the potential (and emerging) implications of the new cold war.

Economic Implications of a New Cold War

The economic aftershocks from worsening economic frictions between the US and China can generate global implications due to the sheer size, level of international economic integration and technology leadership these two nations play in the contemporary global economy.

Trade and Development

The US demonstrated a strong tolerance (and even support) for the dramatic ramp up of China's trade and industrialization in the 1980s into the 2000s. This appears to have shifted around 2016/2017 when renewed accusations of currency manipulation by China led to a series of retaliatory actions, including the imposition of broad tariffs on Chinese imports.[4] [5] There is increasing evidence on the adverse economic consequences of rising US-China trade and investment frictions. Recent studies underscore the global economic implications of increased US-China economic frictions, studied a large database of tariff increases in the US-China trade war. They simulated the net welfare effects of these tariff policies, and found evidence that tariff increases as of September 2019 led to a reduction in Chinese welfare by 1.9% and a reduction in U.S. welfare by 0.3%. Furthermore, China's exports to and imports from the United States are reduced by 58.3% and 50.7% respectively.

US-China trade frictions have also had a dramatic impact on China's domestic economy. S. Li et al. (2021) analyzed various scenarios of US trade tariffs and then examined their impact on Chinese trade and the prospects for economic development in several internationally linked Chinese provinces. Eastern coastal provinces like Guangdong, Zhejiang, Jiangsu, Fujian, and Shanghai were adversely affected by US tariffs. Nevertheless, provinces like Anhui, Shanxi, Shaanxi, Inner Mongolia, Gansu, and other central and western provinces were only indirectly and moderately affected.

Moreover, Gnangnon (2018) analyzed the economic growth benefits from international trade, using data on 150 industrial and developing countries during the period 1995-2015. The results suggest that the benefits from international trade are heavily concentrated among upper-middle-income and low-income countries. In fact, "a one-point increase in the index of multilateral trade liberalization promotes the economic growth rate in LICs by 28.63 percentage points and in LMICs by 26.45 percentage points" (ibid p.1284). Suffice it to say from these estimates that any effort to scale back international economic integration may generate adverse implications for global growth. But will all countries be affected adversely as well?

One study of the implications of the US-China tariff wars—notably intensifying in 2018 and 2019—examined the effects on international trade. Departing from earlier trends to reduce tariffs globally, the US raised tariffs on imports from China in those years, particularly targeted at machinery and metals. China's retaliation raised tariffs on US imports but also reduced tariffs on imports from other countries. Fajgelbaum et al (2023) matched tariff movements with global bilateral trade data from the International Trade Centre for the top 50 exporting countries (excluding oil exporters), and they focused on trade movements affected by tariff movements in the US and China.

They found the following main results. First, US exports to China declined by 26.3% while exports to the rest of the world improved slightly by 2.2%. In addition, China's exports to the US diminished by 8.5% and its exports to the rest of the world ramped up by 5.5%. Interestingly, their empirical results also exposed how the products targeted by tariffs increased among bystander countries. These nations did more than reallocate global trade flows across destinations; their overall exports to the world increased. On net, because of these trade diversion effects, the trade war raised global trade by 3%. As will be noted later, however, some aspects of the US-China trade war may have more debilitating effects on global development, notwithstanding these potential trade gains for third party countries.

The Brewing Tech-war

US-China frictions have increased in tandem with the growing economic, military, and technological capabilities of the latter. The US National Security Strategy published in December 2017 described the "new era of strategic competition" effectively shifting the view on the once-close economic partner into an "adversary," "rival," and "strategic competitor."[6] Most recently, the focus of this rivalry has been on the technology front, particularly given the interface across advancements in commercial technology and military capabilities. Shivakumar and Wessner (2022), for example, note:

> *"All major U.S. defense systems and platforms rely on semiconductors for their performance. Consequently, the erosion of U.S. capabilities in microelectronics is a direct threat to the United States' ability to defend itself and its allies. Moreover, the U.S. civilian economy is deeply dependent on semiconductor-based platforms for its daily operations. Ensuring U.S. leadership in semiconductor technology and securing the integrity of the value chains that design, manufacture, package, and distribute these chips are perhaps the preeminent economic and national security concerns of the modern era."*

Hence, the tit-for-tat strategies on tariffs and other retaliatory measures have now given way to more robust policy measures that may begin to re-shape, if not sever, international economic linkages. Some recent developments include:

- August 2022: the Biden administration enacted the US CHIPS and Science Act, designed in part to reshore semiconductor chip production in the US while countering China's dominance in this sector. The US produces only approximately 10% of the world's supply and none of the most advanced chips, while East Asia accounts for 75% of global production. The CHIPS and Science Act was intended to stimulate significant private-sector semiconductor investment across the nation, particularly in production critical to national defense and key sectors[7]
- October 2022: the US implemented comprehensive export controls designed to restrict China's access to specific semiconductor chips and chip-making equipment[8]
- November 2022: the US Federal Communication Commission regulated the importation or sale of selected technology products from China that posed security risks to critical US infrastructure[9]
- January 2023: the US, in conjunction with Japan and the Netherlands, collaborated to strengthen export restrictions on advanced chip-making machinery destined for China (Allen and Benson 2023)[10]

- May 2023: China begins to retaliate against tightening-exports around semiconductors. China has commenced a cybersecurity evaluation of Micron, the leading American manufacturer of memory chips. In late May, Chinese regulators prohibited the acquisition of Micron chips within the nation's critical infrastructure domain (Stangarone 2023).
- July 2023: China imposes controls on exports of gallium and germanium—China produces 80% of the world's gallium and 60% of germanium, both of which are necessary for chip production. If exporters wish to initiate or continue the export of gallium and germanium from China, they must seek licenses from the commerce ministry. China has stated that the introduction of this new licensing system is intended to safeguard national security (Allen 2023).

These recent measures constitute what many consider to be a brewing "tech war" not just between the US and China, but also involving many other countries that form part of the still significantly integrated international manufacturing and technology markets. If these measures persist, many other countries and private sector actors will need to recalibrate their involvement in international value chains, investments strategies, and defense partnerships.

Part of the motivation for this tech war stems from the allegations that China has turned to unfair trade and investment practices that result in what some call forced technology transfer (Qin 2019). In addition, and as noted earlier, evidence of IP infringement amounting to large losses for countries like the US feed these frictions further (Steinbock 2018). Danilin (2022) also notes the game-changing technologies at stake: "The US-China Tech War is centered around a range of emerging and transformative technologies, including Artificial Intelligence (AI), quantum computing, microelectronics, semiconductor manufacturing systems, telecommunication equipment, supercomputers, specialized software, and internet solutions. These are critical technologies for the future markets and tech power. It is understandably so that both superpowers are competing to develop and control them."

Most studies simulating the impact of trade and investment policies typically focus on static gains from trade, yet recent developments emphasize that the critical importance of technology, and hence also the dynamic gains from trade that should also be considered. Goes and Bekkers (2022), for example, examine the effects of increased and persistent large-scale geopolitical conflicts between different trade blocs on some of the parameters shaping the dynamic gains from trade—notably technological innovation and economic growth. These authors turn to a multi-sector multi-region general equilibrium model with dynamic sector-specific diffusion, and their results show that a potential decoupling of the global trading system into two blocs—one centered on the US and another centered on China—reduces global welfare in 2040 (compared to a baseline) by about 5%.

Low-income regions that benefit significantly from positive technology spillovers from trade are among those countries that bear the brunt of this reduction in welfare. The authors note that: "the projected welfare losses for the global economy of a decoupling scenario can be drastic, as large as 12% in some regions; and are largest in the lower income regions as they would suffer most from reduced technology spillovers from richer areas" (ibid p.3).

These authors also examined scenarios where extensive decoupling would take place, and there would be retaliatory tariff hikes between the two blocs (i.e., one associated with the US and another with China). The results suggest that Western bloc countries experience losses of anywhere from -1% to -8% of the baseline scenario, while Eastern bloc countries experience losses between -8% and -12% (ibid p.25).

In the model, the divergence in welfare losses stems largely from the evolution of productivity across these two sets of countries. Economic links with high productivity countries create channels for absorbing new technology and designs, facilitating productivity-enhancing imitation and innovation. The authors note that since Eastern bloc countries have generally lower productivity and large ties with innovative countries, severing these ties causes larger reductions in productivity and welfare.

Global Value Chains: Nearshoring, Friendshoring and Reshoring

Recent policy developments to reduce import dependence and regain control and leadership over key manufacturing technologies have generated keen interest in the effects of nearshoring, friendshoring and reshoring policies. Essentially, nearshoring and reshoring try to bring back manufacturing capabilities and reverse some of the offshoring that took place in the past. Friendshoring does this by tapping 3rd countries that are perceived as allies.

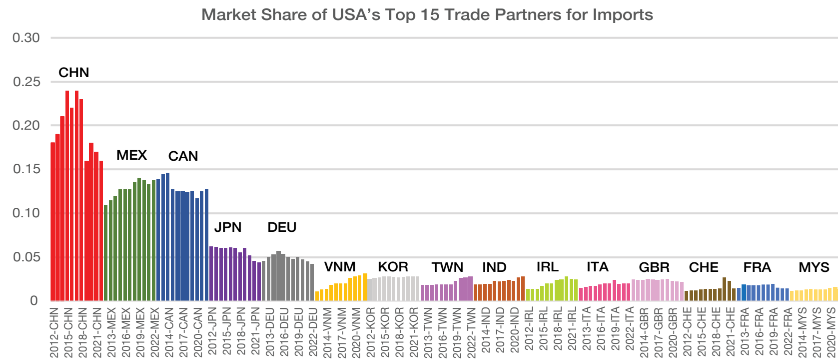
Alfaro and Chor (2023) examine the evidence around these trends by analyzing product-level trade statistics drawn from the UN Comtrade, which lays out microdata on import sources over time. These authors combine the analysis with further information on the structure and positioning of countries in GVCs as well as data on multinational activity, FDI, and companies' earnings calls. Overall, the authors find that there is not yet a retrenchment in world trade expressed as a share of world GDP. Nevertheless, the aggregate level of trade does not yet reflect the important shifts taking place in trade and investment flows. China's share of US goods imports peaked in 2017 at about 21.6% and has since declined to about 16.5% in 2022. (See also Figures 4 and 5.)

This shows evidence that the US is sourcing away from China, and based on the data, sourcing increasingly from countries like Vietnam and Mexico. Alfaro and Chor (2023) further note:

> *"We moreover find that this reallocation has been occurring at the product level: Across HS4 products, decreases between 2017-2022 in China's share of US imports are systematically correlated with gains in the import shares held by Vietnam and Mexico (even after accounting for pre-trends in these countries' shares of the US market). Both Vietnam and Mexico picked up import market share in various categories of electrical and electronic equipment. But there have been subtle differences too in the product mix of observed shifts, with Vietnam gaining ground in telephone sets, apparel and textiles, and Mexico increasing its US import share in automobile parts, as well as glass, iron, and steel products."*

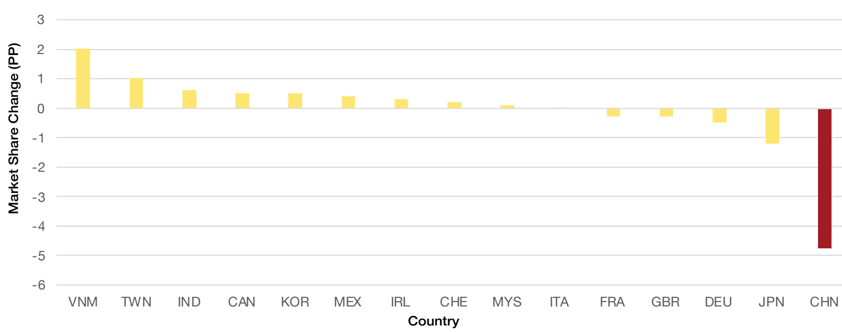
Figure 6 also reconfirms the patterns in discussions of friendshoring (to Vietnam), nearshoring (to Mexico) and reshoring (back to the US) in a dataset compiled from companies' earnings calls. The spikes in the data coincide with the rise in US-China tensions and the anti-China rhetoric under the Trump administration. The authors also note important concerns over the cost of these strategies on final products and whether workarounds are possible so that connections with China remain: "Decreases in product-level import shares from China are associated with rising unit values for imports from Vietnam and Mexico, which likely reflects rising costs of production in these locations. More work is needed to investigate how much this reallocation away from direct

Figure 4 . US Trade Partners' Import Market Shares
Evolution 2017-2022



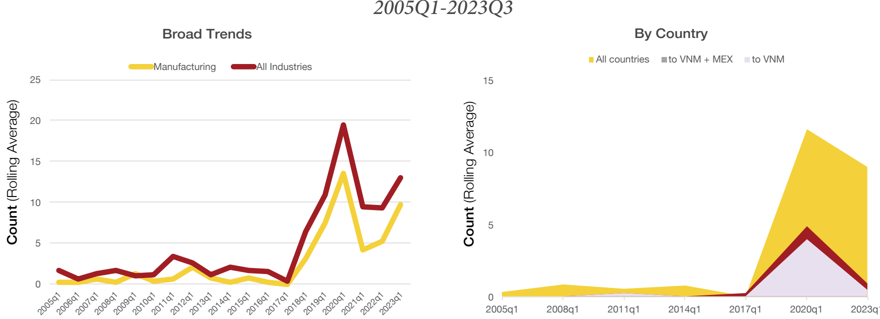
Source: Alfaro and Chor (2023, pp. 15) drawing on COMTRADE data

Figure 5 . US Trade Partners' Import Market Shares
Total Change 2017-2022



Source: Alfaro and Chor (2023, pp. 16) drawing on COMTRADE data

Figure 6 . Mention of Friendshoring/Nearshoring/Reshoring in Company Earnings Calls
2005Q1-2023Q3



Source: Alfaro and Chor (2023, p. 24) drawing on data from call transcripts in Refinitiv Eikon processed by NL Analytics.
Counts are three-quarter rolling averages

imports from China might be contributing to higher US prices and inflation" (Alfaro and Chor 2023).

Furthermore, "Chinese firms have thus been increasingly active as a source of FDI into both Vietnam and Mexico, with the timing of this rise coinciding with the US' imposition of discretionary tariffs on direct imports from China. …even though the US may be reallocating its sourcing and imports toward Vietnam and Mexico, it may de facto remain connected with and dependent on China through third countries, including through Vietnam and Mexico. These indirect supply chain links that the US may be retaining with China deserve closer investigation as more detailed data comes to light."

Policy Insights from the First Cold War

There appears to be growing consensus that a new cold war has already broken out—or is set to—due in large measure to the frictions between the US and China (Haiyong 2019; Danilin 2022). The US National Security Strategy published in October 2022 noted that the "post–Cold War era is definitively over, and a competition is underway between the major powers to shape what comes next." Analysts emphasize how this new cold war is different from the first one due to a variety of reasons, including the sheer economic size and deep international economic linkages of China (as pointed out earlier in this paper), the multipolar geopolitical and economic landscape with a large number of middle powers, as well as the much larger number of nuclear and military powers today. Nevertheless, certain aspects of the first cold war can help advance countries' thinking on this impending second one. Building on Gershman (2023), three main concepts that shaped the first cold war can be noted here:

- "Containment": carried out by the US through military deterrence and economic and national security partnerships to mitigate Soviet expansion;
- "Mellowing": process in which flaws in the Soviet system would eventually become more exposed and erode regime credibility gradually (see Kennan 1947); and,
- The "Battle of ideas": the competition of economic and political ideologies and policies across democratic and free markets vs socialist/communist and centrally planned governance systems.

And as regards the battle of ideas, the competition of economic governance systems played a particularly crucial role according to historians who pointed to main areas of contestation. First, countries' economic systems were heavily influenced by two competing schools of thought: one that espoused the free market economy and how decentralized price signals allocated resources efficiently in a modern an industrialized economy; and another that emphasized the role of central planning in a social economy that met people's needs and mitigated inequality (see among others Bollard 2023a; Maier 2010; Bollard 2023b). The economic and national security partnerships strategies of the US and Soviet Union were shaped by their respective economies' governance frameworks, hence development aid (e.g., Marshall Plan and official development assistance) and military partnerships promoted these respective schools of thought as well.

Observers noted how, on top of these two main competing economic governance frameworks, the strategy of "military Keynesianism" placed more pressure on the system that was less able to: a) trigger broad-based private sector innovation and growth dynamism due to public sector (and notably military) spending and investments; and b) balance the eventual competing demands of civilian and military resource allocations under a military arms race (Fusfeld 1998; Bollard 2023b). In the contemporary setting, observers are similarly noting the possible resurgence of military Keynesianism in Russia (notably with job-creating and wage-increasing military conscription) in a possible effort to secure political credibility and boost economic objectives using this targeted fiscal policy (Ishchenko 2022).

The strength, stability, and sustainability of the economies of the US and Soviet Union, respectively, were seen as critical in recruiting allies and partners on both sides of the cold war divide. Ultimately, the Soviet Union faced difficulties in meeting civilian demands for economic development and prosperity as its national security investments and spending began to outstrip its ability to balance national security and broad-based development goals (Cooper 2008; Maier 2010). Meanwhile, the US deployed non-military means to counter the spread of communism using foreign policy strategies leveraging economic and military aid, dispensing economic incentives and sanctions, and investing in the expansion of an international economic order underpinned by free-market and enterprise-driven approaches to international trade, investments, and development policy (Bollard 2023b; Cooper 2008; Hixson 1994).

Quo Vadis?

As noted earlier, concepts and strategies such as “containment”, “mellowing” and the “battle of ideas” shaped the contours of the first cold war and ultimately influenced which countries would thrive. The nuclear, military, and space races placed the respective economies of the US and the Soviet Union under significant pressure and stress, revealing, according to many analysts, the stronger efficiency and credibility of the democratic and free market governance systems (Bollard 2023a). Nevertheless, the global landscape today suggests that this ideological messaging falls short of the practical reality faced by many nations.

First, democracy faces many threats, not simply reflected in the rise of populist politics, but also in the disruptive nature of new technology such as AI and disinformation in social media. Second, so-called free market economies are slowly turning to industrial policy and protectionism again, in many ways reversing several decades of economic openness policies. This is in large measure a response to growing domestic pressure for job creation and democratic stress and pressure to regain national sovereignty over economic and political decision-making. Rodrik (2000) referred to the political trilemma that racked many countries as the world globalized. Rodrik noted how “the spread of markets is restricted by the reach of jurisdictional boundaries, and that national sovereignty imposes serious constraints on international economic integration. The political trilemma of the world economy is that international economic integration, the nation-state, and mass politics cannot co-exist. We have to pick two out of three.”

Suffice it to say that globalization—and more specifically international economic integration—faces the threat of reversal because of the very same factors that fueled the emergence of this second cold war. China, along with many emerging market economies as well as industrial and developing countries, prospered economically during the aggressive globalization period that probably further accelerated with the fall of the Soviet Union and the period of technological growth that ensued. That same globalization period that enabled the emergence of China as a superpower, along with middle powers mentioned in this paper, in turn, fueled myriad challenges to sovereign governance and particularly what Rodrik (2000) calls mass politics. The latter is clearly intertwined with the populist wave that was partly fueled by globalization, and in many ways today is anathema to any further aggressive globalization ambitions. It is on this broader canvass that the second cold war must be understood. Ideologically, the contest promoting free markets and democracy appears to have been turned on its head.

These trends suggest that the main parameters that shaped "success" during the first cold war (i.e., the triumph of free markets and democracy) seem to directly underpin the main tensions that contextualize this second cold war. It is important to appreciate this vastly different economic and political landscape to see beyond the immediate tensions between the main superpowers, US and China.

The lessons from the past are far from ideologically underpinned, and more likely geared towards more pragmatic economic, national security and technology catch-up strategies—in short, the fundamental bases for sustained economic development under an evolving global backdrop. Several main areas for policy attention will seem to be crucial to thrive in the present uncertain and rapidly polarized environment. These points are flagged here not as conclusive statements, but as theses for further analyses and validation as policymakers navigate the road ahead.

First, the confluence of political and economic pressures faced by many countries will require that each nation recalibrate economic policies in favor of rebalancing benefits (and along with broader legitimacy) of their integration into, and engagement with, the international economic order. Scaling back or slowing down the globalization momentum, while also prioritizing the catch-up of national institutional innovations to better manage globalization (e.g., policies to mitigate inequality or strengthen vulnerable to groups to be able to compete in international economy) and the accomplishment of domestic aspirations (e.g., job creation and mitigating inequality) will seem appropriate in guiding stable and legitimate pathways for development during this period of international and even domestic tension. The strengthening of national economic institutions will also prove critically important as the world faces another wave of technological shocks brought about by the 4^{th} industrial revolution. Just as the period of globalization witnessed rapid technological advancements, along with the increased economic volatility and inequality risks these accentuated, this new period ahead of us necessitates better preparation for the likely unequalizing and disruptive features of new technologies (e.g., AI, social media, internet of things, robotics, etc.) now reshaping the world economy and even touching on democratic politics and governance.

Nevertheless, where possible, countries can and should explore the development of international economic cooperation and regional trade and investment groupings in ways that create mutual value and avoid being forced to choose between the US and China. If such a choice may have been inevitable under the first cold war, this may not be the case today given the emergence of middle powers that likely create more options for different layers of economic, technological, and national security partnerships, and what some call "strategic autonomy" (Droin et al 2023). Such a network of diverse partners may be much more resilient in a multipolar setting when compared to the kind of polarization that a US-China trade and tech war would imply. Arguably, a network of partners may also lessen the vulnerability of countries to pressure from either of the superpowers (notably by providing more options for economic alignment), and it may help alleviate the reduction in international economic integration benefits forecasted by studies reviewed in this paper earlier.

Finally, analysts note how the deep challenges to democracy stem in part from the relative success of the Chinese model itself in promoting economic development even under more authoritarian tendencies and threats to liberal values. Chhabra (2019) notes:

> *"The rise of China and the persistence of deep, internal challenges across open societies have created tremendous headwinds for democracy and liberal values globally, threatening U.S. alliances, liberal economic order, and even the political identity of the United States and its democratic partners and allies. Beijing's "flexible" authoritarianism abroad, digital tools of surveillance and control, unique brand of authoritarian capitalism, and "weaponization" of interdependence may in fact render China a more formidable threat to democracy and liberal values than the Soviet Union was during the Cold War. China's growth and determined illiberalism mean that open societies around the world must prepare for the current era of democratic stagnation to continue, or even worsen."*

Hence, all countries—notably democratic countries—must revisit and bolster their political governance in light of the populist wave and the democratic retreat that is now well recognized by many governance analysts (Freedom House 2019; Repucci and Schenkkan 2019). More stable domestic politics can better underpin the protracted engagement necessary under a new cold war between the superpowers and the uncertainty and volatility, as well as the "slowbalization" (modest global growth) that may accompany these tensions in the years ahead. Beyond this, the world will also likely face new shocks with challenges to international cooperation and domestic resilience, not simply health shocks and pandemics (more of which are sure to come) but also technological and other economic shocks as explained earlier. What does success look like? Similar to the first cold war, success likely belongs to those countries that are able to navigate and diversify alliances proactively, maintain strong independence to pursue national development objectives, and continue to pursue economic, political, and technological development and progress.

---

1 On the Chinese side, the country's 14th Five Year Plan emphasized its "dual-circulation" strategy. The plan envisions China remaining open to the world (the "great international circulation"), while also developing its own domestic market (the "great domestic circulation"). With economic modernization, the emancipated poor from the last four decades now form part of a vibrant middle class in a large and growing domestic Chinese market.

2 See https://data.worldbank.org/indicator/NE.TRD.GNFS.ZS?locations=CN.

3 See Mendoza (2023).

4 See US Department of Treasury (2019).

5 See Wong and Koty (2020).

6 See Mendoza (2023).

7 See The White House (2022).

8 See Harrison and Farrer (2022).

9 See Associated Press (2022).

10 See Reuters (2023).

REFERENCES

Alfaro, L. and Chor, D. (2023). Global supply chains: The looming "great reallocation". National Bureau of Economic Research Working Paper No. 31661. Available at: https://www.nber.org/papers/w31661. (Accessed: 27 September 2023).

Allen, G. C. and Benson, E. (2023). Clues to the U.S.-Dutch-Japanese semiconductor export controls deal are hiding in plain sight – Center for Strategic and International Studies. Available at: https://www.csis.org/analysis/clues-us-dutch-japanese-semiconductor-export-controls-deal-are-hiding-plain-sight. (Accessed: 27 September 2023).

Allen, G. C. (2023). China is striking back in the tech war with the U.S. – Time. Available at: https://time.com/6295902/china-tech-war-u-s/. (Accessed: 27 September 2023).

Associated Press. (2022). US FCC bans sales, import of Chinese tech from Huawei, ZTE – Associated Press. Available at: https://apnews.com/article/biden-technology-donald-trump-national-security-federal-communications-commission-6904d9fc598321fadc8bccb430efd800. (Accessed: 27 September 2023).

Bollard, A. (2023a). Economists in the Cold War. United Kingdom: Oxford University Press.

Bollard, A. (2023b). From Oppenheimer to Milton Friedman: How the Cold War battle of economic ideas shaped our world – The Conversation. Available at: https://theconversation.com/from-oppenheimer-to-milton-friedman-how-the-cold-war-battle-of-economic-ideas-shaped-our-world-211180. (Accessed: 27 September 2023).

Center for Preventive Action. (2023). Territorial disputes in the South China Sea – Council on Foreign Relations. Available at: https://www.cfr.org/global-conflict-tracker/conflict/territorial-disputes-south-china-sea. (Accessed: 27 September 2023).

Chhabra, T. (2019). The China challenge, democracy, and US grand strategy – Brookings. Available at: https://www.brookings.edu/articles/the-china-challenge-democracy-and-u-s-grand-strategy/. (Accessed: 27 September 2023).

Cooper, R. N. (2008). 'Economic aspects of the Cold War 1962-1975', in Leffler, M. P., and Westad, O. A., (eds.). The Cambridge history of the Cold War. Cambridge: Cambridge University Press, pp. 44-64.

Danilin, I. V. (2022). 'The US-China tech war: A dawn of new geopolitics?', in The National Institute for Defense Studies (ed.). Technological innovation and security: The impact on the strategic environment in East Asia. Ichigaya Honmuracho, Shinjuku-ku, Tokyo, Japan: The National Institute for Defense Studies, pp. 101-119.

Droin, M., Basrur, R., Blarel, N., and Mehra, J. (2023). France and India: Two nuances of 'strategic autonomy' – Center for Strategic and International Studies. Available at: https://www.csis.org/analysis/france-and-india-two-nuances-strategic-autonomy. (Accessed: 27 September 2023).

Freedom House. (2019). Democracy in retreat – Freedom House. Available at: https://freedomhouse.org/report/freedom-world/2019/democracy-retreat. (Accessed: 27 September 2023).

Ford, S. (2023). 'The New Cold War with China and Russia: Same as the Old Cold War?', Case Western Reserve Journal of International Law, 55(1), pp. 423-478. Available at: https://scholarlycommons.law.case.edu/cgi/viewcontent.cgi?article=2659&context=jil. (Accessed: 27 September 2023).

Fajgelbaum, P., Goldberg, P. K., Kennedy, P. J., Khandelwal, A., and Taglioni, D. (2023). The US-China trade war and global reallocations. National Bureau of Economic Research Working Paper No. 29562. Available at: https://www.nber.org/papers/w29562. (Accessed: 27 September 2023).

Fusfeld, D. R. (1998). 'Economics and the Cold War: An inquiry into the relationship between ideology and theory', Journal of Economic Issues, 32(2), pp. 505-511. Available at: http://www.jstor.org/stable/4227328. (Accessed: 27 September 2023).

Gershman, C. (2023). What it takes to win the new Cold War with China – Journal of Democracy. Available at: https://www.journalofdemocracy.org/what-it-takes-to-win-the-new-cold-war-with-china/. (Accessed: 27 September 2023).

Goes, C. and Bekkers, E. (2022). The impact of geopolitical conflicts on trade, growth, and innovation. World Trade Organization Working Paper No. ERSD-2022-09. Available at: https://www.wto.org/english/res_e/reser_e/ersd202209_e.htm. (Accessed: 27 September 2023).

Gnangnon, S. K. (2018). 'Multilateral trade liberalization and economic growth', Journal of Economic Integration, 33(2), pp. 1261–1301. Available at: https://www.e-jei.org/upload/JEI_33_2_1261_1301_2013600158.pdf. (Accessed: 27 September 2023).

Haiyong, S. (2019). 'U.S.-China tech war: Impacts and prospects', China Quarterly of International Strategic Studies, 5(2), pp. 197-212. Available at: https://www.worldscientific.com/doi/10.1142/S237774001950012X. (Accessed: 27 September 2023).

Harrison, V. and Farrer, M. (2022). 'What do US curbs on selling microchips to China mean for the global economy', The Guardian, 19 October. Available at: https://www.theguardian.com/world/2022/oct/19/what-do-us-curbs-on-selling-microchips-to-china-mean-for-the-global-economy. (Accessed: 27 September 2023).

Heydarian, R. (2023). Philippines: A new middle power? – Inquirer.net. Available at https://opinion.inquirer.net/166072/philippines-a-new-middle-power. (Accessed: 27 September 2023).

Hirsch, M. (2022). We are now in a global Cold War – Foreign Policy. Available at: https://foreignpolicy.com/2022/06/27/new-cold-war-nato-summit-united-states-russia-ukraine-china/. (Accessed: 27 September 2023).

Hixson, W. L. (1994). 'What was the Cold War and how did we win it?', Review of The Devil we knew: Americans and the Cold War and American Cold War strategy: Interpreting NSC-68 by H. W. Brands and E. R. May. Reviews in American History, 22(3), pp. 507-511. Available at: https://doi.org/10.2307/2703029. (Accessed: 27 September 2023).

Ishchenko, V. (2022). Russia's military Keynesianism – Aljazeera. Available at: https://www.aljazeera.com/opinions/2022/10/26/russias-military-keynesianism. (Accessed: 27 September 2023).

Kennan, J. F. (1947). The sources of soviet conduct – Foreign Affairs. Available at: https://www.foreignaffairs.com/russian-federation/george-kennan-sources-soviet-conduct. (Accessed: 27 September 2023).

Kim, P. M., Turpin, M. Nye, J. S. Jr., Weiss, J. C., Jo, E. A, Hass, R., and Kimball, E. (2023). Should the US pursue a new Cold War with China? – Brookings. Available at: https://www.brookings.edu/articles/should-the-us-pursue-a-new-cold-war-with-china/. (Accessed: 27 September 2023).

Li, M., Balistreri, E. J., and Zhang, W. (2020). 'The U.S.–China trade war: Tariff data and general equilibrium analysis', Journal of Asian Economics 69, pp. 1-13. Available at: DOI: 10.1016/j.asieco.2020.101216. (Accessed: 27 September 2023).

Lin, B., Garafola, C. L., McClintock, B., Blank, J., Hornung, J. W., Schwindt, K., Moroney, J. D. P., Orner, P., Borrman, D., Denton, S. W., et al. (2022). A new framework for understanding and countering China's gray zone tactics. Available at: https://www.rand.org/pubs/research_briefs/RBA594-1.html (Accessed: 27 September 2023).

Maier, C. S. (2010). 'The world economy and the Cold War in the middle of the twentieth century', in Leffler, M. P., and Westad, O. A., (eds.). The Cambridge history of the Cold War. Cambridge: Cambridge University Press, pp. 44-66.

Mendoza, R. (2023a). Rebalancing vs. decoupling: China-US economic ties and the global economy – The Diplomat. Available at: https://thediplomat.com/2023/02/rebalancing-vs-decoupling-china-us-economic-ties-and-the-global-economy/. (Accessed: 27 September 2023).

Mendoza, R. (2023b). "The Case for Stronger Philippines-South Korea Economic and Defense Partnership". ASOG WORKING PAPER 23-011 , Available at SSRN: https://ssrn.com/abstract=4557458 or http://dx.doi.org/10.2139/ssrn.4557458

Minakov, M. (2023). 'Ukraine and the rise of the middle powers,' Focus Ukraine, 31 July. Available at: https://www.wilsoncenter.org/blog-post/ukraine-and-rise-middle-powers. (Accessed: 27 September 2023).

Ni, V. and agencies. (2021). 'Failure to improve US-China relations 'risks cold war', warns Kissinger', The Guardian, 1 May. Available at: https://www.theguardian.com/us-news/2021/may/01/us-chinadoomsday-threat-ramped-up-by-hi-tech-advances-says-kissinger (Accessed: 27 September 2023).

Philippine Foreign Service Institute. (2021). Philippines ranked as middle power in Asia Power Index 2021 – FSI. Available at: https://fsi.gov.ph/2022/08/18/philippines-ranked-as-middle-power-in-asia-power-index-2021/. (Accessed: 27 September 2023).

Prydz, E. B., and Wadhwa, D. (2019). Classifying countries by income – The World Bank. Available at: https://datatopics.worldbank.org/world-development-indicators/stories/the-classification-of-countries-by-income.html. (Accessed: 27 September 2023).

Qin, J. Y. (2019). 'Forced technology transfer and the US–China trade war: Implications for international economic law', Journal of International Economic Law, 22(4), pp. 743–762 Available at: https://academic.oup.com/jiel/article-abstract/22/4/743/5618741?redirectedFrom=fulltext. (Accessed: 27 September 2023).

Repucci S. and Schenkkan, N. (2019). 'The Freedom House survey for 2018: Democracy in retreat', Journal of Democracy, 30(2), pp. 100-114. Available at: https://www.journalofdemocracy.org/articles/the-freedom-house-survey-for-2018-democracy-in-retreat/. (Accessed: 27 September 2023).

Reuters. (2023). 'U.S. secures deal with Netherlands, Japan on China chip export limit – Bloomberg', Reuters, 27 January. Available at: https://www.reuters.com/technology/us-secures-deal-with-netherlands-japan-china-chip-export-limit-bloomberg-2023-01-27/. (Accessed: September 27 2023).

Rodrik, D. (2000). 'How far will international economic integration go?', Journal of Economic Perspectives, 14(1), pp. 177-186. Available at: https://www.aeaweb.org/articles?id=10.1257/jep.14.1.177. (Accessed: 27 September 2023).

Shivakumar, S. and Wessner, C. (2022). Semiconductors and National Defense: What Are the Stakes? – Center for Strategic and International Studies. Available at: https://www.csis.org/analysis/semiconductors-and-national-defense-what-are-stakes. (Accessed: 27 September 2023).

Stangarone, T. China's Ban of Micron Puts South Korea in the Worst of Both Worlds – The Diplomat. Available at: https://thediplomat.com/2023/06/chinas-ban-of-micron-puts-south-korea-in-the-worst-of-both-worlds/. (Accessed: 27 September 2023).

Steinbock, D. (2018). 'U.S.-China Trade War and its global impacts', China Quarterly of International Strategic Studies, 4(6), pp. 515-542. Available at: https://www.worldscientific.com/doi/pdf/10.1142/S2377740018500318. (Accessed: 27 September 2023).

Stockholm International Peace Research Institute. (2023). States invest in nuclear arsenals as geopolitical relations deteriorate—New SIPRI Yearbook out now – SIPRI. Available at: https://www.sipri.org/media/press-release/2023/states-invest-nuclear-arsenals-geopolitical-relations-deteriorate-new-sipri-yearbook-out-now. (Accessed: 27 September 2023).

Sweijs, T. and Mazarr, M. J. Mind the middle powers – Texas National Security Review. Available at: https://warontherocks.com/2023/04/mind-the-middle-powers/. (Accessed: 27 September 2023).

The White House. (2022). FACT SHEET: CHIPS and Science Act Will Lower Costs, Create Jobs, Strengthen Supply Chains, and Counter China – The White House. Available at: 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/. (Accessed: 27 September 2023).

Turker, H. (2023). The ice is cracking: A deep dive into Cold War redux – Geopolitical Monitor. Available at: https://www.geopoliticalmonitor.com/the-ice-is-cracking-a-deep-dive-into-cold-war-redux/. (Accessed: 27 September 2023).

US Department of Treasury. (2019). Treasury Designates China as a Currency Manipulator – US Department of Treasury. Available at: https://home.treasury.gov/news/press-releases/sm751 (Accessed: 27 September 2023).

Widianto, S., Kapoor, K., and Birsel, R. (2023). 'China warns against 'new Cold War' at ASEAN summit', Reuters, 6 September. Available at: https://www.reuters.com/world/asean-welcomes-world-leaders-china-us-rivalry-overshadows-region-2023-09-06/ (Accessed: 27 September 2023).

White House. (2022). National Security Strategy of the United States of America. Washington, D.C.: White House. Available at: https://www.whitehouse.gov/wp-content/uploads/2022/10/Biden-Harris-Administrations-National-Security-Strategy-10.2022.pdf. (Accessed: 27 September 2023).

Wong, D. and Koty, A. C. (2020). The US-China Trade War: A Timeline – China Briefing. Available at: https://www.china-briefing.com/news/the-us-china-trade-war-a-timeline/. (Accessed: 27 September

2023).
Wyne, A. (2018). 'Is this the beginning of a new Cold War', The RAND Blog, 12 December. Available at: https://www.rand.org/blog/2018/12/is-this-the-beginning-of-a-new-cold-war.html. (Accessed: 27 September 2023).
Zhai, F. (2018). 'China's belt and road initiative: A preliminary quantitative assessment', Journal of Asian Economics, 55, pp. 84-92. Available at: https://www.sciencedirect.com/science/article/abs/pii/S1049007817300775. (Accessed: 27 September 2023).

ACKNOWLEDGMENTS

The Stratbase ADR Institute extends its deepest gratitude to all involved in developing this special study. This publication would not have been possible without your commitment, collaboration, and support.

The strength of this special study comes not from any single policy. Rather, it draws from the collective insight of our expert authors from the academe, public and private sectors, and civil society. Hence, we are grateful for our authors' generous sharing of knowledge and experiences that make up this special study.

We would especially like to thank Prof. Victor Andres 'Dindo' Manhit, President of the Stratbase ADR Institute, for this initiative would never have come to fruition without his leadership, vision, and direction.

Finally, we would like to thank the tireless and dedicated members of the Stratbase ADR Institute;

Our design consultant, Ms. Carol Manhit, for the publication layout and cover design;

And Stratbase ADR Instsitute's editorial team composed of Deputy Executive Director for Research, Dr. Jimmy Jimenez, Deputy Executive Director for Programs and External Affairs, Ms. Krystyna Louise C. Dy, Research Director Venice Isabelle Rañosa, and Director for Policy and Advocacy Ms. Shanice Espiritu-Amador.

ABOUT THE AUTHOR

Ronald U. Mendoza, Ph.D.
Professor
Ateneo de Manila University

Dr. Mendoza is a governance and institutional reforms specialist with over 25 years of experience in development policy and public administration reforms. Recently, Ron Mendoza served as Regional Director for Southeast Asia at IDinsight. He is presently a Senior Economist with the Ateneo Policy Center.

Until May 2022, he was Dean and Professor of Economics at the Ateneo School of Government. Between August 2020 and July 2022, he also served as Chief of Party of PARTICIPATE, a three year USAID project focused on supporting citizens' participation in governance and strengthening democratic and governance institutions. From 2011 to 2015, he was an Associate Professor of Economics at the Asian Institute of Management (AIM), and the Executive Director of the AIM Rizalino S. Navarro Policy Center for Competitiveness. Prior to that, he was a Senior Economist with the United Nations in New York. His research background includes work with UNICEF, UNDP, the Federal Reserve Bank of Boston, the Economist Intelligence Unit (EIU), and several Manila-based non-governmental organizations.

Dr. Mendoza obtained his Bachelor's Degree in Economics (Honors Program) from the Ateneo de Manila University in the Philippines, his Masters in Public Administration and International Development (MPA-ID) from the John F. Kennedy School of Government, Harvard University, and his M.A. and Ph.D. in Economics from Fordham University.

He served as a member of various boards and advisory councils including:

member of the Board of Trustees of Galing Pook, Senior Fellow with the EastWest Institute in New York, Senior Fellow with the Philippine Public Safety College (PPSC), member of the Armed Forces of the Philippines (AFP) Multi-Sector Governance Council, member of the Philippine National Police Special Action Force (PNP-SAF) Advisory Council, member of the AFP Health Service Command (AFPHSC) Multi-Sector Advisory Board, member of the Ateneo University Press Editorial Board, and member of the community of interest panel of the TSM (Towards Sustainable Mining) Initiative of the Chamber of Mines of the Philippines.

In early 2021, the United Nations Economic and Social Council (UN ECOSOC) approved Mendoza's appointment to serve with the 24-person UN Committee of the Experts on Public Administration (CEPA 2021-2025). And in early 2023, Mendoza was listed among the Philippines' top 100 scientists in the AD Scientific Index 2023 based on the total number of citations in the last five years.

stratbase + ADRi PUBLICATIONS
STRATBASE ADRi FOR STRATEGIC AND INTERNATIONAL STUDIES

The Financial Tower
6794 Ayala Avenue
Makati City,
Philippines 1226

www.adrinstitute.org