

MAJOR GENERAL LUO YUAN'S SPEECH AT THE MILITARY WORK COMMENDATION
CEREMONY AND CREATIVITY SUMMIT

December 25 2018

[Luo Yuan (罗援, b. 1950), a retired PLA rear admiral, is known for his hard-line anti-American views. The speech at an awards ceremony for defense scientists and engineers, translated/paraphrased here, is a reaction to the so-called trade war initiated by US President Donald Trump in the spring of 2018, imposing higher tariffs on various Chinese imports. The action was the product of long-standing American complaints against Chinese practices: overt and covert state subsidies to state-owned enterprises or nominally private enterprises actually controlled by the state; restrictions on foreign firms operating in China; forced technology transfers; casual theft of intellectual property . . . The heat of the conflict was no doubt enhanced by China's growing economic power, its spreading global influence, and ever-improving military capacity—and perhaps reinforced by certain personality traits of the American president.]

Luo purports to take the “war” metaphor literally: he sees China and America as enemies, not rivals. His hard line does not necessarily reflect the opinions of those actually making the decisions, and inside China itself Luo is regarded as something of a blowhard. Given the controls over expression in China, though, the authorities clearly have no problem with the speech being circulated, and probably find it useful to have it put out there—if only to give the Americans something to think about.

The most notorious part of the speech, at least as it was received in the United States, was the recommendation that China develop the capacity to sink US aircraft carriers. Looked at coldly, there are at least two complementary ways to react to this.

First, it is hard to understand why Americans should profess to be so shocked, shocked by the idea. Secondly, Luo's notion of the consequence of such an act seem wildly optimistic (even fatuous) from the point of view of serving China's interests.

On the first theme, it is simple common sense that China should seek an anti-carrier capacity. Should there be (God forbid) a shooting war between China and the United States, it would initially be fought (one assumes) in the East and South China seas, areas dominated since World War II by the American navy. The navy, possibly with the air force, would figure in the first confrontations, with attacks on Chinese targets on land and sea launched from aircraft carriers. As early as 2010 China reportedly began to deploy a land-based missile capable of sinking a carrier, missiles having the advantage over ships, submarines, or airplanes in by-passing the heavy defensive screen around a carrier. It is not clear whether China has developed a guidance system capable of following and hitting a moving target, once the missile reaches apogee and is in free-fall.

Apart from any specific crisis that would lead to actual fighting, China cannot be reasonably expected to accept American domination of its coastline and approaches to its coast, and it is understandable that China would strive to become the dominant regional power. Attempts to do so mean that China will also encroach on claims made by other regional states. One advantage, perhaps, of the former American hegemony was that it tended to keep regional quarrels down. Now the regional powers must either shift for themselves, accept Chinese supremacy, or try to make deals with each other or with America to resist Chinese pressure. And at the same time America will, and should, continue to insist on free and unimpeded access to international waters, whether for commercial craft or for warships. So regardless of trade wars or anything else, there will

be increased regional tensions. As Luo notes, America is incorporating an Indian Ocean component into its western Pacific strategy (in cooperation with India).

While the Admiral is on firm ground in advocating China develop the capacity to counter aircraft carriers, he is probably dangerously wrong about the advisability of actually exercising that capacity, particularly in the earlier stages of any hypothetical conflict. He reasons that Americans fear death, a quirk apparently not shared by other nationalities; and the loss of a carrier would mean 5000 American deaths. This, he believes, would put the entire country into a funk—boy, will the Americans be sorry they pissed us off. Americans, though, whatever signs of degeneracy they display, seem to have the ability to rise to the occasion (compare United Flight 93), and the cultural proclivity in the face of catastrophe seems to be massive and even blind bloody retaliation.

Luo's overview of evolving American military doctrine is interesting, although it may ascribe more coherence to the doctrine than is warranted. What he describes seems to reflect various contradictions in the Trump camp. Some of it is traceable to the President's own nationalist, isolationist impulses—America first; let the foreigners sort out their own problems; deal with other countries from the perspective of American interests, taking for granted that the others will also be looking out for themselves. Other points seem to show the opinions of the more bellicose elements of the neoconservative tendency, eager to project American power anywhere and everywhere—less to foster democracy and human rights (the rationalization for the more establishmentarian neocons) than to intimidate potential rivals. Luo is no doubt correct to claim that China has become America's principle rival, somewhat, one might suspect, against the

President's instincts (for despite Luo's attempt to identify China with some sort of idealistic globalism—a cover for an emerging Chinese imperialism, analogous to the globalization that rationalized American imperialism), China's traditional posture has been much the same as what Trump would expect—a my-country-firstism, with a disinclination to meddle in the internal affairs of others). There are grounds here for making a deal. Hostility to China serves Trump by 1) indicating that Russia, with whom he was absurdly accused of “colluding,” isn't the most dangerous thing; and 2) showing he is indeed tough. At the same time, and here Luo is probably on the mark, Trump's establishmentarian foes fear China because China threatens America's global supremacy.

The antagonism between China and America is, of course, mutually reinforcing. The United States, I would argue, has done nothing specific to antagonize China, but its power and presence in east Asia and its control of critical sea lanes constitutes an intrinsic threat to China. And, perhaps, there is some truth to Luo's assertion that America will crack down sharply on any country that appears itself to be growing rich and strong and is not totally in the American orbit. The Chinese side is itself not without fault: its predatory economic policies, the target of America's trade war; its tendency to make extravagant territorial claims (the claim that the entire South China Sea is legitimately subject to Chinese control); its attempts to bully its neighbors. The situation is reminiscent of US relations with Japan in the 1980s and 1990s, except that China is not an ally and the economic challenge is accompanied by increasing military strength and expanding political influence beyond its borders. Luo might respond that all of this

could with at least equal truth be asserted against the United States. Be that as it may: that's what makes for conflict.

Luo's general themes accord with an enduring motif in contemporary Chinese political-military thinking. His comments are in tune with the "theory" set out in the famous 1999 work by two PLA senior colonels (brigadier, or one-star, generals in the American army system) on Unrestricted Warfare. The term unrestricted here does not quite mean what one spontaneously would take it to mean: it does not necessarily imply what has been called "total war," with the implications of unconstrained violence and massive destruction of life and property. The implication, rather, is that there is no longer a clear or valid distinction between war and peace. Every action between states (or states and non-state actors, such as al Qaeda) needs to be considered as a maneuver in an endless war. Thus, Luo treats the trade war as exactly that, a phase of the ongoing war between China and the United States (and, by extension, between each separately and the rest of the world). Luo might be on firmer ground were he to target American high-tech firms, a field where the Chinese might be genuinely competitive, and where the Americans still make use of Chinese labor.

So: Luo would counter Trump's tariffs with economic moves designed to damage the American economy and cause pain to the American people, targeting especially Trump's base of support. Rural folk in Iowa were big Trump supporters, so Luo would have China refuse to buy American soybeans (and next time Iowans won't be so quick to re-elect Trump, and that will show him). Luo believes American car companies will go out of business if they are denied the China market. Maybe. But my impression is that American car companies already have a hard time competing abroad; and Chinese tend to prefer

Japanese to American makes, or, in the luxury market, German. As Trump pointed out, China already imposes substantial tariffs on American automobiles (although, typically, maybe not as substantial as Trump asserted). And, of course, Trump certainly realized from the beginning that the move would mean some suffering for American automobile manufacturers, inasmuch as they import parts from China. As it happens, a few weeks before Trump's address China was moving to cut these tariffs (a round for the Americans?).

Another aspect of the strategy is asymmetry. Lo does not advocate China matching the Americans aircraft carrier for aircraft carrier. Rather, China should concentrate on finding ways of sinking American carriers. China cannot hope in the sort or even medium run to approximate American wealth and strength. The emphasis in both strategy (as far as one can infer it) and weapons acquisition has been to find ways to get around American military superiority, to pick at the weaknesses inherent in reliance on technology and force.

This theme has been an element in Chinese military thinking at least since the times of Sunzi: intelligence, indirection, deceit are preferable to direct battlefield confrontations, and provide ways for the weaker side to overcome the stronger. This was the theme of the old Maoist vision of "people's war": never fight a battle you can't win; wear down the enemy; induce the enemy to disperse his forces and overextend his lines of supply; move to a direct toe-to-toe fight only after the enemy has become demoralized and worn out.

The Maoist approach assumed that the "people's" side was relatively primitive. In the Chinese civil war the PLA (as the communist army came to be termed at that time)

had no airplanes or navy, and most of their tanks and heavy artillery were captured from their foes. It also is highly probable that the strategy itself got more credit than it deserved: by the time of the civil war the government forces had already been demoralized by an eight-year war with Japan and by pervasive political corruption and out-of-control inflation. The 1990-1991 Gulf War also persuaded Chinese soldiers (assuming they needed persuading) that they should not take too cavalier an attitude toward high-tech weapons. But the Chinese construction of military high-tech has followed the principle of finding ways of working around American high-tech, not imitating what the United States has. Thus, while building up the airforce, rocket forces, and navy, China has also focused on advancing artificial intelligence and arcane fields like quantum computing. And this accounts for the venue of Luo's speech.]

I salute you all—specialists, engineers, entrepreneurs: Good afternoon! First of all, on behalf of our host, the China Association for the Promotion of Strategic Culture, I convey congratulations to all of you entrepreneurs and representatives of civil-military solidarity!

I thank the organizers of this meeting for the opportunity to give a 20-minute keynote address. But I feel at a loss, for this really does not allow enough time to convey congratulations and good wishes. Nor is there enough time to explain all the possible major policies. Therefore, I have decided to concentrate on the Sino-American trade war, something everyone is paying attention to, discussing it from the perspective of a straight-speaking student of the military.

I am not a specialist in matters of trade and don't dare make a fool of myself in front of all of you who are such specialists. I won't discuss the details of the trade war or the way it is developing. I will limit myself to the strategic considerations that arise from the trade war. In today's talk, I shall analyze

things from the perspective of national strategy, and by means of formal logic answer these three questions.

1. What is it? Our China Association for the Promotion of Strategic Culture each year publishes an *Evaluation of American Military Power*. This is because ever since the dissolution of the Soviet Union the United States has published an annual report on Chinese military power. When the United States publishes its report, our Defense Ministry and Foreign Ministry spokesmen issue rebuttals and protests. So we thought, why don't we publish a report on American military strength? Why not make public the true nature of American military developments? We want to take back the initiative in speaking. Therefore, in the capacity of a civilian think tank, we have issued seven annual reports on American military strength. In this year's edition, we have discovered six major changes in American strategy.

The first big change: The United States has formally included "America First" in *The Security Policy of the United States*. Everyone knows that "America First" was one of Trump's campaign slogans. But now the United States has put it down in black and white in *The Security Policy of the United States*. So now, see, all of American strategic behavior can be summed up in those words, "America First." This has become the compass of American strategic behavior. Whether it's the US-China trade war, or the US withdrawal from various international treaty organizations, or American withdrawal of troops from overseas: all can be found in Trump's America First. We advocate a Commonwealth of Humanity; the United States proclaims "America Number One." We favor "mutual benefit, win-win"; the United States stresses "America First." This produces a confrontation of strategic concepts. That's the first big change.

The second big change: The United States treats China as a global threat, making it its main competitive rival. In the past iteration of the American security estimates, China ranked fifth among the threats. The first was Iran; the second was North Korea; the third was Russia; and the fourth was

transnational crime. China was only number five. But in this edition it is clearly stated that China is the main threat to security, the most important competitive rival. America's Vice President Pence has publicly stated that the threat from China is far greater than that from Russia. That's the second big change.

The third big change: The Trump administration has replaced Obama's strategy of engagement with a strategy of competition. In Obama's time it was thought that China had reached a crossroads, and China's development path should be addressed by means of engagement. Trump has decided that Obama's "strategy of engagement" has been a failure, and in the Strategic Survey he clearly stipulates he wants to implement a strategy of conflict. That's the third big change.

The fourth big change: Substitute an Indian Ocean-Pacific strategy for the Pivot to Asia strategy. In Obama's time the main arena of competition between China and the United States was the Asia-Pacific region. Obama desired a "rebalancing in the Asian Pacific." But Obama wants to enlarge the field of competition between China and the United States from the Pacific to the Indian Ocean. He has indicated an "Indian-Pacific strategy" and a "South-and-Central Asian strategy," encompassing the Indian Ocean. That's the fourth big change.

The fifth big change: Trump has replaced a plan of automatic force reductions with a policy of rebuilding American military strength. In his time, Obama, in order to control increases in military spending, proposed a plan of automatic reductions. That is, should military spending at some point exceed a certain pre-set amount, it would automatically be cut back. Now the Trump administration's military budget has increased from \$582.5 billion to \$700 billion in 2018. The current 2019 military budget calls for an increase to \$716 billion. In the past few days I've seen in our news reports that Trump would like to increase military spending to \$750 billion. Our Chinese military budget is only \$174.8 billion. The United States talks about a China threat and wants to increase its military budget to

\$750 billion. Just who do you think is threatening whom? Chairman Xi has declared that we will reduce our military manpower by 300,000, but Trump has increased American manpower by 20,000 over Obama's period. We are reducing forces while he is increasing them. That's the fifth big change.

The sixth big change, one even more worth our attention, is a change in nuclear strategy.

Obama advocated a "nuclear-free world," and that's why he got the Nobel prize. What is really ridiculous, Trump wants to substitute America's nuclear strength and the modernization of America's nuclear base for the nuclear-free world. He advocates a new concept, the development of low-intensity nuclear weapons. What are low intensity nuclear weapons? Trump believes that previous nuclear weapons were for looks, not for use; they can only be used to make threats. Now he wants smaller-scale weapons, ones that can actually be used in war. The United States has already raised nuclear investment from 4 percent to 6.4 percent in the defense budget, the greatest increase since the end of the cold war.

I have answered the question of what are they on these six big changes. **The current Sino-American trade war is absolutely not a simple matter of economic friction, but is a major strategic issue.** This is because of the changes in the American national strategy. This is why on his recent trip to China Kissinger mentioned that he wanted to see several old friends in Chinese diplomatic circles. He said with great emotion: This may be my last trip to China; Sino-American relations cannot go back to the days of Mao Zedong and Zhou Enlai. That is to say, Sino-American relations have entered into a new stage.

That's my answer to the first question. Now I'll answer the second one.

Secondly, why? Why, as soon as Trump wound up his visit to China on November 11 2017, did he sign on March 16 2018 the Taiwan Travel Act? At dawn on March 23 the United States launched the first battle of the trade war with China. Why, just after meeting with Chairman Xi in Buenos Aires

Argentina on December 1, did he have the Canadians arrest Meng Wanzhou,¹ the Chief Financial Officer of Huawei? Is each of these an isolated incident? Absolutely not. We need to penetrate to their essence. What is their essence?

I and many specialists in American studies have held many discussions about this. We came to the conclusion that the **Americans, both the leaders and the people, have a kind of strategic worry.** In the United States today—between the two parties, between the two houses of Congress, in the White House and the Defense Department, in the Department of State—there are many divisions. There is consensus on only one point, that is, the China question. In the United States today it seems that the “pro-China faction” or those promoting the need to understand China have lost their voice or have changed their minds. But the anti-China faction—the Pences, the Boltons, the Navaros—are sharpening their weapons. Why? Today in China there are still some who think this is an occasion for “self-criticism,” “reflection” on this, “examination” of that. The problem, however, has nothing to do with us!

Rather, China has developed into the world’s No. 2 son (老二). This naturally causes the oldest son to be concerned. What’s the problem with “development”? The problem is that it raises concern in the United States. What’s wrong with letting China develop? Why shouldn’t the Chinese people be allowed to have a better life? Obama said: “If China’s standard of living should surpass that of the United States, that would be a disaster for the world.” Trump said: “China’s best days are already behind her.” What is hegemonism? Power politics? This is what is meant by hegemonism, power politics!

Why does America have a strategic concern? Two points:

¹ Meng Wanzhou (孟晚舟) was not only the chief financial officer of Huawei, but also the daughter of the company’s founder, Ren Zhengfei (when her parents divorced she chose to take the surname of her mother). She was arrested by the Canadians on December 2018 at the behest of American authorities, who wanted to charge her with conspiracy to defraud. The timing of the arrest was at least curious, as it occurred on the same day that President Donald Trump and Chairman Xi Jinping had agreed to attempt to negotiate some kind of mutual accommodation in the trade war. Conspiracy buffs might speculate that the arrest was an attempt by certain elements in the not-always-totally-coordinated Trump administration eager to sabotage any impending improvement in the relationship with China.

One, they think that China has passed its peak. The topic of debate among all circles in the United States is on the issue of whether sooner or later China will bypass America. Within the United States there is a tacit rule that whenever any country's GDP reaches 60 percent of that of America, it must be beaten back. In the 1980s Japan's GDP reached 60 percent of that of the United States, at which point it was beaten back by the United States. China's GDP today has reached 63 percent of that of the United States, so America wants to beat back China. Today we say we want China to become a first-class state with a first-class army. The Americans, though, play by the Cold War binary rules of the game: if China becomes a first-class state with a first-class army, then the United States becomes a second-rate state with a second-rate army. Therefore, it must beat back China. That's the first point at issue.

Second, they think that our China model has surpassed the American model, that the model of socialism with Chinese characteristics has surpassed the United States. It is not that we have surpassed the United States through western-style free competition, by capitalist competition. That's something they cannot admit. **First of all, that's an ideological consideration.** They take into account (认为) we are still under the leadership of the Communist party, that we celebrated Marx's 200th anniversary, that we are now setting up Party organizations in lots of non-state-owned enterprises. They believe that this is all for the sake of strengthening the leadership of the Communist party. In their eyes, the Communist party is the most extreme of heresies. That is something they cannot accept no matter what. **Also, it's a concern about rules or systems.** They take into account that there are still state-owned enterprises, and in their eyes state-owned enterprises are supported by the government. If they get government subsidies that's not fair to them, and so they must beat down China.

Now I've answered the second question, Why is there a Sino-American trade war. **Behind the trade war there is a struggle over state interests, a struggle between systems, a struggle over rules, and also an ideological struggle.**

The third question: What to do? There are two choices.

Number one: Some people think we must continue to lie low and bide our time. We should compromise and give way. I just want to ask one thing: haven't we already bided our time? We have grown to the world's number two economic power. You say should still be cautious and humble, but this is false humility.

In the previous period I had an exchange with David Finkelstein (Feng Dewei 冯德威), China specialist at the US Naval Institute. He asked me directly: After you Chinese stop lying low and biding your time, what are you thinking of doing?² Isn't this part of the notion of a China threat? Doesn't it show a belief that our biding our time and lying low was camouflage?

More important than that: Are you now willing to compromise or not? The United States wants us to open up everything. For example:

One, we must completely open up our grain market. There are four great items of grain that we cannot open to the outside: rice, wheat, corn, cotton.³

We would rather have government subsidies than to give control of production, purchases, and sales to foreigners. Otherwise, one day someone might block our lifelines and threaten our planning and livelihood. Also they demand that we open up concerning our seed production. Should we do that, then one day Monsanto or some other seed company of that ilk will bring genetically-modified seeds to China, causing mutations in our seeds.

² In 1990 Deng Xiaoping set out his opinion on China's proper foreign policy strategy, usually translated as "Observe calmly; secure our position; cope with affairs calmly; hide our capacities and bide our time; be good at maintaining a low profile; and never claim leadership."

³ Cotton, of course, is not a grain, but is a staple crop considered to have strategic significance.

I am not a biologist, and I leave it to specialists to say whether genetic modification is harmful or not. But we still have to maintain a high degree of wariness about genetically modified foods! That's because it is a question with implications for the quality of life of the Chinese race and the perpetuation of the generations.

Two, they want us to open up the internet. The Americans think we put restrictions on the internet and want us to set it free. But if the internet becomes completely open, what guarantee is there of our network security or of ideological security?

Three, they want us to open our financial sector. Foreign investment in our financial companies is limited to 49 percent. If there were complete openness and foreigners were allowed to own 51 percent, what guarantee is there of our financial security?

Fourth, they demand the opening up of our military industries, including the manufacture of weapons and ammunition. In addition, they demand the opening up to foreigners of our surveying and mapping activities. So we should allow foreign cartographic companies to obtain military-relevant geographic information. Later, one day, should it become necessary, just how would we do in that war?

We see from this that **we cannot sacrifice core national interests for the sake of compromise.**

Therefore, **we have only the second choice left: face into the opposition and welcome the challenge.**

Just as the Center says, **we don't desire to fight a trade war, but neither do we fear a trade war. If America wants to fight, we're up for it.**

But in order to be totally up for it, we have two choices.

The first is tit for tat. If you fine us 50 billion dollars, we will fine you 50 billion. If you put a 25 percent tariff on our exports, we'll put a 25 percent tariff on yours. That's called tit for tat.

What's the good of this? It's occupying the higher moral ground. But this kind of response will not hurt America. As Mao Zedong said, it's like a beggar comparing his treasure with that of the Dragon King. There is no comparison.

Trump is a crafty and dishonest merchant. He has calculated that the value of our exports to America at 500 billion dollars, while we import 130 billion dollars-worth of goods from America. Trump has sent up a trial balloon by fining us 50 billion dollars. We respond by putting a 50 billion dollar fine on him.

As Trump has it figured, the United States still has 450 billion dollars left over. We have only 80 billion. Therefore, he immediately makes the second move, raising the tax on 200 billion dollars-worth of our goods. We have only 80 billion left over. Therefore, on the second round we can only impose a fine of 16 billion and go to bring a case against him in the World Trade Organization.

But that old bastard Trump will piss on that. He'll say, if you sue me in the WTO, I'll get out of the WTO. So the tit for tat strategy has its limits.

The second choice is an “asymmetric counterattack.” I favor our adopting an asymmetric counterattack. This is the kind of strategy our army uses in battle. We use our strengths to attack the enemy where he is weak. If the enemy is afraid of something, that's where we attack? Where the enemy is soft, that's where we put our development! So, then—what's America afraid of?

I'd like to ask the managers and specialists here today: what, in the end, is America afraid of? I don't think we have put enough effort and thought into this question. **In our military work, we certainly need to know ourselves and know the enemy. While understanding where the strength of the enemy is, we also need to know where he falls short.** You can't just compare size to size, strength to strength. That's the way to get pulled down. I think you can delve into this question at your leisure—after dinner or while taking tea: what is America afraid of? Everyone can propose answers: what is

America afraid of? Speaking frankly, I am no expert in this, nor do I have any precise answers. However, remember the words of Mao Zedong: **Imperialism is a paper tiger. What is the mark of a paper tiger? It is strong on the outside but weak in the middle. It seems fierce but inside it is soft.** We don't know where their soft spots are, but we do know their strong points. If you thoroughly explore their strong points, it will be like tearing away the paper pane of a window and their weak spots will appear.

What are America's strong points? I believe America's strength is founded on five things:

One: The United States is founded on military strength. Without military strength the United States would not be a great power. Therefore, we must build up our national defense. Otherwise, we could only become a wealthy power, not a great power. I suggest that the National People's Congress should at an appropriate time declare an increase in defense spending. Previously, when we increased defense spending western societies accused China of posing a threat. Now we must clearly show the international community that it is not a matter of a "China threat," but, rather, a matter of China being threatened. The United States busily challenges China's interests in the Taiwan sea, the South sea, and in sustained development. We need to increase our capital for self-defense. America already spends 750 billion dollars on defense, while we spend only 174.8 billion. Just what's the crime in increasing our defense budget? In addition, we must put great effort in developing our Assassin's Mace weaponry.⁴ I am very excited that at today's awards ceremony and creativity summit there are so many attending who work on our country's heavy weaponry. Among them are lots of young people, and this gives me hope. Many of the awards are given for work that has attained or in certain technical aspects is about to attain the most advanced world standards. This makes us cheer in our hearts: "Amazing China!"⁵ But I myself

⁴ 杀手锏 This seems to refer not to any particular weapon, but to a range of weapons devised to counter American military technology, particularly by exploiting the weaknesses inherent in American reliance on superior technology.

⁵ 厉害了! 我的国: A 2018 documentary detailing the Amazing things China has accomplished since Xi Jinping took power.

think that we cannot just charge ahead in a straight line, but must also take more circuitous routes. We must develop in those areas where our opponent is most afraid. Right now the United States has 11 aircraft carriers. Do we want to build 12 carriers so we can be a match for America? I think that line is mistaken. We don't want an arms race. History teaches us that Americans are afraid of dying. We now have the East Wind 2D and 26D guided missiles. These are Assassin's Maces directed at aircraft carriers. If we sink an aircraft carrier, we kill 5000 people. If we sink two, that's 10,000. Do you think America is afraid of this or not? Our military planners need to think about developments directed against America's weak spots.

Two. American strength depends on the dollar. When other countries fight wars, they burn up money. The United States makes money. Why is this? It is because the United States owns the press that prints money. Therefore, we want to bring some pluralism to the international financial system. The renminbi should become internationalized. Recently we listed the price of crude oil and iron ore in terms of renminbi, and nine countries have already joined the renminbi system. Although its scope is not large, it's moving in the right direction.

Three. American strength is founded on talent. I believe that the United States did not start the trade war because the ZTE contract breach,⁶ nor was it because of America's trade deficit. Even less was it because of our showing that movie, "Amazing China!" Do you think that America would not have started a trade war if we had not shown that movie? That's really juvenile! If there had been no break with ZTE, then there would be a breach of contract with Huawei.⁷ If not Huawei, then it would be the

⁶ Zhongxing Telecommunications Equipment Corporation, a multinational Chinese communications company thought (or assumed) to be connected with the Chinese government. The United States fined it in 2017 for illegally exporting American equipment to Iran and North Koreans, but lifted the sanctions in 2018 after the company reorganized its leadership board.

⁷ Another Chinese telecommunications company, as of 2012 the largest in the world, and a pioneer in 5G technology. The United States tried to prevent its allies from making use of Huawei equipment, suspecting that Huawei would be intercepting communications and sharing them with the Chinese government.

Sanyi Heavy Industry Company.⁸ In sum, they desire by all manner and means to destroy all of your bellwether companies. What is the core of this trade war? I've seen some figures from the International Intellectual Property Alliance. These show that in 2017 42.8 percent of all patent applications came from China. The United States accounted for 19.4 percent, Japan for 10.2 percent, Europe for 5.1 percent and the rest of the world for 15.8 percent. I think this is the crux. Why does Trump, after taking power, denounce China as a thief, calls China a plunderer? It is because he thinks China has stolen his intellectual property, stolen his human talent. Now he even treats all of our students in America as spies. I'm worried that the next step will be for America to turn our students there into accomplices. Therefore, I think that this trade war is in its essence a struggle over science and technology, a struggle for human talent. Therefore, as soon as this trade war was declared, Chairman Xi quickly adopted three main methods: One, he convened the National Science and Technology Conference; two, he convened a meeting of the academicians of the two academies;⁹ three, he gave attention to the high-tech industry. This was grasping the strategic aspects. I think we should fight this trade war in the same way that we formerly approached the "two bombs-one satellite" project. The people of the whole country tightened their belts in order to develop nuclear weapons. Today we should tighten our belts, work up our hatred for the enemy, and develop our own autonomous intellectual property in the high-tech industry. At this Military Scientific Commendation Ceremony and Creativity Summit I have met lots of prize winners, lots of military engineers. I am very pleased. We all support them!

Four. American strength is founded on the dollar. American politicians have no way to govern unless they are elected. Where is Trump's electoral strength? It's in agriculture, manufacturing, and heavy industry. Therefore, we first make a play on soybeans. Sixty-two percent of all American soybean exports go to China, constituting 32.39 percent of all Chinese imports. Penalties on American soybeans

⁸ A heavy industry manufacturing multinational headquartered in Changsha (Hunan).

⁹ The National Academy of Sciences and the National Academy of Social Sciences.

will harm Trump in Iowa, a state that supported him in 2016. Next, we should go after cars. If the United States cannot expand in the China market, the three major car companies, GM, Ford, and Chrysler, will be reduced to second-rate companies! Then we should go after aviation. Every third Boeing 737 made in the United States goes to China. Therefore, the United States is putty in our hands. Or at least in these three things we will be able to bargain with the United States.

Five. American strength depends on setting up enemies. The United States uses threats as a motive to development. If there is no threat, America will look for one. After the dissolution of the Soviet Union the United States was the sole hegemon. Who could possibly be a threat to America? However, America treated China and Russia as their major threats. No matter how well you treated them or however nicely you spoke to them, it was no use. They were going to treat you as a threat and always have you in their sights. No matter what, this was an obstacle that the Chinese nation, in its rise, had no way of getting around. It was a misfortune embedded in great good fortune. It could motivate us to abandon our illusions and to strive to make ourselves strong. So you want to treat us as an enemy? So we will temper ourselves, become an “enemy” you can’t knock down or corrupt. And in that way we’ll make lots more friends, so that your enemies will become ever more numerous and your friends fewer and fewer.

General Jin Yinan¹⁰ has put it well: our resolve to fight this trade war comes from the patience and endurance of the Chinese people. We have come through many storms and high waves but have never met an obstacle we could not overcome. I’d like to add something else. The advantage that gives us the resolution to win this trade war lies in the leadership of the Communist party. We have the strength to build a nation—how could it be that we are unable to overcome hardships. The “four self-confidences” that we hold firmly to are fully embodied in the strategies necessary to win this trade war. Under the

¹⁰ 金一南, formerly Director of Strategic Thinking and Research, National Defense Academy, now retired.

leadership of the Party Center with Comrade Xi Jinping at its core, we will be able to work even more miracles that will be the marvel of the whole world.

This year is the 40th anniversary of reform and opening. We remember with great admiration and respect the leader and general engineer of reform and opening, Comrade Deng Xiaoping. Comrade Deng Xiaoping once said something directly to the point of what we are speaking of today. I have it inscribed in my heart. Let me now review it with everyone, and let it be the concluding words to my speech: **The first thing is to do your own work well. Develop China. Once we stand upon ground where we cannot be defeated, there will be no point in anyone fighting against us.**

I thank you all.

<https://www.kunlunce.com/ssjj/guojipinglun/2018-12-25/130147.html>