THIRD WAY

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Maybe Big Ain't So Bad

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There are a many unknowables concerning the future of US- China relations, but this is clear: In the competition for economic and military supremacy, the strength of each country's technology sector will be determinative. That is certainly the view of Chinese Premier Xi Jinping who opened the curtain on his "Digital China" strategy for the first time in English language press last year. And that is certainly the result of the stunning release of the Chinese DeepSeek AI chatbot.

But as experts point out, this strategy has been "hiding in plain sight" for more than a decade. In a State Department briefing in March 2023, Dr. Dave Dorman and Dr. John Hemmings of the Pacific Forum said Digital China is "about changing China's place in the international system to win the future and to compete more greatly with the Western powers and other powers."

Dorman and Hemmings argued that Xi views digital supremacy "in a very Marxist historical, materialist lens." Xi believes that as "the steam engine essentially set the pattern and social structure of the Industrial Revolution and of capitalism, data is going to have that impact on society and create the sort of structure of society in a new way. Xi Jinping wants China to be ahead of that coming data revolution." Those are world-changing goals.

For China to be ahead, they must be ahead of the United States. And in this arena, the competition is not merely country versus country, but company versus company. In a paper we recently released called Clash of the Tech Titans we showed how the US-China competition is playing out in real time with the companies in the trenches along multiple front lines. This is a clash that bypasses most Americans because America and China have effectively walled off most of each nation's companies from competing on the other's home turf. Thus, the battle is waged in Asia, Africa, the Mideast, Europe, South America and elsewhere.

It is also evident that what allows America to compete against China's behemoths are our behemoths. With the caveat that each company does a lot more, it's Google versus Huawei in the cloud services space. Amazon versus Alibaba in retail and commercial online sales. Meta versus Tencent in the gaming arena. Apple versus Xiaomi in the phone and consumer electronics sector. Nvidia versus SMIC in chips. When it comes to artificial intelligence all of these companies plus Microsoft, Open AI and more are in direct competition with Chinese entities as we saw with the market reaction to DeepSeek.

For the most part, American companies have kept America in front. But we've seen two places where China's tech titans scored heavily over America: Huawei and TikTok (parent company ByteDance). In each instance, this raised national security alarms for America and allies. And in each instance, it was an instance where China's titans outmaneuvered America's titans.

The stakes are even higher in the AI space. This is the grand competition. Once again, US companies are leading the way and innovating the most. But China is not far behind and they are not above appropriating (and censoring) American open-source AI or developing (and censoring) their own competitive open-source AI models.

In a recent Department of Defense assessment of the PRC's goals and capabilities, they write that China "continues its pursuit of leadership in key technologies with significant military potential, such as AI, autonomous systems, advanced computing, quantum information sciences, biotechnology, and advanced materials and manufacturing ... [and] China stands at, or near, the frontier of numerous advanced technologies"

The superpower competition between the US and China will take many twists and turns over the coming decade. We are still feeling our way as to whether we are enemies, adversaries, or competitors. And the challenge will be whether both sides can manage this relationship without kinetic conflict. But just as the US-Soviet competition was measured in throw weights, this will be measured in bots. And in the face of this challenge, bigger may be better on the US side.