China: Commercial and Dual Use Technologies: China’s Challenge

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China’s Economic Rise: Select Features

- Began in 1977: Deng Xiaoping’s Four Modernizations
- 1990’s Global Integration & accelerated development
- December 2001: WTO membership
- China’s clear ambition: MIC 2025
- MIC 2025: A mercantilist blueprint
- For both economic and military development (dual-use nature of technology)
- “Socialism with Chinese characteristics”: Chinese industrial policy
- Designed to turn China into the preeminent industrial superpower by 2049
**MIC 25’s Foundation Stone: Surpass the West by 2049**

- Shifting from low-end manufacturing to high-end manufacturing powerhouse
- (See Breznitz’s *Run of the Red Queen*, 2014)
- Targeted R&D investment on “state of the art” technologies: ten cut-across sectors
- From copy cap to “re-innovation”
The Ten Key Sectors

- New information technology
- Numerical control tools
- Aerospace equipment
- High-tech ships
- Railway equipment
- Energy saving
- New materials
- Medical devices
- Agricultural machinery
- Power equipment
China’s Commercial Achievements and Challenge

- R. Lighthizer, US STR, June 15, 2018 famous statement: What is fair competition?
- Political realism versus neoliberal view!
- Competitive factors: lower cost workforce, huge subsidies, low yield financing, huge internal market, state sector, FDI
- Global competitors in select defined commercial areas:
  - 1. Smart phones
  - 2. Telecom network gear (e.g. Huawei)
  - 3. Commercial drones
  - 4. Renewable energy: wind turbines and solar panels
  - 5. Electric Vehicles and lithium ion batteries
  - 6. Rapid trains and commercial aircraft (Comac)
  - 7. Mobile gaming & social media (e.g., TikTok)
- See McIntyre and Spigarelli, *The New Chinese Dream*, 2019
Special Case for Strategic Areas: US Industrial Policy?

- US industrial policy: Controversial and in periods of external challenges (industrial preparedness)
- Current external challenge: China’s Rise and Tech Threat (rising power trap, Graham Allison)
- Special Challenges
  - 1. Semiconductor Manufacturing/advanced packaging
  - 2. Critical Mineral and Materials
  - 3. Pharma & Active Ingredients
  - 4. Large Capacity Batteries
- US policy response on multiple fronts
- Pending legislation U.S. Innovation and Competition Act
- Bill to counter China Tech Threat
- Include $52 bn to boost silicon-chip manufacturing