

SPECTATOR | AUSTRALIA

Why we must beware American senescence

Alan Moran



Getty Images

1 April 2021

Sometime in the next five years, the Chinese economy will overtake that the United States. China's workforce may already have peaked but still has surplus labour in the 25 per cent of people working in agriculture, a share that is likely to fall to under 5 per cent. Savings, the engine of growth, as a share of China's GDP remain well in excess of 40 per cent – twice that of the US (and Australia).

By 2030, the Chinese economy, even if its growth rate falls to 5.5 per cent, will be 15 per cent greater than the US. The US will see its growth rate

stagnate to below 1.5 per cent under a Democratic Administration seeking income redistribution, diversion of capital to unproductive venues like renewable energy, allocating vast sums to raise roads by 3 feet as insurance against global-warming induced flooding, and increased regulatory barriers. China, as evident in its latest **5 Year Plan**, has no intention to abandon anytime soon the cheap coal/hydro/nuclear energy that is its economy's backbone.

Already on traditional measures, China's economy is bigger than the US. Thus, its steel production is tenfold that of the US (and accounts for 53 per cent of world output); its vehicle production is two and a half times greater; and it takes fully 50 per cent of the world's semi-conductors (while the Taiwan Semiconductor Manufacturing Company dominates production of the most sophisticated chips).

China's expansion, unlike that of other post-1945 fast-growing economies — Japan, Germany, the Asian "tiger" economies — presents threats. This is partly because of the sheer size of China, and partly because it has unresolved border issues with its neighbours, aspirations to re-absorb the province of Taiwan and goals to control the seas around it.

All of this is amplified by the hapless nature of the Biden Administration in foreign policy. As **Spengler** wrote, due to the lack of a strong President in control, the Administration has launched verbal attacks at, "Germany for building a natural gas pipeline with Russia, at India for purchasing a Russian air defense system, at Russia for mistreatment of President Putin's opponents and at China for treatment of its Uighur Muslim minority."

In addition, we see a weakening of resolve to combat Iran and less sympathy with Saudi Arabia and, of course, Israel. This confusion is

exacerbated by a return to the woke policies regarding the military, evident in the announcement of **USSOCOM** hiring Marxist Richard Torres-Estrada as its chief of diversity and inclusion. Torres-Estrada's Facebook page features a picture of Donald Trump holding a Bible in front of a church, next to which is a photograph of Adolf Hitler.

Prime Minister Morrison sought to lead the global criticism against China's poor human rights record. As an autocrat and national chauvinist, President Xi could not accept this from Australia, a nation that, with China responsible for 35 per cent of exports, has become an economic dependency. Punishment came with restraints on Australian imports of seafood, barley, wine and coal, the attendant costs of which are more affordable in the far larger Chinese economy than in Australia. Added to this, China is amplifying **Australian self-criticism** in its treatment of aboriginals and now women.

Notably, however, China has not embargoed imports of iron ore, which comprise 40 per cent of Australian exports. Nor could Australia retaliate by preventing exports of iron ore to China. Domestic costs aside, such an export ban would cripple the Chinese steel industry and be akin to the US oil embargo on Japan in 1940, an action that led to Pearl Harbor.

So, Australia finds itself in a complex and hazardous political and economic position in a world where a new sort of cold war and attendant risks of actual war is far closer to home than in the 1945-1990 era.

Our alliance and affinity is with a US that, though the world's dominant military power, is an economy that is becoming relatively weaker. While

the Trump administration offered some prospects of arresting that, the US is presently pursuing energy and other policies that will cause a resumption of the downward spiral seen in the Obama years. In addition, the US is now lacking in cohesive leadership and will seek to impose its own cost-amplifying energy policies on (a half willing) Australia.

In contrast to our political and cultural ties, Australia's economy is an integral part of the Chinese supply chain. In spite of calls for us to diversify, this is not possible with China's domination of world manufacturing production and role as a natural market for Australian agriculture.