



ILLUSTRATION PICTURE: REUTERS
The outcome of the US-China rivalry hinges on the technology edge and how to use such technology.

Promises and perils of the tech war



Andrew Sheng
is a distinguished fellow of Asia Global Institute,
University of Hong Kong, and chief adviser to
the China Banking Regulatory Commission.

ANDREW SHENG

As part of the Biden administration's industrial strategy to revitalise domestic manufacturing, create jobs, strengthen US supply chains, and accelerate future industries, the CHIPS and Science Act of 2022 was launched last year, which is a \$280 billion package to be utilised over the next decade to support the US semiconductor chip industry.

Goodbye free markets, hello industrial policy. This is also interesting because the outcome of the US-China rivalry hinges on the technology edge and how to use such technology.

Semiconductors have so much computing power that they are the foundations of anything 'smart'. We have moved from hardware to software, because it is the software applications that ultimately create the AI computations beyond the capacity of mere human beings. The Chinese are great with hardware. But on the software side, there is still a huge gap with the US, partly because China has not yet created anything like the tech start-up ecosystem that exists in Silicon Valley.

than the combined quantity of all goods produced by all other companies, in all other industries, in all human history. Nothing else comes close."

Semiconductors have become so small and so fast, with so much computing power, that they are the foundations of anything "smart". My iPhone has 10 million times the processing capacity of the three-tonne IBM 360 mainframe business computer that I used to use in the early 1970s.

We have also moved from hardware to software, because it is the software applications that ultimately create the Artificial Intelligence (AI) computations beyond the capacity of mere human beings. The Chinese are great with hardware. But on the software side, there is still a huge gap with the US, partly because China has not yet created anything like the tech start-up ecosystem that exists in Silicon Valley.

The real killer is the "choke point" strategy, which means that you strangle your rival at their most vulnerable supply chain points. China has always been vulnerable to energy imports, hence the strategic importance of the Malacca Straits.

ChatGPT and a NASDAQ equivalent in the Shenzhen stock market, ChatGPT sparked the equity revival of the US' Magnificent Seven tech stocks (Alphabet, Amazon, Apple, Meta Platforms, Microsoft, Nvidia, and Tesla) with a combined market cap of over \$11 trillion. Nothing like this has happened in China this year.

While Chinese regulators worry about stock market bubbles, the Nasdaq tech bubble has taught US-Americans that tech bubbles are not systemically fatal, but their wealth creation, if ploughed into the next generation of start-ups, creates new commercial (and military) technologies. Funding market tech innovators is key to enhancing next-generation technology.

However, the real choke holds over the Chinese are extreme ultraviolet (EUV) lithographic equipment, which are so precise that they can etch nano chips into highly compact integrated circuits that are free of bugs and technical flaws. These need such a clean contamination-free manufacturing environment that all workers have to wear space suits and diapers. Unfortunately for the Chinese, only the Dutch ASML can manufacture the high-quality EUV lithography machines that TSMC and Samsung need to fabricate the most advanced logic chips. In essence, the US has a "weaponised interdependence" hold on the Chinese, who are at least a decade or more away from creating their own EUV machines.

Make no mistake, the Chinese can manufacture or buy less advanced chips that are the workhorse of consumer Internet of Things products. But as AI exponentially demands more computing power, China will be stunted in producing cutting-edge technology without access to nano chips that are specifically designed and fabricated for dedicated usage. If quantum computing becomes commercially viable, the demand for high-end chips will be even more critical.

The Chip War is really about scale and imagination in industrial policy, with gorilla sized resources and talent used for trying to wrestle the opponent to the ground, targeting key choke points. Techno-nationalism means that whoever has the best ecosystem of innovation, talent, funding, and production dexterity will have the edge over the others. This is not a 100-meter sprint, but a bruising, brutal, and ugly long march towards techno superiority. So far, the US and its allies have the edge, but China has the market scale. If, by 2030, China accounts for one-quarter of the market, versus 10 percent for the US (as the Semiconductor Industry Association has estimated), who knows who will really have a decisive edge in the Chip War?

It is illuminating to see that, even though China has its own versions of

An anticlimactic Paris Summit

M Kabir Hassan
is a professor of Finance at the University of New Orleans, US.
Jose Antonio Pérez Amuedo
is a PhD student at the University of New Orleans, US.

M KABIR HASSAN and JOSE ANTONIO PÉREZ AMUEDO

In June, over 35 world leaders came together in Paris, France to address reforms that would help combat the climate emergency. The two-day meeting put a major focus on reaching a deal to impose a tax on greenhouse gas (GHG) emissions produced from international shipping. Essentially, French President Emmanuel Macron proposed taxes on shipping, aviation, and potentially wealth to fund climate action. Other leaders, such as Luiz Inácio Lula da Silva, Brazil's President, emphasised the need to reform institutions to reduce inequality between the richest and the poorest. In contrast, US Treasury Secretary Janet Yellen announced that the Biden

three percent of total GHG emissions. Although this figure may appear low, the European Parliament has issued a warning that failing to address this issue could lead to a significant increase in emissions by 2050. As Macron pointed out, the shipping sector currently operates tax-free, and there is no good reason why taxes have not been imposed yet.

Among the suggestions put forward by Macron, one of the most significant proposals was to revise the calculation of risk for projects in the developing world. Additionally, the financing of such projects using local currency was emphasised.

There are currently over 50 countries that are unable to pay back their debts, mostly due to high interest rates and the strength of the US dollar. One of the purposes of the Paris summit was to ensure that rich countries would help poor countries relieve their debt through actions such as loan cancellations. Another topic addressed was the potential inclusion of a debt suspension clause for countries affected by extreme climatic events.

utilisation of Special Drawing Rights (SDRs), which are a type of currency provided by the International Monetary Fund. More developed countries, such as France, Japan, and the UK, will contribute \$80 billion of their SDRs to support these countries. Additionally, the United States will provide support amounting to \$21 billion, given the White House can secure approval from Congress.

Many leaders stressed the fact that we live in an unfair world when it comes to climate justice. For instance, Patience Nabukala, a member of the Fridays for Future Uganda group, insists that it is impossible to achieve climate justice without making polluters pay. Mitzi Jonelle Tan, a climate justice campaigner from the Philippines, expressed her liking for climate finance but, according to her, if the fossil fuel industry is not stopped, then it is just a temporary solution.

Throughout history, poverty and climate change have impacted our planet, particularly the poorest countries. Actions need to be taken, and it seems that the Paris



Developed countries may feel that they already contribute enough to climate finance, or that it would cost them a significant amount of money and, more importantly, their global supremacy.

PHOTO: REUTERS

administration would consider the shipping tax. However, it was ultimately not approved.

Mia Mottley, the prime minister of Barbados, was the one who first proposed this meeting. Even though multiple countries attended the summit, determining which countries were supporting the proposal proved challenging. Macron suggested that several key European countries, along with China and the US, were not aligned with the new proposal. He emphasised that, without the involvement of these countries, implementing taxes on the mentioned activities would have limited impact.

It is worth noting that the imposition of taxation on shipping and related activities has the potential to generate funds that could be directed towards supporting developing countries. The funds would enable these nations to address the challenges posed by climate change and its impacts effectively. It is estimated that if a global shipping tax were imposed, it could raise about \$5 billion a year.

According to the International Maritime Organization, shipping activity is responsible for nearly

Despite world leaders agreeing that they wanted to transform their current approach to the world, as well as help countries escape poverty, the reality is that the Paris summit ended without any major announcements. Instead, a roadmap (promised earlier) was released, which intends to fulfil Macron's suggestion of reforming the international finance system over the next two years. Consequently, climate NGOs and activists witnessed a lack of ambitious responses to combat climate change and address the world's inequalities. Walter Mawere, an advocacy coordinator for Care International in Somalia, expressed his disappointment because the summit did not provide sufficient support for nations that bear the brunt of climate impacts.

Additionally, the World Bank has decided to offer support by pausing debt repayments for countries grappling with climate disasters. However, this will only apply to future loans. The UK will follow the World Bank's initiative for its existing loans, but only for twelve countries in Africa and the Caribbean. An estimated \$100 billion will be allocated to less developed countries through the

CROSSWORD BY THOMAS JOSEPH

ACROSS
1 Herring's kin
5 "Skyfall" singer
10 Lukewarm
12 Styling site
13 Cartoon genre
14 Sluggish
15 Roadhouse
16 React to a
18 "Macbeth" prop
20 Stout relative
21 Rocker Clapton
23 Maiden name
24 Pound hound
26 Against
28 Pool unit
29 Rational
31 Antique
32 Graffiti artist

DOWN
36 Cockiness
39 Quarterback
40 Home run, in
41 "Hamlet" extras
43 Peace goddess
44 Painter's wear
45 Snappish
46 Touches lightly
47 Not pos.
48 Solemn
49 Reddish dye
50 Doing
51 Impressions
52 Badly lit
53 Hazards
54 Gobi setting
55 "Phooey!"
56 Posh
57 Nice guy
58 Dreary shade
59 Rhine temptress

9 Main dish
11 Barren areas
17 Numerical
prefix
19 Obtain
22 Baseless stories
24 Dangerous
apps
25 Breaking news
reports

28 Went ballistic
30 Chowed down
33 Columbus's
home
34 Put in office
35 Hazards
37 Nice guy
38 Dreary shade
42 Band blaster



YESTERDAY'S ANSWERS

A	B	A	S	E	D	T	W	O	S
B	A	T	T	L	E	O	H	I	O
C	R	E	A	S	E	M	I	L	D
G	A	W	K		S	T	E	E	R
A	S	H		A	L	L	O	W	M
S	K		F	O	E	A	C	E	
P	E	T	S	I	T	S	L	E	D
S	W	E	A	R		A	L	E	S
A	W	Y		E	N	C	A	S	E
P	O	L	E	S	T	O	L	E	N
E	E	L	S	T	I	T	L	E	D

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