



Does There Have to Be an Escalation of Conflict in the South China Sea?

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I Can Only Give a Very Brief Survey of the Economics & Strategic Questions – Please See My Book



The background features three overlapping globes of Earth, each showing a different view of the South China Sea region. The globes are semi-transparent and overlap from left to right, with the leftmost globe being the most prominent and the rightmost being the most faded. The text is centered over the middle globe.

Error With the Methodology That Says There Will be an Escalating Serious Conflict in the South China Sea

'Fake News' but also 'Fraudulent/Distorted News'

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- 'Fake News' – news that is fictitious – 'the Pope has endorsed Donald Trump for President'
 - 'Fraudulent/Distorted News' – is information that is not invented but so distorted in the weight of its elements as to fundamentally misrepresent the real situation and its dynamic

'Fake News' – the Pope Endorses Trump for President

"Pope Francis shocks world, endorses Donald Trump for president"



Giampiero Sposito | Reuters

Originally published by a site called WTOE 5 News before being copied by a popular fake news publisher Ending the Fed

'Fraudulent News' – News Which is Not False but in Which the Weights are Distorted so as to Hide Reality

To illustrate, the following facts are entirely true

- A twice decorated war hero repeatedly praised for his personal bravery
- A vegetarian
- Kind to dogs

All these true facts clearly make him a splendid person!

'Fraudulent News' – News Which is Not False but in Which the Weight is So Distorted as to Hide Reality

The following facts are also entirely true

- Ordered the murder of 6 millions Jews
- Responsible for 27 million deaths in the former USSR

Adolf Hitler

So the fact that news is not 'fake' does not make it 'true' in the sense of representing the real situation.

All facts have to be included and also be given their appropriate weight if the reality and the dynamics of a situation is to be understood.

The image features three overlapping globes of the Earth, arranged horizontally from left to right. The leftmost globe is the most prominent, showing the South China Sea region with dark blue oceans and green landmasses. The middle and right globes are progressively more faded and semi-transparent, creating a sense of depth and focus on the leftmost globe. The text "Let Us Apply This to the South China Sea" is centered over the middle globe in a bold, dark blue font.

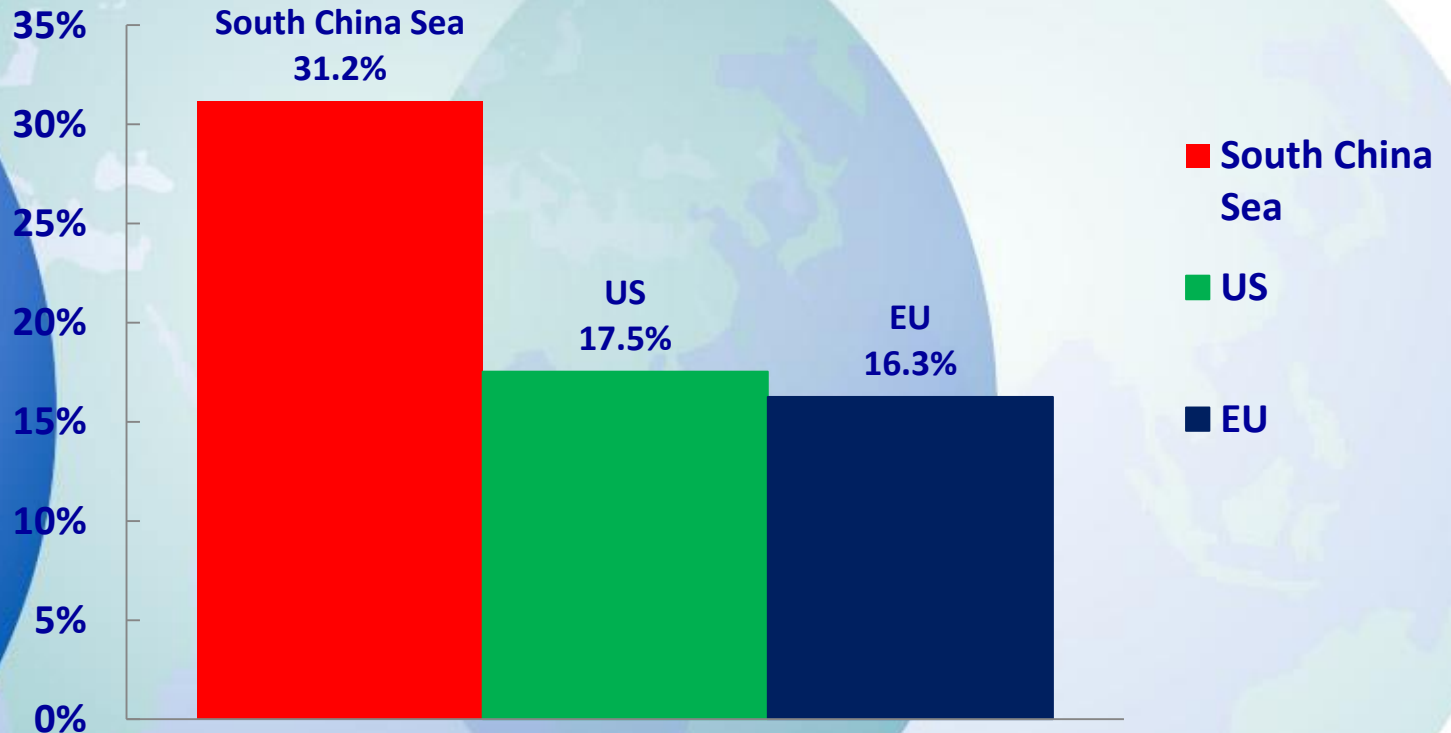
Let Us Apply This to the South China Sea

A Key Misunderstanding Regarding the South China Sea

- The emphasis in much commentary is placed on the South China Sea as a transport route – one third of the world's shipping passes through it. But this presents the South China Sea as though it were some sort of empty space.
- The reality is the South China Sea is a massive economic region – the most dynamically growing compact economic region in the world, with far greater growth potential not only in percentages but in absolute dollar terms than the US or EU.
- To show this reality countries included in the South China Sea for purposes of calculations are Brunei, China, Hong Kong SAR of China, Indonesia, Macao SAR of China, Malaysia, Philippines, Singapore, Taiwan Province of China, Vietnam.

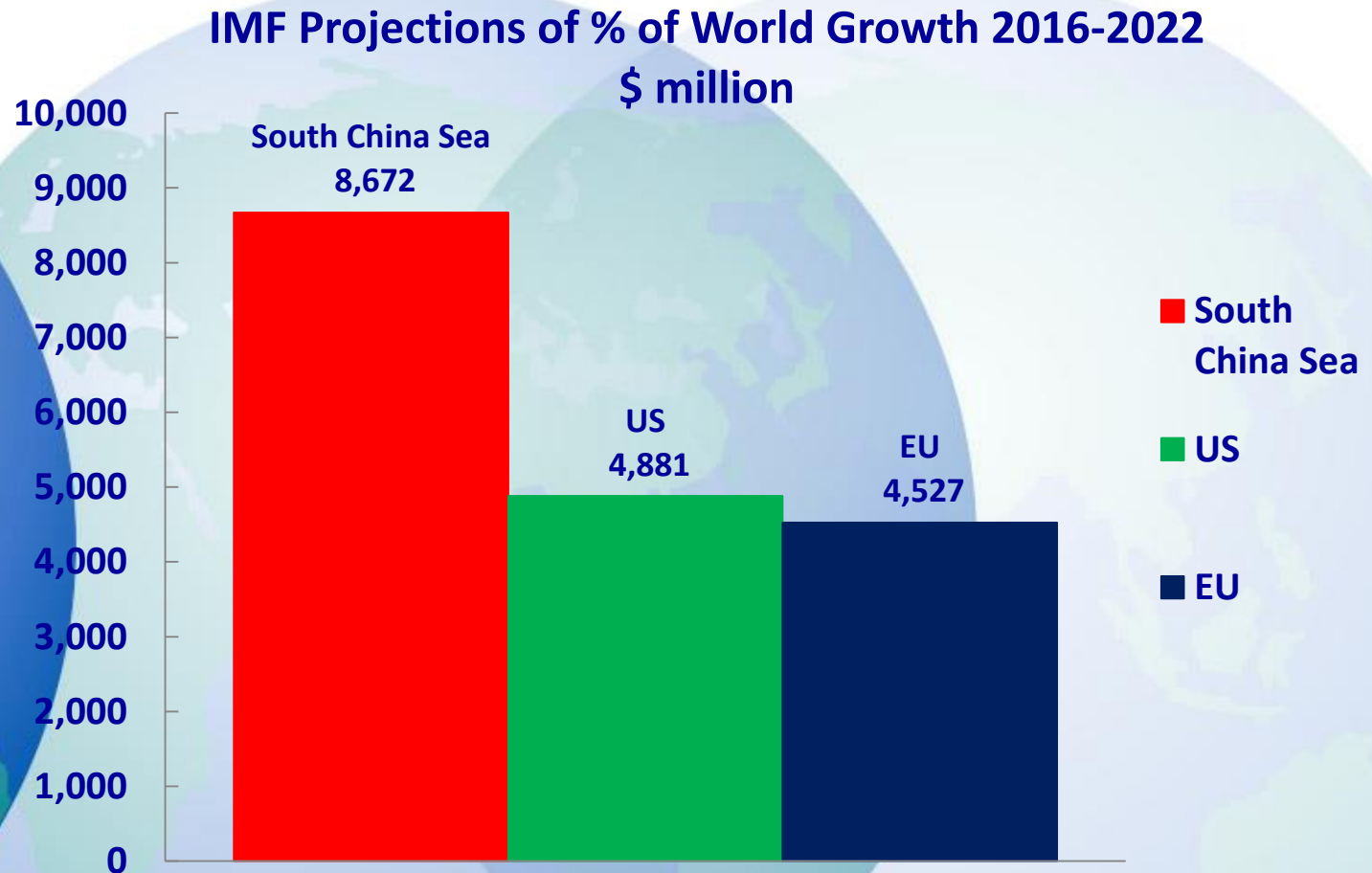
Projections of the IMF as % of Total World Growth for 2016-2022 at Current Exchange Rates

IMF Projections of % of World Growth 2016-2022
at current \$ exchange rates



Source: Calculated from IMF World Economic Outlook Database October 2017

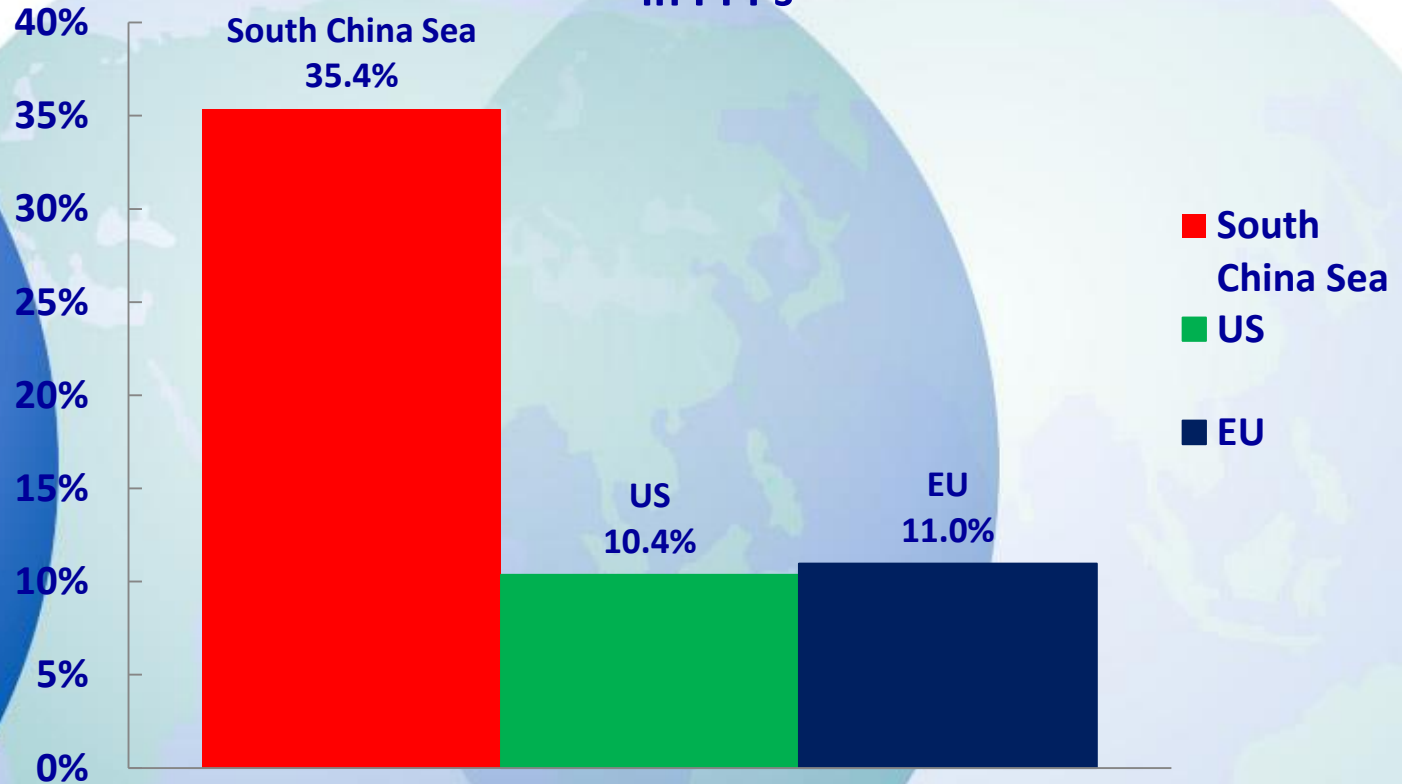
Economic Growth in the South China Sea Region Will be Almost as Much as the US & EU Combined



Source: Calculated from IMF World Economic Outlook Database October 2017

But Current Exchange Rates Understate the Situation – the Situation in PPPs

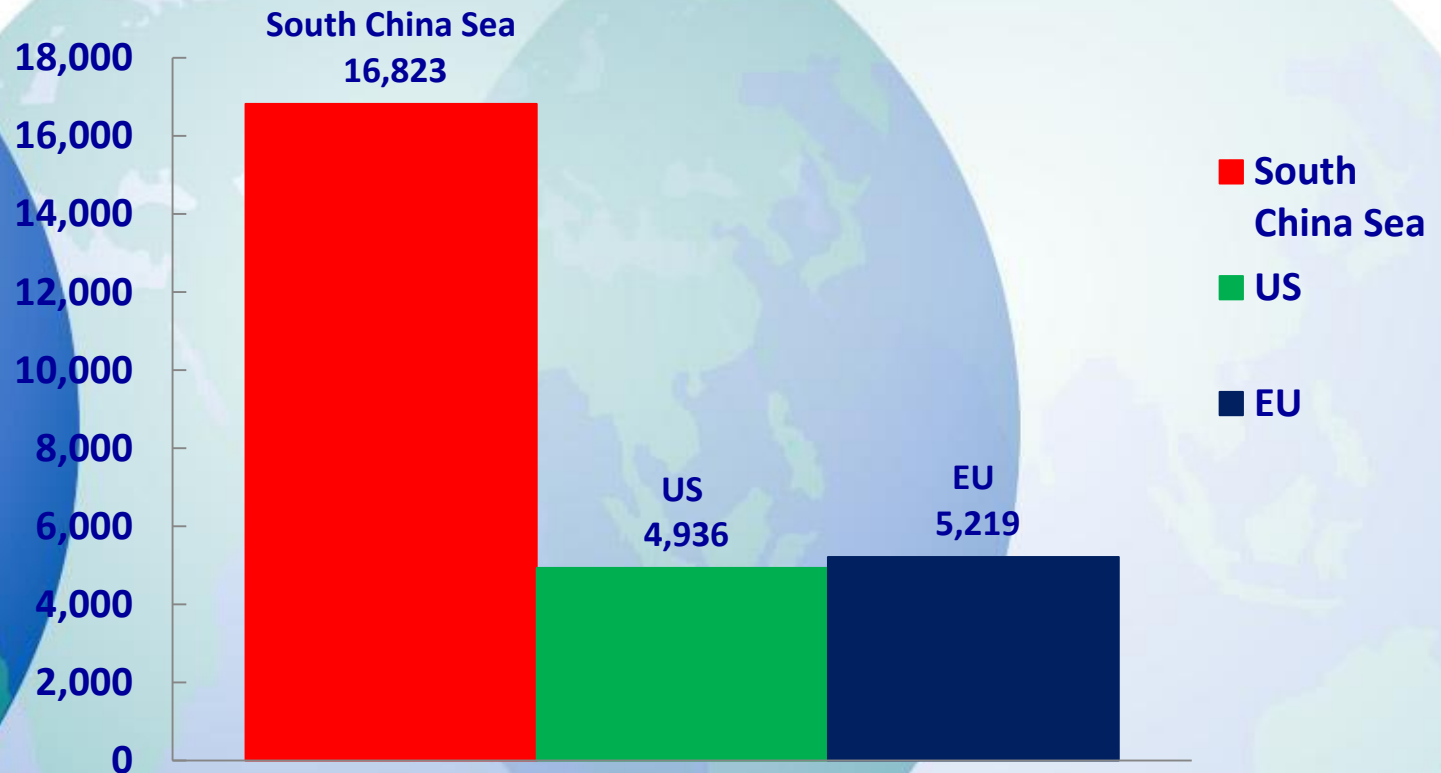
IMF Projections of % of World Growth 2016-2022 in PPPs



Source: Calculated from IMF World Economic Outlook Database October 2017

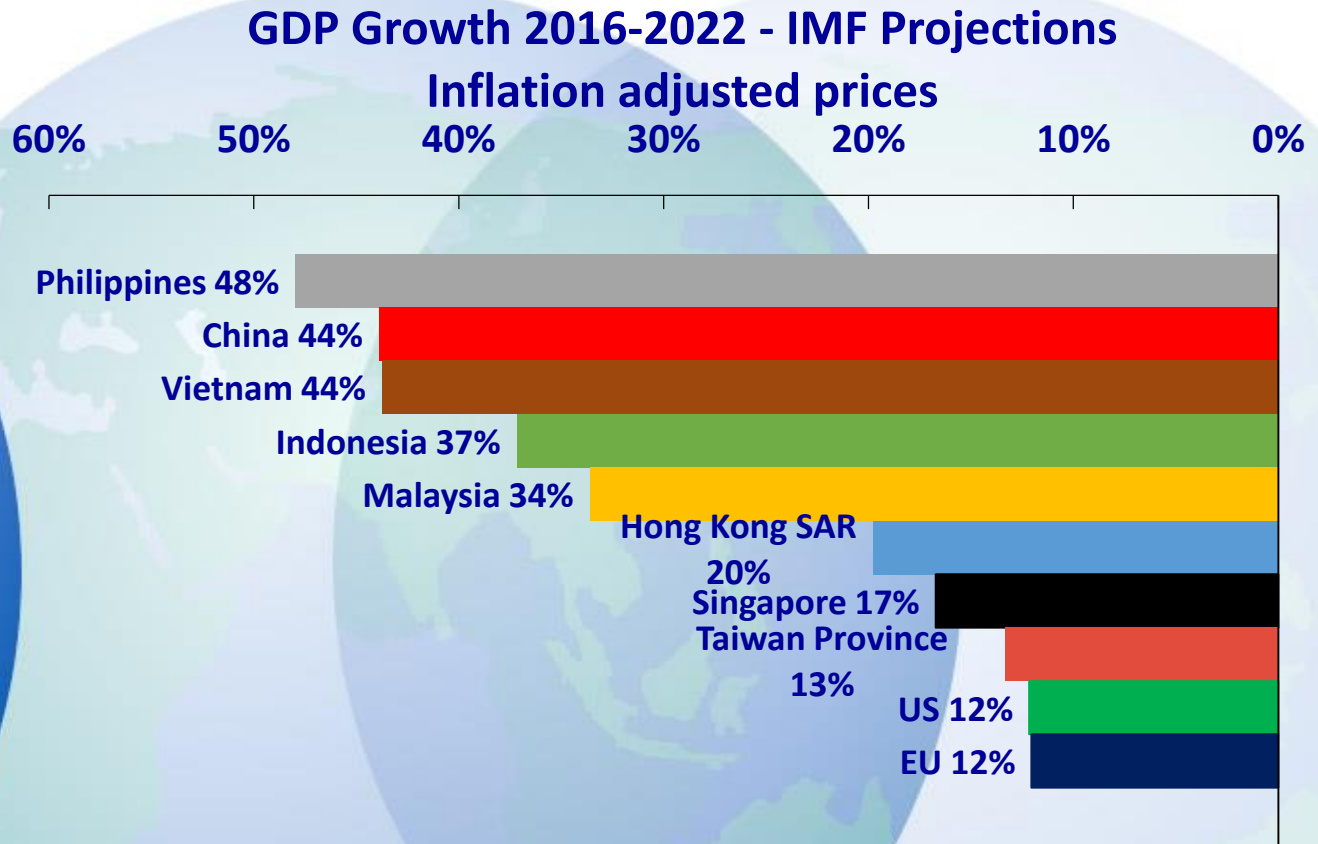
In PPPs Economic Growth in the South China Sea Will Be 65% Greater than the US and EU Combined!

IMF Projections of % of World Growth 2016-2022
PPPs \$ million



Source: Calculated from IMF World Economic Outlook Database October 2017

Growth Rates in Major South China Sea Economies Are Far Higher than the US and EU




Source: Calculated from IMF World Economic Outlook Database October 2017



**So Would Be Entirely Irrational for Countries in the
Region to Endanger that Economic Growth Over a
Maritime Conflict**



What Sort of Sense Does This Attempt to Make a Dangerous Conflict in the South China Represent? What Explains It?

The background features three overlapping globes of the Earth, each showing a different perspective of the South China Sea region. The globes are rendered in shades of blue and green, with the landmasses of Southeast Asia and the South China Sea clearly visible. The text is centered over the middle globe.

No Country in the Region, Since the Departure of Aquino, is Attempting to Heat up the Dispute. But Some Countries and Forces Outside the South China Sea Are. Why?

Examine the Truth of the 'Thucydides Trap'/1914 Analogy



- The 'Thucydides Trap'
- German Chief of Staff von Moltke's notorious declaration in 1912 that 'war is unavoidable and the sooner the better' was explained by him in terms of the military strengthening of Russia compared to Germany and that the German army was beginning to become financially constrained.

Views of Some 'Economic Nationalists' & 'Neo-Cons'



- “To me,” Bannon said, “the economic war with China is everything. And we have to be maniacally focused on that. If we continue to lose it, we're five years away, I think, ten years at the most, of hitting an inflection point from which we'll never be able to recover.”
‘Steve Bannon, Unrepentant’ <http://prospect.org/article/steve-bannon-unrepentant>

Analysis of the US Council on Foreign Relations 'Revising U.S. Grand Strategy Towards China'

- 'Preserving U.S. primacy in the global system ought to remain the central objective of U.S. grand strategy in the twenty-first century.' p. 4

Defined as

- 'the U.S. position at the apex of the global hierarchy' p. 18

Logic of Economic Nationalists and Slightly Different Neo-con Strategy – Modern von Moltke?

- The growth rate of the US economy is slow compared to some other parts of the world economy particularly compared to China, but the US maintains global military supremacy.
- Therefore, from an economic nationalist/neo-con perspective, the US position transfer issues off the economic terrain and onto the military terrain – an opposite of the cold war.
- **But other countries in the South China Sea won't go along with this – because it is not in their interests for the reasons shown**
- And the US population is less and less inclined to support major foreign military intervention unless there is a direct threat to the US itself – which there is not in the South China Sea.

So What Will Happen Regarding the South China Sea?

- All countries will maintain their claims
- The countries in the region will not allow economic nationalists or neo-cons to heat it up
- So the South China Sea will not become a big crisis

Future Generations

- There are many experts on law, military affairs, and international politics here. I respect their expertise as it is a great contribution to eventually solving these issues. But for the immediate term the economic realities are decisive.
- Deng Xiaoping on questions with Japan: 'If our generation do not have enough wisdom to resolve this issue, the next generation will have more wisdom'. The experts here can contribute to that wisdom.
- But for the reasons I have given the South China Sea will not develop into a major crisis.
- There does not have to be an escalation of conflict in the South China Sea.