

**FROM RED SCARE TO YELLOW PERIL:
REALITY AND FEARS OF THE RISE OF CHINA IN
A HISTORICAL CONTEXT¹**

Abstract. China is the greatest challenge facing the world today. Yet fears of the yellow peril are not new. They started with fear of the rise of Bolshevism and later the Soviet Union after World War II (the red scare) and European fears of the USA becoming dominant following WW2 and the subsequent fear of the spectacular technological rise of Japan. The article shows that considerable differences exist among such challengers in their size, political system, ideological basis, military strength, geopolitical ambitions and, finally, cultural differences. These fears have proven to be overblown. Still, they play a positive role as a wakeup call to draw attention to the need to adapt to the tectonic changes occurring in the entire world system and the strategies/policies of certain individual actors. The explanatory power of different theories with respect to certain cases is considered. Somewhere along the line, the greatest weight has been attributed to economic/quantitative factors (Japan, USA, China), ideological/military ones with respect to the Soviet Union/Russia, while elsewhere more ethnocentric factors are stressed (Japan, China). A multidisciplinary approach is called for because a single discipline is unable to explain such tectonic changes and the ensuing reactions.

Keywords: tectonic changes, challenges, fears, yellow peril, red scare, ethnocentrism, power transition, China, Japan, Russia, USA, Europe

Introduction

China appears to be the greatest challenge facing the world today. A *strategic anxiety*, the *New China Scare*, has surfaced. Such fears, almost rising to phobias, are not new. They have been seen regularly throughout history in

* Marjan Svetličič, PhD, Professor Emeritus, Faculty of Social Sciences, University of Ljubljana, Slovenia.

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various *clothes* whenever a power transition was underway. In more recent times, such fears started with *the red scare*, the fear of the rise of Bolshevism. This was followed by European fears of the USA becoming dominant in the period of reconstruction after WW2. Later, in the late 1950, following the spectacular technological rise of Japan, *the Yellow Peril* emerged in the USA for the second time. Today we are encountering the third *Yellow Peril* – even though it originally started already at the mid19th in the USA as a fear of Chinese immigrants. Following 9/11, the obsession with terrorism commenced similarly to earlier anti-communist hysteria in the country. The Trump Administration has now started a trade war with China as part of the inward-looking economic and nationalist policies of *America First*. An opportunity has been created to replace America's presence in the global arena as a consequence.

It is not by chance that a trade war is brewing at a time when China is celebrating 40 years of being open to the world and becoming a leader in certain technologies. What is really underway is a *technology war*. After China's spectacular growth, it is now time for states to begin thinking about what this actually means to each of them, what it means to their region, and to the world generally. Trump's trade war against China may be seen as a way of rectifying some of the deficiencies of the existing Pax Americana. It is thus high time to reflect on whether China's growth threatens the world's development and stability (system) or is benefiting the partner countries. The awareness that China is not only a country with a big economy, but also one that has growing military strength coupled with geo-strategic ambitions, is making a difference in both real life and theory². World power is obviously going back to Asia. The winners will be those able to take advantage of this (Prestowitz, 2005). According to Porter, "the biggest risk is not that China will succeed in rising to become an economic superpower. The biggest risk is that it will fail" (Porter, 2005).

It is hence no surprise that China is increasingly seen as a threat. Paranoia has been carved into mind-sets not only for the country's size, but also for the different Chinese civilisation which for the Western world is a strange combination of culture, a particular type of state-controlled economy and state socialism/communism.

The purpose of this article is therefore to answer two research questions. First, are these fears justifiable or overblown, with concerns being based on the differences in the roots of civilisation, on cultural fears? Second, what are these differences, if any at all, and can we detect any similarities among them?

² P. Krugman branded pundits who raised fears of economic competition from other nations, especially China, as fools who did not understand economics very well. Do not worry about it, he said: Free trade will have only a minor impact on your prosperity. »This was, I now believe, a major mistake – one in which I shared a hand" (see Hirsch, 2019).

The article is structured as follows. We first look at the theoretical framework of such challenges/fears, then consider each fear in chronological order in sections 2 and 3. The fourth section seeks to identify differences/similarities while the last sections outlines some policy-related conclusions.

Theoretical Framework

The article addresses the manner in which views/perceptions³ of different global challenges have evolved in recent history. Accordingly, the analysis concentrates more on qualitative data and attitudes along with the context in which they are created because, as implied by Kant's "transcendental idealism", it is appearances and perceptions, not the reality that truly matters. In such qualitative analysis, social psychology is becoming ever more important. It sees challenges as a positive reaction to perceived fear⁴, regarded as one of the basic emotions. "The culture of fear⁵ of the *other* seems to be a forceful mechanism of social and political indoctrination for human beings« (Skoll and Korstanje, 2013). It has played and continues to play a central role in driving popular fears to make the masses do, or not do, what the elite desires. Especially in the twenty-first century, described as uncertain and unpredictable, risky VUCA (vulnerability, uncertainty, complexity and ambiguity), we seem to engage ever more frequently with various issues through a narrative of fear as a vital instrument of propaganda or, to borrow Bernays' expression, *engineering of consent* (1969). People develop specific fears as a result of what they have learned, but the cause might also be an irrational, unconscious fear of the unknown⁶. Moreover, individual fears can grow into fears of a whole group or can as well arise from the fears held by a whole group usually manifested as stereotyping erroneously, of an entire nation. When problems mount in society, the specific cultural and historical context involved can fuel the stereotyping of entire nations as people look for the causes of such problems in others, in foreigners. They start to blame (scapegoat) them for job insecurity, problems with health-care, low wages, the lack of safety nets etc. In a culture of fear, domestic frustrations are transferred to foreign enemies. A crisis is a typical example of when such prejudicial attitudes are created, although stereotypes can also

³ *With the flood of fake news and populism, perceptions have started to grow in importance. Studies demonstrate that voters do not vote based on a realistic assessment of the situation, by following real facts or their own interests, but based on their feelings, on how they see the reality. We are rationally limited, especially when performances do not match our imaginary perceptions (Simon, 1982; Kahneman, 2002).*

⁴ *The fear response (individual or collective) arises from the perception of danger in the present, or in anticipation or expectation of a future threat, leading to confrontation or escape from/avoiding the threat.*

⁵ *A culture of fear differs from mass anxiety or hysteria. Hysteria or panic runs through populations with a limited duration while a culture of fear is long term embedded in society.*

⁶ *"Fear of the unknown may be the fundamental fear" (Carleton, 2016).*

be built to make it easier to process limited information and degrade others in order to magnify one's own image. This phenomenon is more common when little is known about others or it is hard to learn about them due to being located far away (the distance factor). Such stereotypes impede our ability to objectively assess data/processes, assuming that stereotypes, presenting different picture, are believed to be true. Our readiness and ability to think critically and predict the behaviour of others is thereby weakened.

All of these elements are visible in all the perils we analyse here, particularly in the yellow scares. People like to rely on stereotypes that validate their already held opinion more than trying to evaluate each situation on its own, by looking at data. They tend to select information sources that suit their ideological orientation and ignore other sources or contrary opinions. In a way, stereotypes are an instrument of excuses.

After defining the role played by fear, we must examine more quantitative data to shed light on what creates such fears. Realism is the leading theory explaining sources of power as it mainly relies on material capabilities and relative economic and military power. Apart from neglecting the role of domestic beliefs, this may be its biggest shortcoming in view of the rising importance of soft power.. According to mainstream realism,⁷ countries compete with each other as they pursue their national interests in the struggle for power in anarchic international relations. The power of a state depends on what it is actually based on and the ways in which it is exercised. Seeking hegemony is therefore the result because the international system creates powerful incentives for states to look for opportunities to acquire power at the expense of rivals. States are concerned with the accumulation of relative power as they will not be content with relative security by relying on other states (see Snyder, 2002). Such offensive realism can thus explain the emerging role of China as it aspires to obtain a more prominent role in international relations. On the other hand, defensive realism can explain the USA as it struggles to retain its current dominance, which is proving more important than increasing its power.

To properly understand the rise of China today, it is essential to look beyond realism, to also consider the soft power⁸ which is growing in importance in a VUCA world. However, the capacity to influence others means possessing resources like population, land, natural resources, economy, armed forces, and political stability (Nye and Welch, 2014). Soft and hard

⁷ We distinguish »classical realism» (Morgenthau, 1948), »defensive neorealism» (K. Waltz, 1979) and »offensive realism» (Mearsheimer, 2001).

⁸ Nye defines soft power as »the ability to get what you want through attraction rather than coercion or payments» (Nye, 2004) and relates it to cultural (political and social) values and diplomacy through which a state can change the preference of others to meet its own goals by virtue of attractiveness (Nye 1990, 2005).

power are not alternatives, but complements. In the words of Melissen, “the wheels of hard power can only function smoothly with the lubricant of soft power” (Ham, 2005). Lacking in soft power, China has started to intensively use soft power to complement its hard power based on six pillars: cultural attractiveness, political values, development model, international institutions, international image, and economic temptation (Li and Worm, 2010).

The whole story about attitudes to the leading or aspiring global players is about power and its transition. Power transition theory is in fact a version of the power balance theory, a very popular theory of international relations that interprets the causes of conflict (Haas, 1953; Sheehan, 1996; Waltz, 1979). It stems from the hierarchical nature of international relations in which the most powerful countries define the rules of the game. As rival countries acquire power, the chances of war increase (Hillebrand, 2010: 12).⁹

The old powers’ resistance to the erosion of their position leads us to the second group of theories, the theory of hegemon. Hegemonic stability theory (THS) argues that an asymmetric system¹⁰ is probably more stable; if one country dominates, it is a hegemon. The hegemon dominates the rules of the game and with the help of military dominance creates certain public goods in the form of security and economic stability. The erosion of this role can therefore stifle the world system and throw its stability off balance.

The smaller the difference in power between the leading and rival states, the greater the likelihood of conflict (Kugler and Organski, 1989) with the upcoming forces because the incumbent power is unwilling to leave its prime position¹¹; the so-called Thucydides trap¹² (Allison, 2017). “But it doesn’t have to be« (ibid. 2017) Allison adds, although Kugler (2006) believes that China’s growing power over the USA is greatly increasing the chances of war in the next few decades. Emmott states “that the USA should not fear falling into a Thucydides trap because the historical analogy of England, Germany and WW2 is dissimilar to East Asia today. Germany overtook Britain in the 1900s, while China will not overtake the US for decades” (Emmott, 2009). According to China’s plans, this could happen upon the 100-year anniversary of their country in 2049. However, China is still far from closing the gap on all sources of power and thus the chances of war are lower.

⁹ *Deglobalisation tendencies also consequently increase the risk of war (Hillebrand, 2010: 12 and 13).*

¹⁰ *In terms of access to raw materials, capital and markets. As a result, it has an advantage over competitors together with the potential for spreading its values and military strengths.*

¹¹ *For example, at the end of the 19th century Germany challenged Great Britain; WW1 followed. The fear of Japanese-Americans led to the confrontation between Japan and the USA in the 1930s and importantly contributed to the start of WW2.*

¹² *Based on his statement, “that the rise of Athens and the fear that this inspired Sparta made war inevitable”.*

The power transition is not simply a political, geopolitical or economic problem, but a psychological one. The leading nations pride is hurt¹³ and it therefore attempts to block the emergence of any new power(s).

The third group of relevant theories deals with different civilisation models since views are firmly embedded in the culture of the observer. Ethnocentrism is a worldview that regards Western culture and way of thinking as something extraordinary, placing it in the centre of the world¹⁴. Other cultures are viewed as different, backward, despotic-undemocratic, sometimes even barbaric or racist. It is assumed that the entire world should be modelled on Western values that are seen as universal, always correct, while others are uncivilised barbarians (see Plummer, 2010: 214). "It is about understanding the ideas and practices of another culture with the criteria of our own" (Giddens, 1997).

Eurocentrism has been built on an ethnocentric ideological construct approach, locating Europe in the world's epicentre. It interprets the history of the world as its own history. One's identity develops on the basis of difference from others, difference in the degree of rationality; we are rational and others are irrational. The only possible conclusion is – European civilisation is superior. According to Amin, this is the ideology of the modern capitalist world (2009). Mastnak sees in Eurocentrism "a colonialist worldview, an inspiration for the European conquest and subjugation of the world and the justification of that conquest and rule" (Južnič, 2009: 183–184). The recently developed ethno-nationalism, manifested in populism and *every country first* policies has its roots in such theories. It also gives rise to orientalism as a view of the Middle East and, more broadly, of Eastern civilisations (Said, 1996). The mythology of enemies other than us is attributed to "sub- or inhuman ethnic and racial traits". It is not about attitudes to individuals, but about a group of people who, as a last resort, have evil purposes attributed to them (conspiracy theory) in the sense of good versus bad. The responsibility for our own problems is shifted over to strangers (the ideology of economic nationalism), often expanding into overt populist-tinged chauvinism/racism and xenophobia. Refugees/migrants are increasingly the scapegoats for the ever worse position of those affected by technical progress and globalization (GLO), together with rising imports from China¹⁵. The populist revolt against the enormous upsurge in Chinese exports which, on top of the GLO, is seen as the biggest culprit for the lost jobs and deindustrialisation of the West. Inglehart and Norris contend this revolt is largely based on cultural,

¹³ *The case of the USA after the first Soviet Sputnik or Trump's reaction to the rise of China today.*

¹⁴ *Illustration; a crisis which started in 2008 was branded as a global crisis even though it was really concentrated in the West.*

¹⁵ *Colantone and Stanig (2017) posit that the increased nationalistic voting is positively correlated with the increased Chinese imports into Western economies.*

not economic factors (see Freund et al. 2017). Trump's protectionism is also motivated by the incorrect assumption that China is to blame for the large US trade deficit.¹⁶

A chronology of fears

The Red Scare

The very first *red scare* in the USA came after the Paris Commune of 1871 while the second one followed the October Bolshevik revolution in Russia. It centred on the perceived threat of the American labour movement, anarchist revolution and political radicalism. The *Third Red Scare* came directly after WW2, fuelled at home by the perception of national or foreign communists infiltrating or subverting American society and, as the external factor, by the Soviet Union's growing role in the world. A new bogeyman, 'The Red Menace', was portrayed as being everywhere. Communists were demonised. *The Red Scare* reached its peak between 1950 and 1954 during 'McCarthyism'. The pursuit of allegedly communist infiltrators in American society had begun. Domestic communism was seen an enemy of apocalyptic proportions.

When the Soviets developed an atomic bomb, fear levels intensified, just like during the Cuban crisis or when in 1957 the Soviets sent "Lajka" the dog into space on Sputnik 1. American pride was wounded then like it is now, faced with a decline in its global leadership. As a rule, such fears manifest as various conspiracy theories to make them become more tangible and more persuasive from the point of view of their generators.

After the transition, Russia's role in the world has been shrinking. Further, like all autocratic regimes, Russia should eventually transition to a market-driven democracy (Ikenberry, 2014) meaning that it is less of a concern. Nevertheless, fear of Russia is again on the rise, mainly based on deep distrust and value-based concerns. Putin has spoken of the "offensive mistrust of the West about Russia" (Petrič, 2018: 471).

American Challenge; Europe

The demolished Europe, wrote J. J. Servain-Schreiber in his bestseller (1967/69), is under threat from the Americans. The USA was pictured as

¹⁶ In theory, a negative trade balance is the result of the gap between savings and consumption. As long as there are enough savings, Americans can spend them on imported goods. Otherwise, the country must borrow abroad, which means the dollar exchange rate will rise, exports will become more expensive and the trade deficit will grow. Otherwise, the effect of trade barriers on the trade balance is neutral because it affects both imports and exports without having a lasting impact on the trade balance (Gagnon, 2018, 1).

“enslaving” Europe, becoming an economic colony based on massive inflows of American investment funds. He believed that Europe, lagging behind the USA on all fronts (management, technology, research) was in a silent economic war. He spoke of “American attackers” in the form of US multinational companies, about the collapse of Europe.

Yet Schreiber did not stop just with describing the situation. He helped revive French nationalism (similar to today’s populist movements). Later, he taught at Carnegie Mellon University (Pittsburgh, 1984–1995) and became chairman of Le Center Mondial in Paris that promoted the development of computer and information technologies. In 1985, he told President Mitterrand he was resigning because the French government had wanted to procure French equipment for France’s schools instead of buying the computers from an American corporation (see Rubner, 1990: 272). Schreiber’s intellectual honesty and consistency may thus be questioned. To conclude, these fears were also overblown.

Yellow Peril I: USA

The *Yellow Peril* has seen two waves in the USA. The *First Peril* was directed against Chinese workers at the end of the 1880s. Rather than addressing the economic aspect of immigration, in 1882 anti-Asian propaganda encouraged the federal government to pass the Chinese Exclusion Act, making the immigration of Chinese labourers to the USA unlawful and preventing them from obtaining citizenship. Although this Act was repealed in 1943, anti-Asian sentiment/propaganda remained strong in the country. Later, following Japan’s attack on Pearl Harbour in 1941, it was directed at Japanese-Americans, portrayed in ways very similar to the 19th century Chinese immigrants. *Yellow Peril* propaganda was based on the supposedly lower intelligence or sub-human qualities of Japanese people (see White, 2019).

Yellow Peril II: Japan

The second wave of the *Yellow Peril* came in 1960 during the Japanese miracle (10.5% average GDP growth in 1950–1973). Japan’s share of world GDP had risen from 2–3 percent to 10 percent. The Japanese miracle was largely due to the creative imitation of Western technology and introduction of new production methods (lean production). Schreiber (1980) was fascinated by Japan’s automotive industry and automation, robotisation and computer science. This *miracle* was initially facilitated by the possibility of directing all its resources for development (Japan was not allowed to spend on the army). Second, it was due to the inventiveness and working habits of the Japanese people and the systematic strategic trade and industrial policy.

The Japanese began to buy property in Manhattan and acquired American 'jewels' (like Rockefeller Center in Manhattan, Firestone Tire and Rubber, Columbia Pictures or the Pebble Beach Golf Course). It was predicted that Japan might already overtake the USA by GDP pc in 1985. Not surprisingly, Vogel (1979) wrote the book: *Japan as Number One*. This fear indeed had both economic and cultural roots given that American pride and self-confidence had been dented. The Japanese had taken the lead in sectors previously the cause of American pride (automotive industry). Still, such fears again proved to be overblown since Japan's yellow miracle was followed by very low growth and then by the *lost century*. Imitation can obviously be a double-edged sword; those imitated feel threatened, while simultaneously, by wanting to have what the imitated have, the imitators themselves begin to be troubled by doubts and lose their self-respect. The French philosopher Girard says this leads to hostilities and a feeling of being endangered.

Yellow Peril III: China's Contemporary Challenge

Today's *yellow peril* concerns the big challenge China brings to the whole international system after its spectacular rise in the last 40 years. In less than 30 years, China had become the world's second-largest economy by 2001.

The first signs of the modern fear of China emerged in December 2004, the last month in which The Agreement on Textiles and Clothing (ATC) remained in force but was set to expire by the end of the year under a World Trade Organization (WTO) decision. Developed countries soon barricaded themselves off from China and the threat of becoming flooded with its textile products.

The challenge with China is underpinned by the size of its economy and by it rivalling the USA as the dominant power. China is already the world's largest economy in population and trade-volume terms. Nominally, in 2017 China's GDP amounted to 64 percent of US GDP. In 2014, it overtook the USA in Purchasing Power Parity (PPP) to become the world's biggest economy (Bergsten, 2018, 2). The International Monetary Fund (IMF) predicts that China will overtake the US (at 2017 market rates) in 2030 (IMF, 2018). Yet, according to the index of economic strength, China still lags 12.3 percent behind the USA. Still, as early as 2030 it may become the leading economic power, holding an 18% share while that of the USA is projected to fall (1973–2030) from 16.3 percent to 10.2 percent (Subramanian, 2011).

These economic indicators should be stressed because there is a strong long-term correlation between economic capability, military power and a country's position in the global power system. "Therefore, the hegemon (either US or China) will be in a weaker position than before /.../. It should be though remembered that, historically, China's leading role is a natural

position, since China lost its leading position by Britain only in the 19th century, and after the WW2, when US has taken over from the latter” (van Bergeijk, 2018: 15).

One of the more controversial economic *accusations* and economic fears underlying the challenge posed by China is that it systematically imitates¹⁷ and ‘steals’ intellectual property (IP)¹⁸ and forces foreign companies to transfer their technology to Chinese companies. Imitation is partly the result of admiration and resistance to Western ideas following the *Century of Humiliation*, the “Opium war which marked the beginning of China’s collapse and dismemberment at the hands of foreign powers” (see Davis and Rašković, 2017: 8). A fundamental goal of contemporary Chinese politics is to do all that is needed to ensure this never happens again. It nevertheless seems that this accusation is overblown. Namely, in the latest US-China Business Council Member Survey, just 5 percent of respondents reported having been asked to transfer technology to China, and this concern was ranked 24 out of the top 27 challenges facing foreign companies (Huang and Smith, 2019).

At the same time, certain *problematic imitation* activities (trade, foreign investment, licensing, international research collaboration, reverse engineering) are legitimate and voluntary. Moreover, the situation in the area of IP rights is now changing. Premier Li Keqiang stated that “strengthening IP protection is strategic and vital for strengthening the socialist market economy” (Reuters, 2017). In view of the ambitious plans to transform China from a “large manufacturing country” into a “powerful manufacturing country” by 2025 and a “leading global producer” by 2049 (“Made in China” and plans for the PRC’s 100th anniversary in 2049), it may be expected that China will become a leader in many technology-driven activities. Simultaneously, the country seeks to strengthen the protection of IP not so much due to external pressures but under the internal pressure of its own companies that desire greater protection for their patents. The more domestic firms become innovative, the more they are seeking to protect their IP rights¹⁹. China is

¹⁷ *The West is also not innocent in this regard. France recruited British defectors to unlock the secrets of coal technologies in the 1700s, America stole British models for looms and trains, Japan imitated the West during the Meiji Restoration in 1868 (The Economist, 9/15/2018: 71). South Korea, Taiwan and Singapore industrialised by buying/stealing Western ideas. Has the West paid for instance for many Chinese inventions like gunpowder, blast furnace, cast iron, paper, porcelain, silk production technology, compass, printing technique, although the system at the time was quite different? China has namely been the technologically most advanced country for most of human history.*

¹⁸ *According to some reports, Chinese IP theft costs the USA USD 225 billion to USD 600 billion a year (Huang and Smith, 2019).*

¹⁹ *Huang and Smith (2019) write, »countries do not enact a strong IP rights system until their ability to innovate at home displaces reliance on outside knowledge. The US’ own century long drift towards strong protectionism is a case in point. Its own IP rights system began with the Copyright Act of 1790, which expli-*

a global leader in technologies such as e-commerce, artificial intelligence, fintech, high-speed trains, renewable energy, and electric cars. Companies like Alibaba, Didi Chuxing, Huawei and Tencent are operating at the global technology frontier (World Bank, 2019: xvii).

The third economic fear relates to the huge rise of Chinese investments, especially their acquisition of technology-leading companies (Godement et al., 2017). This opens the door not only to economic but political influence and creates potential for the Chinese 'divide and rule' policy. Public opinion is becoming more hostile (Grant and Barysch, 2008) but oscillating between "China saving Europe" and "China taking over Europe" (Shambaugh, 2013). The world fears the transfer of Chinese management patterns or values wherever their companies make investments. Past experience shows evidence of both implications; strong adaptations to local cultures (particularly in industrial countries) but also the imposition of its own management style and working habits (Africa) or a combination of these two strategies, a kind of Yin-Yang cultural approach treating different countries/firms/people differently.

The EU is encountering China's ever more aggressive policy of influencing more flexible and less critical positions in China (market economy status, democracy). The 17+1 initiative is such a strategy that could create splits within the EU, making some members the 'fifth column' of China in the EU. It is thus little wonder that alarm bells have started ringing over China's ability to translate its economic power into attempts to undermine Europe's unified policy on China.

Apart from hard economic data, soft power factors should also be considered. Here, China's position is still weak despite all the efforts it has been making in public diplomacy recently. Chinese public diplomacy these days is replacing the previous "charm offensive" strategy (Kurlantzick, 2007: 6) aimed at neutralising the "theory of threats" and improving China's global reputation (Tai-Ting Liu, Tony, 2019: 77). The Belt and Road Initiative (BRI) may also be regarded as an instrument of soft power.

Today's paranoia, in the face of a rapidly growing and increasingly ambitious China, is obviously principally rooted in the enormity of the Chinese economy. Second, a fear of its difference, exotics, is entailed; third, of its leading role in the world and, finally, the fear of economic intelligence, of espionage, as a threat to security. "In the name of national security, America is treating Chinese students and scholars as a new '*yellow peril*', in a witch-hunt worthy of Senator Joseph McCarthy" (The Economist, 2019, 13 July: 52).

city did not grant any protections to foreign works."/...../"During the early days of its industrialization, the US was a world leader in IP rights violations, a fact often overlooked in the current discourse".

The fear of the difference is merging with the fear of potential political interference in the economy via the large share of state-controlled firms²⁰. The biggest distinction is therefore that China is a different civilisation, a communist, centralised and authoritarian state. It has different values and religious beliefs.

The challenge brought by Chinese is thus different. Three potential scenarios arise. First, that China's position will start to be eroded if it becomes unable to cope with the accumulated problems of its own rapid growth and the fact it has not anticipated the accompanying problems²¹, including all the political challenges, the necessary democratisation of the political system, and providing more human rights in the long run²². China will encounter Rodrik's trilemma (2011) regarding how to accommodate its three pillars: GLO, sovereignty and democracy²³. This scenario entails considerable internal instability and negative implications for world stability, clearly not in the interest of any of us. An international implication of such a stagnant scenario might be China adopting a more aggressive foreign policy aimed at maintaining support at home while ratcheting up repression against any signs of dissent at home.

A more likely scenario is that China will take on a leading role in many areas, especially the economy, thereby beginning to change the world's structure in either the direction of Pax Sinica or a multilateral system with China as one of the leading powers (the third scenario) in a world of cooperation and competition among the great powers. The question is whether China wishes to abolish the capitalist world order or to simply form a non-hegemonic capitalist world order in which it will have more opportunities for development. According to Hočevár (2019, 15), it seems more that "China does not undermine the capitalist world order, but rather tries to challenge the US position in the existing capitalist world order in order to

²⁰ However, they also play an important role in some developed countries. For instance, as much as 43.8% (34.2% are European) of all transnational enterprises in the world in 2010 were state-owned and only 7.7% were Chinese (UNCTAD, 2011: 31).

²¹ China's old drivers of growth based on low wages are running out of steam. Growth rates are gradually slowing down. China could also face a real-estate bubble, a credit crunch and many other challenges accompanying its economic transformation. Finally, there is demographic problem. "According to UN projections, during the next 25 years the percentage of China's population older than 65 will more than double (from 12 to 25%). Consequently the working-age population will decline. By the middle of the century it will be nearly a fifth smaller than it is now. China will have gone from nine working-age adults per retired person in 2000 to just two by 2015" (*The Economist*, 2019, 2 Nov.: 65).

²² Rising standards of living would, as the theory of democratic peace predicts, also gradually induce claims for political liberalisation/democracy, for more human rights to reduce the room for conflicts (democracies don't fight each other).

²³ Now China follows just GLO and sovereignty.

form a non-hegemonistic capitalist world order". He may be right for now, but the situation could change when China achieves a more hegemonistic position. History shows that power corrupts and aspirations can, along the way, be broadened, such as to shape the world so as to better suit its own (ideological) design (albeit the changes will be gradual). Economic success is namely enhancing China's self-confidence, courage and opportunities to exercise its interests. It appears obvious that the US hegemony will come to an end, thereby jeopardising the stability of the system in line with the theory of hegemonic stability. The erosion of this role could thus endanger the existing global system's functioning, throwing its stability off balance.

Differences and similarities in the above perils

Is there a common denominator to these fears, eclipsing popular apocalyptic literature, about dangerous aliens threatening our world, or are they more idiosyncratic? Both are correct; there are similarities and differences. Four of the most obvious similarities are as follows. The first is the fear of the growing economic size of the challengers while the second is the fear of external threats, of dangerous *aliens* that endanger *our white* world mostly because *they* are different and not so much because they are economically or technologically threatening. Economic concerns have gradually turned into more ideological, cultural, religious, civilisational or even racist fears. They appear as mythology regarding an enemy, someone that threatens us because they are different, which is not ours. The third group relates to the second but is ideologically based (*red and yellow scare III*) and the last one relates to the changing international context.

The first type of fear (growing economic power) primarily relates to the American challenge to Europe after WW2, and today's China threat also manifested in Trump's America First policy. The Japanese *yellow peril* in the 1960/1970s was also economically based, but dissimilar in that the Japanese are culturally different. Among the analysed economic challenges, the biggest quantitative difference is the size and geostrategic role/ambition. Japan's challenge in the 1970s was confined to economic/technological power (Japan's GDP was 9 times smaller than that of the USA, whereas China's GDP today is already 70% of US GDP). The specifics of the Chinese challenge these days, compared to the one posed by Japan, is that such economic strength is ever more combined with military and geostrategic ambitions to become the leading country in the region and (more implicitly than explicitly) in the world. The challenge China provides today is quantitatively only comparable to that of the USA when challenging Europe in the aftermath of WW2. During the Cold War, the Soviet Union also competed with

the USA chiefly in the ideological, military and space technology fields, but was never a serious global economic or commercial contender²⁴.

The challenge posed by China is unlike the American, *red scare* and Japanese challenge. China's size is unrivalled by Russia or Japan. The Chinese shock has affected those who were already struggling to keep their jobs for other reasons while in Japan's case US industry was better prepared (the context factor). It is also unlike them because China's growth is extremely important for the global economy, whereas the relative consequences for the world brought by all other challengers would be significantly weaker. The challenge of China also has a geopolitical dimension in that it is becoming a military force and, in contrast to Japan, it is not an ally. China is the only military and economic rival of the USA and is hence creating a fundamental shift in the global distribution of power and influence (Geeraerts, 2013: 6). Based on detailed historical analysis, Subramanian notes that China's dominance is more imminent than usually believed, will be more broadly based (covering wealth, trade, external finance, and currency), and could be as large in magnitude in the next 20 years as that of the UK in the halcyon days of the Empire or of the USA in the aftermath of World War II (2011: 4). Yet, the 'China challenge' has some similarities with the red one. They both used to have not only economic but also ideological roots, although the Soviet Union wanted to export socialism and China is expanding more through its economic and less through its ideological power.

The second group refers to culturally-based, ideological fears, the threat of those who are exotic, because we do not know or understand them and they are ideologically different. We therefore feel threatened (USSR/Russia and China). In 1993, P. Kennedy stated that "Protectionism, anti-immigrant policies, blocking new technologies, and finding new enemies to replace Cold War foes are common reactions at a time of *jolts and jars and smashes in the social life of humanity*", a view that can be applied to the current situation. Fear of this group can also be explained theoretically by the hegemonic stability and power transition theory, and eurocentrism.

The third group of differences is political/ideological. While the USA, Japan and Europe share Western democratic values, China is an authoritarian socialist state, just like the Soviet Union was when it challenged the USA. However, China does not *export* its ideology as much as the Soviet Union did, but is first and foremost pursuing its global economic interests. By doing so, it can also indirectly pursue its ideology by spreading its soft

²⁴ *Today's daily US-China trade equals the annual trade of USA with the Soviet Union in 1987. Trade interdependence was therefore much stronger (13% of total US trade in 2018 was with China) while it was only 0.25 percent with the Soviet Union in 1987 (The Economist, Special report China and America, 18. 5. 2019: 3).*

power²⁵ and 'sharp power'²⁶; for instance, by making the beneficiary states in the BRI financially dependent when they are unable to repay the large loans received for infrastructural projects within this framework (*debt trap diplomacy*)²⁷.

The fourth distinct factor is the changed circumstances in the world after the fall of the Berlin Wall, the end of the Cold War and, up until recently, the strengthening of multilateralism, galloping globalisation (and de-globalisation of late), growing interdependencies and digitalisation. This is a special kind *oligopolistic multilateralism*, a blend of cooperation and competition between the major players that today are highly interconnected within a network of global cooperation. This power transition is occurring in a different environment, suggesting that a new cold war scenario is not very likely.

Apart from the differences in all of the mentioned challenges, there are some similarities. Basically, all of the said fears:

- a. were based on quantitative/size factors, the rapid growth of the economies, their political and military power challenging the current system and the world hegemony,
- b. proved to be overblown, too dramatic, provoking paranoid panic over-reactions. But *nothing gets eaten as hot as it gets cooked*,
- c. were based on ideological cultural roots, including racial, even racist prejudices²⁸, on ethnocentrism, generating suspicions leading to eroded trust,
- d. were often misused for internal political battles (McCarthyism in the USA or today's populism) and draw attention to the need to make changes in the global system's structure and functioning and to adapt to such tectonic movements in advance, not after the event, to the transition of power underway in the global system. These fears have also caused a rethinking of certain theoretical postulates about international trade/relations and development theories generally. This is the positive role of such fears.

²⁵ China has long recognised that it suffers »a soft power« deficit. Therefore, in 2007 then President Hu Jintao declared that getting other countries to like China was a national priority (*The Economist*, February 2019: 44).

²⁶ A term used to refer to the information warfare being waged by authoritarian regimes.

²⁷ Several countries, including Pakistan, Nepal, Burma and Malaysia, have already abandoned BRI projects for this reason (see Fabry, 2019).

²⁸ Such racist views do not only come from the bottom. The Director of Policy Planning at the US Department of State, K. Skinner, said at a security forum in Washington that »the fight with China, was a fight with a really different civilisation and a different ideology and the US hasn't had that before/.../ that China posed a particularly unique challenge as it represented the first time that we will have a great power competitor that is not Caucasian" (see Panda, 2019), forgetting that in WW2 II it fought with Japan, for example.

Conclusion

China is clearly the biggest challenge in the modern world. Yet, fears of a *yellow peril* are not new, although the forms and contexts are different, confirming Hegel when he said that history repeats itself the first time as a tragedy²⁹ and the second time as a farce³⁰ (Marx's addition). These phenomena started with a red scare, the fear of the rise of Bolshevism and later the Soviet Union (now Russia) after World War II and European fears of the USA becoming dominant in the period of its post WW2 reconstruction and later the fear of Japan's spectacular technological rise. The article has described the substantial differences and similarities that exist among the challengers due to their size, political systems, ideological basis, military strength and geopolitical ambitions, and the context.

The explanatory power of the different theories varies according to individual challengers; somewhere along the line, the greatest weight was given to the realist school and power transition theory based on economic/quantitative factors as a basis for their power (Japan, USA, China), or ideological/military factors (in the case of the Soviet Union/Russia), while elsewhere they are again more ethnocentric (Japan, China). This makes a multidisciplinary approach essential because a single discipline is unable to explain such tectonic changes and ensuing reactions.

All of the mentioned fears were significantly overblown by linearly extrapolating tendencies into the future, without taking account of the historical context or other factors that hampered such linear forecasts. They were conceptualised within a 'zero-sum' game where the rise of one power leads to the decline of another, causing inevitable conflict with the leading one and amounting to a challenge and threat to the traditional Western-led international order. Kupchan also seems right when claiming, »that the ability of great powers to impose their preferences will only decline further in the future.... The twenty-first century will not be America's, China's, Asia's, or anyone else's. It will belong to no one«. The USA will no longer be the hegemon it once was. The transformed international system should, using Rodrik words, leave greater "policy space" for national policies and sovereignty. If the great powers act wisely, neither Pax China nor *Chimerica* or

²⁹ *The German challenge to Great Britain's dominance in the 19th century was followed by WWI, while problems between the USA and Japan in the 1930s were followed by WWII. Today, the Chinese challenge has brought about a trade war, the revival of protectionism, and erosion of the rule-based global system.*

³⁰ *Today's farce is that China is accused of protectionist policies but American A. Hamilton is considered to be the father of protectionism (Tariff Act 1789) and all of the current developed countries applied such policies in the past. Stealing IP also has its predecessors; the main economic powers also did it in the past (see footnote 21).*

G2 will emerge, but a multilaterally governed world in the interest of all, not just a few. This is viable if China follows, as proposed by Colonel Liu Mingfu, the example of the USA after the experience of the UK which quietly left the lead role to the USA after WW2, and not the Soviet Union example which directly clashed with the USA during the Cold War. He advocates a tolerant, long-term strategy, a century marathon³¹ (see Miller, 2018). In this manner, war can be side-stepped and a new model of great-power relations developed, avoiding confrontation with the USA.

It seems the *Beijing Consensus* is unlikely to substitute the Washington Consensus in the foreseeable future. However, it holds the potential to influence countries' development strategies. The near future will not be the same as the last century with one country leading. There could be power sharing between China, the USA, Europe/EU³² and Russia (perhaps also India) within the spirit of a 'collaborative autonomy' logic. Europe is not militarily strong enough but has an advantage in terms of its soft power. According to B. Emmott (2006), while China is likely to emerge as the most powerful player, it will not be sufficiently powerful to dominate but strong enough to be significant shaper of the world order. He compares China with Britain in the early 19th century when despite being more powerful it was unable to dominate. It remains unclear whether China wants superpower status. It seems that China is aware of the danger of a *strategic overstretch* (paraphrasing Kennedy, 1987), as an imbalance between its strategic commitments and its economic base, although it is not immune from *triumphalism* after abandoning Deng Xiaoping's low-profile approach of *making China great again*.

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³¹ Predicting that China will need 30 years to catch up to the USA in the size of its GDP, 30 years to become equally strong in the military field, and 30 years to reach its GDP per capita income.

³² Provided the EU is able to fill the vacuum created by Trump's nationalistic, pooling away from world politics, policy. According to President Macron, the EU should «wake up. If we don't wake up, there is a considerable risk that in the long run we will disappear geopolitically, or at least that we will no longer be in control of our destiny» (*The Economist*, 9 Nov., 2019: 17).

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