



China-United States Economic Relations, with Focus on Currency Convertibility

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China-United States Economic Relations,
with Focus on Currency Convertibility

Christopher F. Lee

A Thesis in the Field of International Relations
for the Degree of Master of Liberal Arts in Extension Studies

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Abstract

This thesis provides an alternative view of the United States-China relationship through the lens of trade liberalization and economic co-dependency, with a focus on convertibility of Chinese currency. Does the Renminbi (RMB) threaten the global status of the US Dollar (USD)? I address the question by providing a cost-and-benefit analysis of a RMB liberalization exercise. Based on historical evidence, some scholars argue that the United States and China are entering a period of conflict (see, for example, Allison, 2017). From the trade war that began in 2017, and the dispute over semiconductors, to the tech war, and current financial Cold War between the United States and China (Fok, 2020), American leaders seem willing to confront China on multiple fronts.

However, as a controlled currency, the RMB provides a level of protection for China. At the same time, while some observers view China as an autarky that is aiming to become self-sufficient and economically independent, the average US consumer still depends on complex supply chains that originate in China, providing affordable goods. Nike shoes and iPhones, for example, are considered necessities for many Americans.

Is a fully convertible RMB harmful or beneficial to American consumers and working-class citizens? Could the convertibility of the RMB create more financial benefits to American workers, reshape geopolitics locally, and change the course of history? These questions are the subject of this thesis.

Chinese capitalism is ambidextrous in that it simultaneously operates two conflicting models: government control, and entrepreneurialism. This presents significant challenges to the US government. Keyu Jin's *The New China Playbook—Beyond Socialism and Capitalism* (Jin, 2023) highlights how economic decentralization and political centralization occur simultaneously under the CCP. Building on *The China Paradox* (Clifford, 2021), my research provides fresh

perspectives on the complex integration of the Chinese Communist Party's (CCP) autocracy with entrepreneurial renewal.

This research is based on an extensive review of existing literature on the subject, as well as one-on-one interviews with 21 leading executives, academics, senior finance professionals, and cabinet-level government officials. The research integrates microhistory with Harvard Business School-style case studies. I selected a group of individuals to interview, and asked them to share their policy views on capital-market reform and the full convertibility of the RMB in the context of US-China conflicts. In addition, I made use of 34 HBS-style case studies and collected sample data from 32 American companies.

Using the data from the interviews and case studies, I calculated a "Benefit Score" for working-class employees in each company. The Benefit Score for each American company is calculated based on seven factors: 1) revenue, 2) number of employees, 3) pay multiple, 4) employee salary, 5) company tax, 6) US locations and 7) weakening RMB. I conclude that a fully convertible RMB is indeed beneficial to working-class Americans.

Frontispiece



Source: Google Images of USD and RMB

Author's Biographical Sketch

Christopher is senior partner at FAA Investments, a private investment group focusing on real estate, early-stage companies, and in-depth research on hedge funds and private equity managers. With home bases in San Francisco and Hong Kong, Christopher and his partners allocate capital globally. He is fluent in English and Chinese.

Chris is a board director with expertise in financial markets, risk management, governance, and leadership development. Currently, he serves as an Independent Board Member with Matthews Asia Funds, the largest US investment company ('40 Act) with a dedicated focus on Asia-Pacific markets. Chris also serves as a strategic advisor for Linqto Inc. (www.linqto.com), a Silicon Valley fin-tech company enabling "private investing made simple."

Previously, Chris was an investment banker for 18 years, acting as managing director, holding divisional and regional head positions at Deutsche Bank AG, UBS Investment Bank AG, and Bank of America Merrill Lynch. He worked in global capital markets, managed derivative product development, and provided equity sales and trading functions to institutional investors.

Currently, Chris also serves on the non-profit boards of the UC Berkeley Library, Hong Kong Securities and Investment Institute, and Salzburg Global Seminar. He holds a BS in mechanical engineering, and an MBA from the University of California, Berkeley.

Dedication

To my wife, Clare (ALM '24) and our adult children, Chris Farron (26), Elianne (23), and Nathan (21), thank you for your support of my continuous learning and skill development.

Acknowledgments

I would like to thank my Thesis Director, Professor Bill Kirby, for agreeing to help me despite his extremely busy schedule. As former Dean of the Harvard Faculty of Arts and Sciences and currently T. M. Chang Professor of China Studies and Spangler Family Professor of Business, Professor Kirby has taught thousands of Harvard students. I am very fortunate to have taken his HES Class, HIST 1825 Power and Civilization: China, in Fall 2019, which sparked my research interest in the many facets of US-China relations from both historical and financial perspectives. As a corporate board member as well as a scholar, Professor Kirby also provides a unique oversight and insight into the US-China relations.

I would also like to thank my Thesis Advisor, Professor Doug Bond, for his continuous support and encouragement. He has been a great mentor and has guided me in navigating the Harvard University system, presenting my research topic to different faculty members and ultimately obtaining approval from Professor Kirby.

Professor Bond was also my ALM Proseminar instructor in Summer 2021, and I am grateful for his guidance in helping me to satisfy the Harvard ALM degree requirements. I learned a great deal in Professor Bond's seminar course on research methodology and microhistories. His teaching also equipped me with a better academic foundation in the field of international relations. Besides academics, I also enjoy conversing with Professor Bond about travel and learning in general. We both enjoy international cultures, history, people, and various cuisines.

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Glossary of Acronyms

ADB	Asia Development Bank
AIIB	Asia Infrastructure and Investment Bank
AMCM	Monetary Authority of Macau
BIS	Bank for International Settlement
CBC	Central Bank of China (Taiwan)
CBDC	Central Bank Digital Currency
CBIRC	China Banking and Insurance Regulatory Commission
CCCI	California-China Climate Institute
CCP	Chinese Communist Party
CIPS	Cross Border Interbank Payment System
CME	Chicago Mercantile Exchange
CPC	Communist Party of China
CSRC	China Securities Regulatory Commission
EPP	Equity Participation Plan
EUR	Euro
FEC	Foreign Exchange Certificate
GBP	Great Britain Pound
GDP	Gross Domestic Product
HKD	Hong Kong Dollar
HKMA	Hong Kong Monetary Authority
IMF	International Monetary Fund
JPY	Japanese Yen
KMT	Kuomintang (or Kuo Min Tang)
MAD	Mutually Assured Destruction
MOP	Macau Pataca
MYR	Malaysian Ringgit
NTD	New Taiwan Dollar (or TWD)

OCC	Office of the Comptroller of the Currency
PBOC	People's Bank of China
PRC	People's Republic of China
RKC	Regional Key Currency
RMB	Renminbi (Chinese Yuan)
ROC	Republic of China
SAR	Special Administrative Region
SDR	Special Drawing Rights
SED	Strategic Economic Dialogue
SWIFT	Society for Worldwide Interbank Financial Transactions
TWD	Taiwan Dollar (or New Taiwan Dollar, NTD)
USD	United States Dollar
WTO	World Trade Organization

Definition of Terms

Bank for International Settlement: BIS is an international financial institution owned by central banks that fosters international monetary and financial cooperation and serves as a bank for central banks.

Capital Account: The capital account records the net change of assets and liabilities of a nation during a defined period. In international macroeconomics, it is the part of the balance of payments that records all transactions made between entities in one country with entities in the rest of the world. These transactions consist of imports and exports of goods, services, capital, and as transfer payments such as foreign aid and remittances. The capital account's balance informs economists whether the country is a net importer or net exporter of capital.

Capital Markets: Capital markets consist mainly of stock markets, bond markets, commodity markets, and foreign exchange (or currency) markets. Currency markets often have very large transactional volumes and notional value relative to stocks and bonds markets.

China Banking and Insurance Regulatory Commission (CBIRC): An agency of the People's Republic of China authorized by the State Council to supervise the establishment and ongoing business activities of banking and insurance institutions.

China Securities Regulatory Commission (CSRC): A government agency directly under China's State Council. It is the main regulator of the securities industry in China.

Chinese Communist Party (CCP): The founding and the sole ruling party of the government of the People's Republic of China. It is also known as the Communist Party of China (CPC). The English acronyms CCP and CPC are both commonly used. Refer to this article on the difference (or lack of) :

<https://chinamediaproject.org/2023/03/30/ccp-or-cpc-a-china-watchers-rorschach/>

Current Account: The current account records a nation's transactions with the rest of the world—specifically its net trade in goods and services, its net earnings on cross-border investments, and its net transfer payments—over a defined period. In international macroeconomics, it is the part of the balance of payments which records all transactions made between entities in one country with entities in the rest of the world. These transactions consist of imports and exports of goods, services, capital and as transfer payments such as foreign aid and remittances. The balance of payments is composed of a capital account and a current account.

Kuo Min Tang (KMT): (also referred to as Guomindang, or Nationalist Party). A major political party in the Republic of China, initially based on the Chinese mainland and in Taiwan since 1949. It was the sole ruling party in China during the Republican Era from 1928 to 1949 when most of the Chinese mainland was under its control; it ruled Taiwan from 1949 to 2000.

Office of the Comptroller of the Currency (OCC): An independent bureau within the US Department of the Treasury, established by the National Currency Act of 1863. It serves to charter, regulate, and supervise all national banks and thrift institutions and the federally licensed branches and agencies of foreign banks in the United States.

People's Bank of China (PBOC): The Central Bank of China, equivalent to the Federal Reserve system in the United States.

People's Republic of China (PRC): Established in 1949 by Mao Zedong. While China has more than 5,000 years of culture and history, the current government is only 73 years old. The current president of China, Xi Jinping, is only the seventh leader with title President since the founding of the PRC.

Renminbi (RMB or Yuan): Chinese legal tender and official currency in the People's Republic of China. Renminbi or RMB (人民币) literally means "people's money" in Chinese. The RMB is also commonly known as Yuan (元) in Chinese. The Chinese character 元 can be translated or interpreted as "Chinese dollar." The main difference between the RMB and all other major currencies like the US Dollar, British Pound, Japanese Yen, and the Euro is its exchange mechanism and exchange rates. The exchange rate of the RMB is not driven by market dynamics but functions according to a managed peg determined by China's central bank, which is the People's Bank of China. In capital markets, foreign exchange traders often use the term RMB to symbolize controlled currencies with fixed exchange rates.

Republic of China (ROC) or Taiwan: The ROC, also known as Taiwan, is considered by the PRC government as a renegade province of China. However, the ROC had a mutual defense treaty with the United States from 1954 to 1979, when the US recognized the ROC as China's legitimate government. The US sells defensive arms to Taiwan under the terms of the Taiwan Relations Act of the US Congress

in 1979. (NOTE: Taiwan was in 1943 part of the Japanese Empire. Soong Meiling represented China.)

Special Drawing Rights (SDR): An international reserve asset created by the IMF to supplement the official reserves of its member countries. A basket of currencies defines the SDR: the US Dollar, Euro, Chinese Yuan, Japanese Yen, and British Pound.

Thucydides Trap: A term popularized by Harvard Professor Graham Allison to describe an apparent tendency toward war between the US and China. Allison argues that historically, when an emerging power (China) threatens to displace an existing great power (the US) as an international hegemon, a military conflict is likely to occur.

Trade Liberalization: The removal or reduction of restrictions or barriers on the free exchange of goods between nations. These barriers include tariffs (such as duties and surcharges), and nontariff barriers (such as licensing rules and quotas). Economists often view the easing or eradication of these restrictions as steps to promote free trade.

World Trade Organization (WTO): The only global international organization dealing with rules of trade between nations. At its heart are the WTO agreements, negotiated and signed by most of the world's trading nations and ratified in their parliaments. The goal is to help producers of goods and services, exporters, and importers conduct their business.

Chapter I.

Research Problem

“Can America and China escape the Thucydides Trap?”

—Graham Allison

The problem of income inequality has contributed to the rise of populism in the United States. Donald Trump, before and after he was elected US President, blamed China for several of the most pressing social problems in the US, such as unemployment, poor healthcare, and declining real incomes. During the global pandemic, he labeled Covid-19 as “the China virus.” His actions became popular among a significant portion of the American public who believe that their standard of living has declined.

These issues became more pressing in the aftermath of the 2008 global financial crisis, which created persistent financial challenges for the US. However, income inequality in the US is an economic issue that requires a financial solution. This thesis research investigates the political aspects of the issue.

Can trade between China and the US, as well as broader bilateral cooperation, benefit all Americans financially and not just the elite? To benefit all Americans, can the US business community create tangible and financial benefits for everyone? James Fok’s 2020 book, *Financial Cold War*, explores US-China relations through the lens of international finance. Fok said that rising tensions between China and the United States

have kept the financial markets on edge as a showdown between the world's two largest economies seemed increasingly inevitable. But what most people failed to recognize is the major impact that the financial markets themselves have had on the creation and acceleration of the conflict. In their 2022 book, *Globalization, Firms and Workers*, Keith Maskus and Ann Harrison investigated how workers in the US and other markets fared because of global trade and investment. A thesis by Yasser Alvi (2022), titled "Trade Liberalization by Hegemonic Power vis-à-vis a Rising Challenger," concluded that rising US-China trade was not the result of policy mistakes, but rather a trend that led to increased co-dependency and mutual amity.

This thesis extends that research to focus on how workers may benefit from increased trade liberalization with China, as well as RMB capital market reform—a trend that would reduce the risk of conflict between China and the United States. Professor Graham Allison's 2017 book, *Destined for War: Can America and China escape Thucydides Trap?*, ignited significant debate among international relations scholars, with its focus on providing solutions as to how these two economic superpowers could avoid falling into this supposedly historical trap between rising and dominant powers. While Allison was concerned primarily with power politics and the possibility of military confrontation, this thesis aims for a financial market solution that would avoid direct confrontation between China and the United States while providing tangible benefits for working-class Americans.¹

Can we be confident that there is a financial solution that will provide benefits to working class Americans? A preliminary analysis indicates that it is likely. This thesis

¹ For this research, the US income gap is defined as the income difference (or multiples) between a CEO and an average worker.

examines data and cases related to the effects of RMB convertibility. My hypothesis is that a fully convertible RMB will further accelerate trade liberalization and the economic integration of China and the US, increase co-dependency between the countries, benefit working-class Americans, and reduce the likelihood of a military conflict.

I also hypothesize that a fully convertible RMB will significantly benefit working-class Americans financially, not just the wealthy business community. I argue that allowing the RMB to be freely and fully convertible to the USD will create more jobs and financial benefits for working-class Americans, who are the American political community's main constituents. Capitalizing on the results of this research project, both the Congress and the White House could use it to guide the strategic direction of US foreign policy toward China.

This thesis studies the historical revenue mix of a sample of US companies, including Nike, Apple, and Chevron. It considers a range of other parameters, such as: (1) company revenue data, (2) number of employees, (3) CEO pay multiple compared to an average worker, (4) workers salary trends, (5) company tax payment/rate, (6) company locations, and (7) RMB currency exposure. This analysis uses the average GDP per capita to calculate pay multiples because many companies do not disclose the salary of their lowest-paid employees.

The American business community often cooperate with policymakers to solve certain societal problems in the US. Business or financial solutions can also give inspiration to politicians in solving social issues like income inequality and widening wealth gaps. The business community has a responsibility to help resolve social issues,

and it can play a role in narrowing income inequality. Therefore, it is critical for the business community to take part in implementing the recommendations of this research.

Wealthy Americans like hedge-fund manager Ray Dalio have supported increased US-China business cooperation. An HBS case study of his firm Bridgewater Associates highlights how the relationship furthered the financial success of the company. However, individuals in the working-class income bracket seem to be the losers of globalization, especially against the backdrop of China's economic rise. For example, furniture manufacturing in South Carolina lost jobs due to foreign competition from cheaper manufacturing in China.

During my investigation, I found there seemed to be a lack of research on whether globalization or further US-China trade would benefit working-class Americans. I conducted research on whether there are benefits to working-class Americans in further engagement with China. What types of policies from China will benefit all Americans? In addition to economists and analysts, the target audience of the thesis is legislators in both the US House of Representatives and the US Senate. Additionally, the author also hopes that the research results will be useful to Cabinet secretaries, state governors, and city mayors in as they seek engagement with CCP leaders. As the international reserve currency, the USD enjoys some benefits but also bears significant costs, leading to excessive borrowing by American individuals and government entities. Allowing the RMB to be an international currency, freely convertible like the British Pound (GBP), the Euro (EUR), or the Japanese Yen (JPY), could potentially ease the burden born by the USD and Americans.

In sum, this research investigates some of the tangible benefits to working-class Americans that could derive from capital market reform using RMB, with focus on shared values between the China and the United States.

Shared Values Between China and the US

Between China and the US, there are many shared values: meritocracy, diversity, family celebrations, global trade, and public service. In his 2021 book, Dr. Dave Xueliang Wang provides historical comparisons between the traditional values of China and the principles of the Founding Fathers who established the US. For example, Benjamin Franklin opposed the idea raised by some revolutionary veterans who wanted to establish a European-styled hereditary aristocracy. Franklin argued: “In ancient China, social promotion was based on the Education, Instruction and good Example afforded him by his Parents” (Wang, 2021, p.149). He suggested to new American citizens that the Chinese way of social promotion should be adopted.

The imperial examination systems (or *Keju* 科舉) used to select civil servants is a prime example of meritocracy and a color-blind admission system. To this day, the exam for Administrative Officer, known as the Common Recruitment Exam, is still the primary channel for recruiting new talent. These are extremely competitive positions with starting salary levels comparable to global investment banks or consulting firms such as McKinsey or BCG. The current recruiting website highlights the attractiveness of these positions.²

² <https://www.ao-recruitment.gov.hk/english/>

The current practices of meritocracy and color-blind admission system in many US corporations and institutions are also consistent with the shared value of Confucius who advised that admissions to governing authorities should be based on merit and not inherited status (Wang, 2021, p.24). Dr. Daniel Mettraux, Professor Emeritus of Asian Studies at Mary Baldwin University in Staunton, Virginia, wrote in the Foreword of Wang's book: "Dr. Wang clearly demonstrates how such American leaders as Benjamin Franklin and Thomas Jefferson were deeply influenced by Chinese philosophical ideals and technology" (Wang, 2021, p. xiv).

Meritocracy is also demonstrated by literati or scholar-officials. In China and the United States, literati continue to influence how some of the best and brightest students and scholars become influential government officials in both countries. For example, Professor Peter K. Bol, the Charles H. Carswell Professor of East Asian Languages and Civilizations at Harvard, delivered an informative lecture in 2021 about the literati network and its influence (Bol, 2021). Both Richard Nixon and Bill Clinton excelled academically during their youth before they entered public service. In China, Dr. Sun Yat-sen was a medical doctor before turning to politics and founding the Republic of China (ROC). Soong Mei-Ling (also known as Madam Chiang Kai-Shek) enrolled at age 15 at Wesleyan College (Macon, Georgia) as a freshman, later transferred to Wellesley College, and graduated at age 19 as a Durant Scholar. She delivered an electrifying speech to the US Congress in 1943 and successfully rallied support from the American public for wartime China and its ruling party, the Kuomintang. Dr. Zhu Min, who earned a Master's degree from Princeton University and a PhD in economics from the Johns Hopkins University, became Deputy Managing Director of the IMF from 2011 to 2016.

Zhu also held senior positions as Executive Vice President at the Bank of China Group and Deputy Governor at the People's Bank of China (PBOC) before his appointment at the IMF. Another paramount Chinese leader, Deng Xiaoping, was 15 years old when he travelled from China to France in 1919, the youngest student and a part of the Work-Study Movement (or 留法勤工俭学运动). Deng was a motivated learner seeking knowledge and skills from the West to save China. These examples demonstrate that many influential leaders from China and the United States rise to prominence because of merit and their shared values as literati.

In terms of modern-day family celebrations, Chinese families often get together for large family reunions and meals during the winter solstice, every year from mid to late December. American families do much the same thing, getting together for sumptuous meals during the Thanksgiving holidays in late November each year. The winter solstice dinner in China is a lot like Thanksgiving dinner in the US. Thanksgiving dinners usually feature turkey as main dish; winter solstice meals feature chicken or roast duck. Americans eat pumpkin pies and turkey stuffing; Chinese eat pastries, cakes, and Eight-Treasures rice. Both peoples feast on turkey, chicken, mashed potatoes, stuffing, cake, and many other things until their stomachs are full—whether Thanksgiving or winter solstice. These two holidays also signal the beginning of a Christmas and New Year season, and the beginning of a Lunar New Year for new business and new goals.

The Founding Fathers made a concerted effort to open trade with China. On February 22, 1784, *The Empress of China*, an American commercial ship, departed New York City for Canton, China. About a month after the ship departed, George Washington told Thomas Jefferson: “From trade our citizens will not be restrained” (Wang, 2021, p.

122). Trade with the East made the United States a sovereign nation with global trading relationships that benefited all American citizens.

Public service was a strong characteristic of Benjamin Franklin, and he also accumulated considerable wealth in middle age (Wang, 2021, p. 26). Franklin passed away at 84 years of age after he retired from active business at forty-two and spent forty-two more years in service to the public (van Doren, 1941). Franklin remade himself as a public service gentleman. Thomas Jefferson also included an ancient Chinese poem from *Shijing* (or 詩經 the Book of Odes) in his scrapbook (Wells, 2007). Confucius said in a poem: “He who governs by means of morality is like the North Star, which keeps its place with all the other stars gathering around it.” Jefferson aimed to make himself a kind of “North Star”; in fact, he considered Confucius to be one of the world’s ideal rulers who was a personal role model for Jefferson. These American leaders are US founding fathers, and they helped create a powerful nation that is *not* in decline but is demonstrating enormous economic and political power.

Today, the relationship between the China and the United States is highly integrated economically. It can be analyzed through the lens of geoeconomics, with a focus on RMB full convertibility.

Geoeconomics over Geopolitics

Geoeconomics can be defined as the use of economic transactions and economic instruments (e.g., RMB or USD) to promote and produce beneficial results for a nation. How should the leadership of the United States use geoeconomics to create more

financial benefits to the American working-class citizens? This thesis will provide some suggestions.

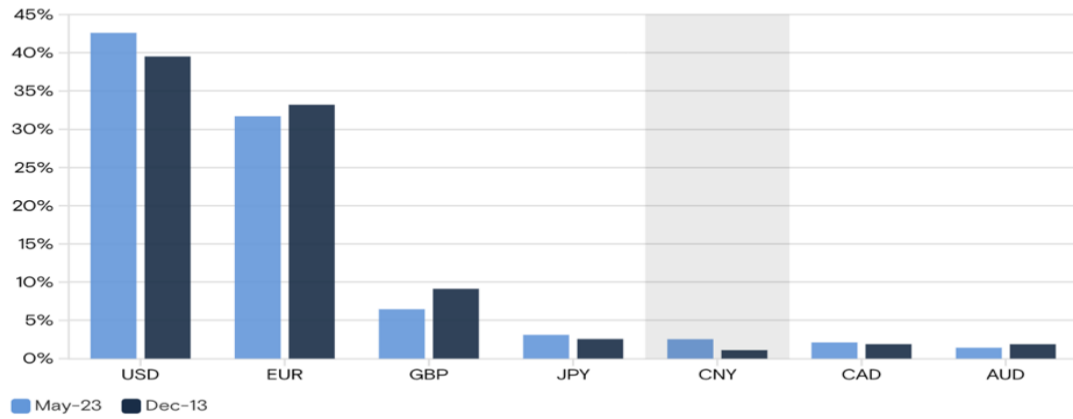
Some of the major trading nations and economic partners of China have recognized the increasing status of RMB. At the Gulf Summit in December 2022, Chinese President Xi Jinping called for more oil and gas purchases, saying that China would pay for them in RMB and not USD.

The establishment of the Asia Infrastructure and Investment Bank (AIIB) in January 2016, and the acceptance of RMB in the Special Drawing Rights (SDR) basket by the International Monetary Fund (IMF) in October 2016, catapulted RMB's path of internationalization and enhanced China's economic integration with the rest of the world. As early as 2014, African countries like Zimbabwe accepted RMB as one of their official currencies, along with Australian dollars, Indian rupee, and JPY. China is Zimbabwe's third largest trading partner (after the European Union and South Africa) and until recently was the biggest buyer of its tobacco. In 2013, trade between China and Zimbabwe amounted to \$1.1 billion.

In South America, Brazil and Argentina announced in 2023 that they would allow RMB settlements in trade with China. Brazil's relationship with China illustrates the constraints and opportunities for China to internationalize its currency. Over the past decade, RMB has gained market share in international payments, according to a report from Goldman Sachs (2023). Settlement in RMB is now 2.5% of global trade—still a small percentage at the macro level. The USD accounts for 43%, while the EUR is 31%, and GBP accounts for about 6% to 7% of total market (see Figure 1).

Chinese yuan's market share in international payments doubled from 2013 to 2023 but the level remains low

Marketshare of major currencies in international payments



Source: Wind, Goldman Sachs Research

**Goldman
Sachs**

Figure 1. RMB's Market Share in International Payments.

Source: Goldman Sachs, 26 July 2023

Chapter II.

History and Background

“If you want to go fast, go alone. If you want to go far, go together”

—African Proverb

After the 1911 revolution, China experienced a period of competing currencies as both government and private currencies circulated side by side. All these currencies were convertible into silver so long as China was on the silver standard. But the rise in world silver prices during the latter half of 1934 led to a drain of reserves, and in November 1935 China went off the silver standard.

The first *national* currency for China was not established until 1935 when Sir Frederick William Leith-Ross, a Scottish economist and chief adviser to the UK government from 1932 to 1945, embarked on a mission to the League of Nations to help China reform its currency. Leith-Ross also was influential in UK's negotiations with Germany prior to World War II, but he is best remembered for the Leith-Ross mission to China in 1935.

The Chinese RMB was introduced in 1948, one year before the CCP took power and established the People's Republic of China. The RMB replaced the Nationalist yuan with the intent of addressing the hyperinflation period during the KMT regime. The RMB was used domestically, but most foreign trade took place in barter/exchange agreements given the unconvertibility of the RMB and, in fact, all currencies of Soviet-bloc countries during the Cold War.

When thinking about the evolution of the RMB in the context of capital market reforms, Professor Niv Horesh (Western Sydney University) explained that after Mao Zedong's death in 1976, the CCP began to relax its central planning. In 1979, Deng Xiaoping embarked on a bolder set of economic reforms that came to be known as the "Policy of Reform and Opening" (Horesh, 2011). The focus of the policy shifted to urban industries where foreign direct investment in special economic zones was promoted. Also in 1979, the PBOC embarked on monetary reforms whereby retail credit and deposit functions were localized, and the mono-bank system relaxed. By 1983, China's State Council declared that the PBOC would eventually assume only central bank responsibilities and withdraw from mercantile banking activity; thus the PBOC relinquished control of many branches across the country.

FECs were limited in quantity and available only to foreign tourists, not to local Chinese citizens. Holders of FECs could exchange the currency back to USD freely (and at highly exaggerated exchange rates), but holders of RMB could not. This created a two-tiered market system whereby local citizens would pay a premium for FECs, just like some sports fans are willing to pay a premium for limited soccer or football tickets. The impact was felt by tourists the following year when they used FECs, which traded in the retail street-level market (black market) at about RMB 120–130 to FEC 100.

A two-tiered system of FECs and RMBs became prevalent in the 1980s, creating official and unofficial markets, and allowing traders and scalpers to profit from market dislocations. Outside of Tiananmen Square in Beijing, foreign tourists could exchange FECs into RMBs at black market rates, often a 30% to 40% premium.



Figure 2. Foreign Exchange Certificate (FEC) .

FECs were the only accepted means of payment in China for tourists and visitors from 1979 until 1995.

In 1987, I travelled to China for 21 days, living on a very small college student budget equivalent to about \$400 (see Figure 3). At the time, China was still a developing country with less than US\$300 GDP per capita per year. In the late 1980s, tourists exchanged USD into FECs, and in turn exchanged FECs into RMB with street scalpers and enjoyed 40% more purchasing power in local RMB terms. This was a significant gain for a college student who otherwise would not have the financial resources for international trips. In a way, the Beijing street scalpers were small-scale practitioners of the kind of currency arbitrage practiced by large investment banks. In modern day Wall Street parlance, these local scalpers would have formal job titles such as “currency

arbitrage traders” or “securities dealers” in capital markets divisions of global investment banks like Goldman Sachs, Deutsche Bank, or Bank of America



Figure 3. The author (right) exchanged FECs into RMBs with dealers in Peking.

Source: thesis author, in Tiananmen Square in 1987.

The next milestone in the evolution of the RMB dates to late 1995, when the State Council began to address black market exchange rates, pushing for a genuine convergence between the official and unofficial exchange rates of RMB and FECs. The government’s efforts for exchange convergence between the official and unofficial exchange rates had an effect, with the premium disappearing over time.

There were also several developments in China’s financial system. The country’s first two onshore stock exchanges were launched in Shanghai and Shenzhen. They both began operating in 1990 and gradually moved toward international standards. Foreign banks were allowed to establish branches in China in the 1990s. Additionally, as more and more export businesses switched from the compulsory handover of foreign-currency

revenue to voluntary conversion, the liquidity of foreign assets in the interbank market grew.

Horesh (2011) concluded that, despite the accretion of massive foreign currency reserves over more than three decades of export-led economic reform, China still seemed a long way away from a fully floating RMB. More than a decade later, in 2024, the RMB still does not meet what are widely seen as basic requisites for internationalization in terms of financial market liberalization. For example, in 2020 the PBOC further tightened capital controls, rendering its financial system quite insular from global money markets. Author Yin-Wong Cheung (2021) acknowledged that the RMB “has great potential to become an international currency” (p. 13) and that its acceptance in the global economy is affected not just by economics but more importantly by political factors, which I will elaborate later in this paper.

Chapter III.

Literature Review

For China to achieve its potential on par with the US, as well as fulfill the conditions set by the WTO for trade liberalizations, and overcome issues highlighted by the scholars in this review of literature, I argue that the PBOC must allow the RMB be fully convertible. US banks like JP Morgan and Bank of America must be allowed to borrow and lend in RMB, open more of their branches in the PRC—just as the OCC allows foreign banks to conduct USD-denominated business domestically in the USA. RMB should achieve a status similar to the USD, Euro, Yen, or Pound as an international currency, freely tradable in the global markets.

Various scholars and government advisors have written books and articles describing China as an inevitable adversary to the US, and that China has a strategy to eradicate the US's leading position in the world. It is important to clarify some misconceptions and consider the US-China relationship from both historical and macroeconomic perspectives. Understanding the situation in China today is essential if we are to avoid a crisis of international proportions.

Background

Professors Laura Alfaro and Rafael Di Tella, from Harvard Business School, wrote five case studies in a series titled *China: To Float or Not to Float*. They presented the first case in 2005, a study of RMB appreciation as an experiment by the PBOC to

observe how the market would react to movements in the currency, and how it would impact different multinational companies (Alfaro & Di Tella, 2006a). Zhou Xiaochuan, then Governor of the PBOC, noted that the 2.1% appreciation of the RMB against the USD was not a one-time occurrence and that over time market forces would play a more important role.

Alfaro and DiTella's Case (C) focused on Esquel Group, a global textile and apparel manufacturer (Alfaro & Di Tella, 2006b). Its Chairperson, Marjorie Yang (HBS '76), is based in Hong Kong. At the time, Esquel Group was concerned about the possible higher costs as its major manufacturing facilities were in mainland China.

The (D) case was about Bank of America's strategic equity investment in China Construction Bank (Alfaro & Di Tella, 2006c). The revaluation of 2.1% of RMB would result in a windfall on the investment portfolio of Bank of America because of its mark-to-market accounting practice.

The (E) case was on ABB, a Swiss-Swedish global supplier of power and automation technologies (Alfaro & Di Tella, 2006d). In 2005, China was ABB's third-largest market, after the United States and Germany. Outsiders believed that ABB and European companies that competed directly with Asian rivals were likely to enjoy a competitive advantage due to the revaluation of RMB. Internal management within ABB thought otherwise, as the possible future appreciation would affect ABB's costing strategy and the use of China as a base for global sourcing. All four of these cases discussed the institutional impact on corporate investment and profitability, but they did not directly analyze the benefits to American workers.

In their book *Invisible China: How the Urban-rural Divide Threatens China's Rise*, Scott Rozelle and Natalie Hell, from Stanford University, wrote about the problem of accelerated income inequality in China and a potential economic crisis that could upend economies and foreign relations around the globe. If too many were left structurally unemployable, the implications both inside and outside of China could be serious (Rozelle & Hell, 2020).

Professor Barry Naughton (University of California-San Diego) is a well-respected scholar specializing in the modern Chinese economy. He has undertaken in-depth analyses of several financial market reform issues and opportunities in capital markets, including equity, debt, and interest rate liberalization (Naughton, 2018, Ch. 19). While Naughton's analysis is comprehensive, the exchange rate liberalization issue is still missing in his chapter on China's financial system. In Naughton's book, *The Chinese Economy: Adaptation and Growth (2nd Edition)*, he provides an update for anyone seeking to deepen their understanding of China's macroeconomic and financial landscape. My thesis extends Naughton's update to include China's currency market policy and its implications for US companies and working-class Americans based on facts obtained from expert interviews, business schools' case studies and research.

Author Dan Blumenthal offers a penetrating diagnosis of the challenges that China both faces and poses. His book, *China Nightmare*, articulates a compelling case for a new competitive strategy that exposes China's weaknesses.

Narratives of Conflict

Professor Stephen Roach (Yale University) was a former chairman of Morgan Stanley in Asia. Roach articulated in his book, *The Accidental Conflict*, the risks of false narratives (Roach, 2022).

Another example of that is Michael Pillsbury's *The Hundred-Year Marathon, China's Secret Strategy to replace America as the Global Superpower* (2015) a book that spreads the false doomsday narrative that China has a plan to topple the US. Over the last 100 years, China has been ruled by very different leaders ranging from US-educated Dr. Sun Yat-sen, to KMT leader Chiang Kai-shek, to CCP leader Mao Zedong. Pillsbury's claim that China is on a 100-year marathon to executing a secret strategy to displace America is analogous to saying that the United States has long pursued a continuous strategy and bi-partisan effort against another country since Woodrow Wilson (28th President, 1913 to 1921) to George W. Bush (43rd President, 2001 to 2009) against another country. This is a highly unrealistic proposition.

Furthermore, books like *China's Vision of Victory* (Ward & Swift, 2019) and *The Long Game: China's Grand Strategy to Displace American Order* (Doshi, 2021), and *Death by China: Confronting the Dragon: A Global Call to Action* (Navarro, 2011) lack important historical and macroeconomic contexts. Ward and Swift ignored how long-established supply chains are used by American companies to operate and manufacture in China to the benefit of American consumers. Separately, in a December 2022 FoxBusiness TV interview, Ward appeared to comment on Apple's China business, criticizing US Commerce Secretary Gina Raymondo for not seeking to decouple from China. While Ward may have travelled to China previously and experienced the local

culture during his graduate studies, I believe he fails to understand that Apple’s precision engineering and manufacturing capabilities developed in China and the consequent enormous financial costs of reshoring Apple’s manufacturing back to the United States. Criticizing the US Commerce Secretary for her professional actions, and doing so given his own insufficient knowledge or operating experience in international trade and commerce, is an effort to create a false narrative—or simply an act of naiveté.

Another economist who pursues a negative narrative regarding China is Peter Navarro, whose book (2011) and film *Death by China* (2012) is long on emotional content but short on economic substance. The film was directed by Navarro and narrated by actor Martin Sheen. *The New York Times* wrote of the film: “The film undercuts its argument with an abundance of inflammatory language and cheesy graphics” (*New York Times*, 2012). While Navarro received his PhD from Harvard University and taught economics classes at University of California, Irvine, his works, both in book and movie forms, are not seen as academically rigorous enough to be accepted by scholars or investment managers.

Another negative narrative concerns the origin of Covid-19. Dr. Michael Schaller, the Regents Professor Emeritus of History at University of Arizona, is a well-respected American historian who has written several books on US history, including on US-China relations. He said: “During the spring of 2020, Trump first dismissed the disease as a “hoax” fanned by his political opponents, then blamed China and the WHO for covering it up” (Schaller, 2020).

More credible economic arguments against the CCP include those of Professor Minxin Pei from Claremont McKenna College. Pei described the system as crony

capitalism (Pei, 2016). In his book *China's Crony Capitalism: The Dynamics of Regime Decay*, Pei highlighted Beijing's need to control capital markets, the currency, and broader money. Pei analyzed more than 260 cases of corruption related to the CCP and how they relate to regime decay. However, Professor Nicholas Howson (University of Michigan, School of Law) has called Pei's book a "partial view of China's governance trajectory" (Howson, 2020). Regime decay also might suggest a loosening of control on the various currencies of China.

In the following chapter, the onshore and offshore liberalizations of RMB, Hong Kong Dollars (HKD), Taiwan Dollars (TWD), and Macau Pataca (MOP) is discussed and analyzed. Will a fully convertible RMB bring more economic and social benefits to working-class Americans?

Internationalizing the RMB

Looking to history, author Jeffrey Frankel provided a roadmap in 2012 for internationalizing the RMB. In 2021, Dmitriy Kondratov also provided arguments on why the RMB could be a world currency like the USD and bring benefits to the US.

The greatest risk of not internationalizing the RMB is accelerating the decoupling between China and the US, says Nigel Inkster. In his 2021 book, he argues that cyber space and other advanced technologies have become a battleground for international dominance. However, today's world still relies on global supply chains and collaborations between countries. Growing tensions between the US and China could result in the two superpowers decoupling their technologies, causing significant consequences for the future of humanity.

Fortunately, the BIS and other international institutions are already advocating for the further opening of Chinese capital markets, and putting pressure on PBOC to allow the RMB capital account to be fully convertible without restrictions. In a Zoom interview with the Research Department of the Hong Kong Monetary Authority, Daniel Leong (Head of Research) and Alex Cheng (Senior Manager) shared working papers from BIS and the Asia Development Bank (ADB) on historical and current issues for RMB internationalization exercises.³

Hong Kong, a Special Administrative Region (SAR) of China, represents an example of successful capital account liberalization. The HKD is fully convertible and has been pegged to the USD at a fixed rate of approximately HKD 7.8 to USD 1 since 1983. The PBOC's systematic approach to liberalizing the RMB is demonstrated by the issuance of RMB debt by foreign companies on the mainland and in Hong Kong. In addition to offshore RMB markets in Hong Kong SAR, there is also an onshore RMB Panda Bonds market established by the Chinese government.

Dim Sum Bonds and Panda Bonds

A Panda bond is an RMB-denominated bond from a non-Chinese issuer, sold onshore in the People's Republic of China. The first Panda bonds were sold in 2005 by Asian Development Bank and by International Finance Corporation, with an issue size of RMB 1 billion and RMB 1.13 billion, respectively. Each had a maturity of 10 years, had yields of approximately 3.3% to 3.4%, and targeted domestic investors in mainland China.

³ Cheng shared the following working papers: <https://www.bis.org/publ/bppdf/bispap61i.pdf>, and <https://www.adb.org/sites/default/files/publication/156336/adbi-wp481.pdf>.

Dim Sum bonds, on the other hand, are RMB-denominated bonds issued by non-Chinese issuers, sold in Hong Kong SAR, and target non-Chinese investors. The first Dim Sum bond was issued by China Development Bank in July 2007. The term “Dim Sum” refers to a type of Chinese cuisine (Cantonese style) that features small, bite-size portions of food, hence the name reflects the small size of the bonds. Further, Hong Kong is geographically adjacent to China’s Guangdong (or Canton) Province, and many Hong Kong financial professionals eat Dim Sum regularly, like croissants or bagels for Wall Street professionals in New York City.

In terms of size, the Dim Sum bond market was much larger than the Panda bond market—until 2015, when the size of Panda bond issues exceeded Dim Sum bond issues, indicating the growing maturity and sophistication of local mainland investors and the improvement of rules and regulations by regulators at CBIRC and CSRC.

For many American companies operating factories and businesses in China, there is, of course, a need to fund their local operations. For example, by 2018 Caterpillar had more than 20 manufacturing facilities and 10,000 employees making various hydraulic excavators, tractors, graders, engines, and generators in China. In 2010, Caterpillar issued RMB 1 billion worth of Dim Sum bonds in Hong Kong with a coupon rate of 2% and a maturity of two years. But Caterpillar needed to obtain approval from the Chinese government to repatriate RMB from Hong Kong back to the China mainland. While most multinational manufacturing firms normally use bond proceeds to fund their local operations, such as paying local employee salaries and other expenses, Caterpillar used the RMB to fund a lease program to help its local customers finance equipment purchases. The following year, 2011, Caterpillar turned again to the Hong Kong Dim

Sum bond market for a larger issue of RMB 2.3 billion. Some months prior, McDonald's issued RMB 200 million worth of Dim Sum bonds. From a finance executive's point of view, 2% is a very attractive funding cost that gives Caterpillar access to multitudes of investors in Hong Kong, including Asian mutual fund managers, bank treasuries, wealthy individuals, and governments.

One issue hampering the growth of the Dim Sum market is the limited flow and convertibility of the RMB. Looking to Hong Kong's success story, in 1983, the Hong Kong government established the currency board system, which set the HKD at a fixed rate to the USD, allowing the HKD to be freely convertible to the USD without size limits. On October 17 1983, the HKD was pegged to the USD at a rate of HKD 7.8 to USD 1. Dr. John Greenwood, known in the international finance community as the "father" or architect of the Hong Kong-linked exchange rate system, shared his opinions on the historical development of Hong Kong's capital markets with me via a Zoom interview. I have included some of his thoughts into the following narrative.

More than 40 years after Greenwood's linked exchange rate system was introduced, the Hong Kong Monetary Authority (HKMA) remains confident that this system will continue to thrive, despite criticism from several American hedge fund managers. HKMA's CEO Eddie Yue (HBS '98), and his research team headed by Daniel Leong, have repeatedly said in various public and private forums that the linked exchange rate system is transparent, resilient, and has helped Hong Kong SAR weather many crises, including the 1998 Asian financial crisis and the 2008 global financial crisis.

So why is HKD fully convertible and RMB is not? The main reason is that Hong Kong is a small open economy and the central bank (HKMA) is historically and financially

adaptable to international markets and standards. Officials in the Hong Kong government were accustomed to not having autonomy in setting monetary or fiscal policies for the territory, or prices. As a small open economy, Hong Kong participates in international trade but is small enough that it does not have control over prices, interest rates, or capital flows. The reality is, Hong Kong cannot set autonomous monetary policy.

While this system has worked for Hong Kong for more than four decades, Greenwood is skeptical that it will work for China because of Beijing's ongoing desire to control capital flows. This reasoning is based on the Mundell-Fleming trilemma—the so-called “impossible trinity”—in economics, which states that an economy cannot have all three of the following possible outcomes. The three conditions are: (1) setting a fixed currency exchange rate, (2) allowing capital to flow freely and (3) setting autonomous monetary policy.

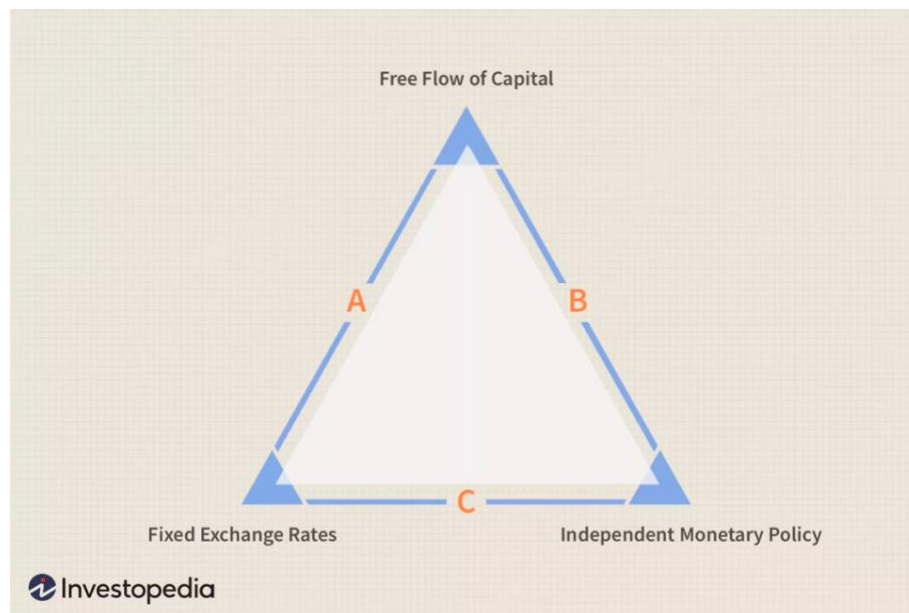


Figure 4. Mundell-Fleming Trilemma.

Source: Investopedia.

In the case of Hong Kong, it is a small open economy that has achieved a stable exchange rate regime and the free flow of goods, services, and capital. But the Hong Kong government does not have an autonomous monetary policy because it follows US Federal Reserve monetary policy. China, on other hand, is a very large economy. Greenwood explained that the PBOC and CCP prioritize an autonomous monetary policy and stable exchange rate over the free flow of capital. Therefore, Greenwood does not believe that the PBOC will open its capital account to allow the free exchange of RMB into USD.

While the issue of RMB convertibility still has significant challenges to overcome, there are two other successful cases from recent years: the Taiwan Dollar and the Macau currency called the Pataca. Both are now freely convertible to USD without capital controls or limitations.

Taiwan Dollar and Macanese Pataca

The New Taiwan Dollar (NTD or TWD) was introduced in 1949 by the ROC government in Taiwan. At first, the NTD was issued by the CBC Central Bank of the Republic of China (Taiwan), and was used only in Taiwan. Later it became the medium of exchange in other areas still controlled by the ROC, such as the outlying islands of Kinmen, Matsu, and Dachen.

In 1949, the Bank of Taiwan began taking the old TWDs out of circulation, and Taiwanese citizens could swap their old currency for the new dollar. The exchange rate, however, was set at an extreme rate in order to address the hyperinflation that plagued the island at the time. For every old TWD 40,000 in currency turned in to the bank, the

exchanger received NTD 1 in return. Postwar economic conditions in Taiwan, combined with hyperinflation, had all but wiped out the old TWD's purchasing power.

In the 1960s, Taiwan began to successfully develop an outward-looking economy. Its exchange rate regime also experienced dramatic adjustment, from a fixed to a free-floating exchange rate (Cui, 2015). The export sector of the economy experienced the greatest impact because of exchange rate swings. Yuming Chi further highlighted concerted efforts made by Taiwan to reduce the volatility of the TWD during critical periods pre-1987, post-1987, and the 1997 Asian financial crisis. Since the export sector was highly sensitive to the currency appreciation of TWD, currency traders saw that the central bank attempted to intervene in the market to slow the pace of the strengthening TWD. Figure 5 illustrates the USD/TWD exchange rate from From 1983 to 2022.

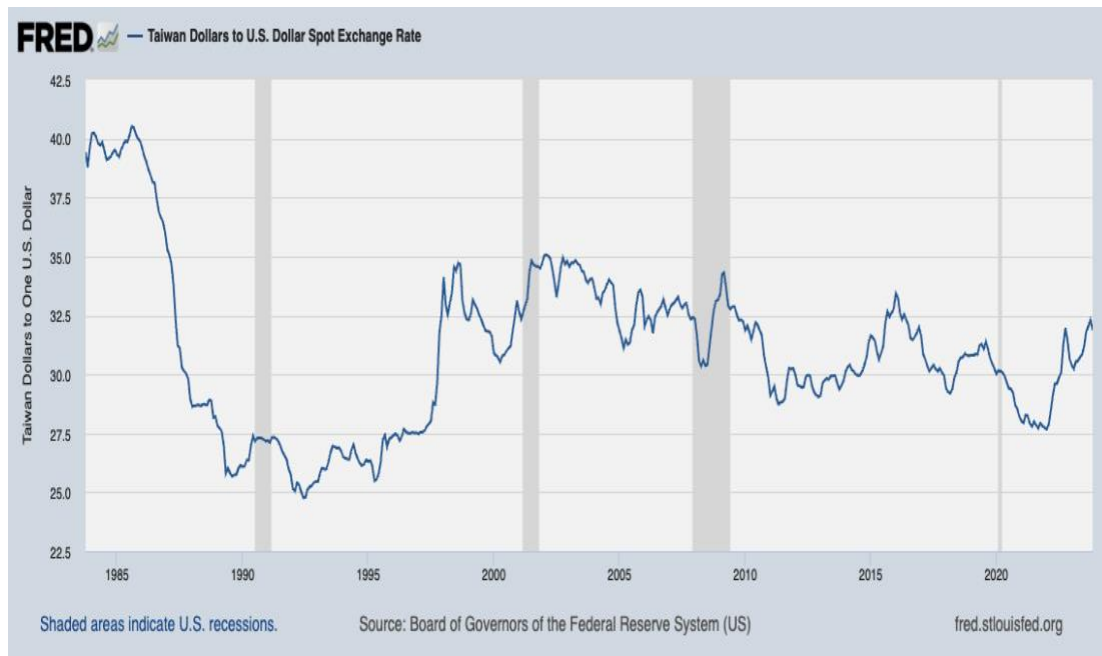


Figure 5. Taiwan Dollar (TWD) Exchange Rate Against USD, 1985–2022.

Source: Federal Reserve Bank of St. Louis.

Since 1979, the CBC has adopted a managed floating exchange rate regime. While the NTD exchange rate is determined by market forces, the CBC may step in to stabilize the exchange rate when necessary. Foreign exchange management is a key part of the “Purposes and Functions (1992-2004)” of the CBC (Zhong, 2006).

The top three currency pairs traded in the foreign exchange markets in Taiwan are USD, JPY, and EUR, representing roughly 45%, 20% ,and 15% of the market share, respectively in 2004 (Zhong 2006, p.73). Over time, Taiwan has continued to deregulate and increase exchange rate flexibility. In addition, the Ministry of Finance liberalized the scope of foreign investments, allowing investors to purchase NTD-denominated equities, bonds, and other instruments. The exchange rate regime in Taiwan underwent a series of changes, moving from a fixed exchange rate to a managed floating exchange rate over the last three decades. Development of the currency derivatives markets, and offshore trading of NTD improved the breadth and depth of the currency markets.

Other success factors contributing to internationalization of the NTD include having surveillance systems in place, and substantial foreign reserves held by the CBC. Separately, the CBC also participated in the market hoping to reduce exchange rate volatility and help Taiwan’s export sector. D. Chen and Y. Lee explored the effectiveness of intervention by which the CBC artificially devalued the NTD relative to the USD via the two local foreign exchange markets (Chen & Lee, 2023). As an export-oriented economy, handling Taiwan’s currency volatility is a key priority of the government.

Why did the ROC ultimately pursue full convertibility, and why is it still beneficial to Taiwan today? One key reason is to help integrate Taiwan into the global financial markets and develop domestic talent and professional skillsets in currency

management. Similar to the examples of central bankers in Japan and the United Kingdom, Japanese and British central bankers developed confidence and market skills which enabled them to manage the exchange rate volatility of JPY and GBP, respectively, over the years. Policymakers in China can refer to Taiwan's experience over the last 40 years when plotting a strategy for RMB exchange rate management.

In addition to TWD, China also has another currency that is freely convertible in the Special Administrative Region (SAR) of Macau. Previously a Portuguese colony, Macau was first leased to Portugal as a trading post by the Ming dynasty in 1557. Portugal paid an annual rent and administered the territory under Chinese sovereignty until 1887. Portugal later gained perpetual colonial rights in the Sino-Portuguese Treaty of Peking. The colony remained under Portuguese rule until 1999, when it returned to China. Today, like Hong Kong, Macau is often referred to as the "Las Vegas of the East," owing to its status as a major resort city and top destination for gambling tourism, with a gambling industry about seven times larger than that of Las Vegas.

As an SAR, Macau is under the governance principle of "One Country, Two Systems." Macau has a currency board system in which the Macanese pataca (MOP) is 100% backed by foreign exchange reserves, which is currently the HKD (Braga de Macedo, et al., 2004). The currency board of the Monetary Authority of Macau (AMCM) has a statutory obligation to issue and redeem MOP on demand against the HKD at a fixed exchange rate of HKD1 to MOP 1.03, without limit. Alternatively, MOP 8.03 is equal to USD 1.

While these literature reviews provide rich historical and financial perspectives in the broader US-China relations, , the question of what is the benefit to working- class

Americans remains unanswered. Beginning with shared values between the United States and China, the research in the next chapters will address the issue.

Chapter IV.

Research Methods

The initial research consisted of a microhistory exercise and business school-style case studies. The second part is a statistical scoring exercise of the “Benefit Score” of 32 American companies as it relates to working-class employees. Microhistory is a historical method that studies the interactions of individuals and small groups. In this exercise, I focused on the topic of RMB convertibility. I conducted oral history interviews with a group of individuals, including academics, business executives and people in government leadership positions. The goal was to identify ideas, beliefs, and actionable practices for policymakers.

Microhistory Approach

Since interviews are a key part of this approach, I conducted 21 interviews. These included leading academics, business executives, senior finance professionals, and cabinet-level government officials.

Academic Individuals Interviewed

Dr. Paul Clifford of the Harvard Kennedy School and author of *The China Paradox*. In

addition to being a Senior Fellow at the Kennedy School, Clifford has also been a banker, a management consultant, technology executive, speaker and author. He has advised giant American corporate clients like The Eaton Corporation,

Corning, and McDonald's (Clifford, 2021). Clifford told me: "China and the United States are sleepwalking into the Thucydides' Trap." To prevent this, he said policymakers on both sides should stop, or at least slow, the decoupling process. He noted that although the CCP does not care much about American working-class citizens, it certainly cares about American politics. He believes that one policy that is gaining momentum is e-RMB—the electronic payment of RMB in domestic consumer markets. Several first-tier and second-tier cities in China have already gone cashless and embraced e-RMB payments for all transactions. This trend is likely to continue and expand to international markets, possibly accelerating the RMB into the global financial markets.

Dr. Weijian Shan, former professor at The Wharton School of the University of Pennsylvania, author and executive Chairman of PAG, a large private equity company in Asia Shan provided evidence that many institutional investors have benefited from China's economic growth over the past 30 years. Shan's book, *Money Machines: A Trailblazing American Venture in China* (2023), outlined the enormous gains made by foreign investors because of Chinese government efforts at market reforms. In terms of the cause of RMB liberalization and the positive impact on American workers, Shan doubted that this research methodology would provide sufficient data, and questioned the best way to test the hypothesis.

Professor Marti Tirinnanzi, of Johns Hopkins University, said that the US and China are very interconnected in both microeconomic and macroeconomic terms. In addition to the traditional manufacturing industries, there are many open-market interests on exchange-traded financial derivatives contracts (e.g., futures and

options on CME and NYSE) from China daily. Tirinnanzi is also an independent, non-executive director of the board of ICE Group, parent company of the NYSE.

Mark Wu, Harvard University's Director of the Fairbank Center of Chinese Studies and Henry Stimson Professor of Law. Wu currently teaches a course on China and the International Legal Order, and a course on International Trade Law. He stated that there is a high possibility of further opening of the Chinese capital markets, including a Central Bank Digital Currency (CBDC). Wu also shared that Rush Doshi's book, *The Long Game*, provided a good summary of some of the publicly available information about China, like the agenda of the CCP, and that it is a volume that American scholars and Washington policymakers should read.

On the Topic of Globalization:

Dr. Matilde Bombadina, another Haas School professor, reiterated that more recent papers and theses look at how firms hit by the China Shock lost manufacturing jobs but added non-manufacturing jobs.

James Fok, former Head of Group Strategy and Chief of Staff at the Stock Exchange of Hong Kong, shared his thoughts about the financial links between the United States and China. Fok cited the Cold War analogy of Mutually Assured Destruction (MAD) as an illustration of the high degree of interdependency between the two nations, with a focus on the huge volumes of US Treasury Bonds held by the Chinese government. The financial Cold War analogy implies that if China were to sell its entire holding of US Treasury Bonds, it would drive the yield and interest rates in USD to sky-high levels and destroy the American

economy. At the same time, high interest rates in USD would also cause Chinese holdings of Treasury Bonds to be almost worthless, therefore creating a mutually assured destruction for both countries.

Dr. John Greenwood, corporate executive and Chief Economist of Invesco Inc., provided a historical account of the HKD peg and the successful implementation of the Currency Board System by the Hong Kong government.

Professor Ann Harrison, Dean of the Haas School of Business at the University of California Berkeley, has authored articles in the *Journal of Globalization and Development* and supported the hypothesis that automation is the main reason for the reduction in US manufacturing jobs, not foreign competition.

Blair Pickerell (HBS '84), former Managing Director of The Jardines Group in Hong Kong and retired CEO of HSBC Asset Management, said he does not have a strong view on the convertibility of RMB and its timing, saying it is too hard to predict. Pickerell's view is similar to many other long-term expatriate executives in Asia. Pickerell was born and raised in Berkeley, California, but is fluent in Mandarin Chinese and has lived in Taiwan and Hong Kong for the past 30 years.

Government Officials Interviewed:

Daniel Fung, former Solicitor General of Hong Kong and currently Vice Chairman of the Financial Services Development Council, expressed his concerns as to the convertibility of RMB. He noted: "There are painful lessons from the Asian Financial Crisis in 1997 and the Global Financial Crisis in 2008/2009. It's not likely that RMB will be fully convertible in the foreseeable future."

James Henry Lau, Jr., former Secretary of Financial Services and Treasury Bureau of the Hong Kong government, expressed his optimism that the RMB will take a larger market share in future international trades and settlement based on SWIFT's data. Lau began his career as an administrative officer with the Hong Kong government and served in the public sector for over 40 years.

On the Topic of New Financial Markets Development:

Joseph Chan, currently Under-Secretary of Financial Services and Treasury Bureau, believes Hong Kong is a global financial center and should play a key role in the internationalization of RMB trading. Prior to his government roles, Chan was a managing director at Standard Chartered Bank, and investment bank Bears Stearns, and has extensive experience in financial markets and global trading.

Case Study Method

Using the Harvard Business School style of case studies, I reviewed 34 different cases of American and international companies that have significant business operations in China. While the main goals of American companies operating in China are to increase revenues and reduce costs, there are additional benefits for American students: learning people management best practices, and addressing stakeholders from historical, ethical, and financial perspectives.

Further, American workers also participate in the successful trade and commerce activities with China. These cases draw from both large and small companies ranging

from large-cap American companies like McDonald's, Nike, and Caterpillar, to small private company like Zotter Chocolate in Austria.

Case Study Example: Intel

In 2021, Patrick Gelsinger, newly appointed CEO of California-based chip maker Intel Corporation, faced several difficult management decisions in terms of balancing corporate profits and generating domestic American manufacturing jobs. As outlined in the case study, Gelsinger had to decide between three actions: (1) outsource advanced chip production to foundries like TSMC, (2) completely spin off Intel foundries, or (3) reduce production to fill gaps in the product line as it addressed its manufacturing issues. Experts believed that the delay in Intel production would give competitors an opportunity to dominate the market. While shares of similar companies were growing by 300% and above, Intel was behind, as its shares grew only 26% from 2019 to 2020.

Intel lost its competitive power as new rivals such as NVIDIA and AMD rose to prominence, even as it also experienced delays with manufacturing its next-generation chips. The company considered outsourcing to TSMC in 2020, which was seen as a controversial move by the US government and other stakeholders due to geopolitical tensions between China and Taiwan. But Gelsinger had to consider outsourcing to resolve the serious issues relating to manufacturing.

In addition, manufacturing is very capital-intensive. Intel faced the outsourcing dilemma as shareholders debated whether to steer its focus in the direction of fabless like those of its competitors, NVIDIA, which were capturing market share in cloud computing, drone, and AI technologies.

However, Gelsinger is also on President Biden’s Council of Advisors on Science and Technology and advocates the passage of the CHIPS Act. Outsourcing manufacturing jobs would conflict with producing more jobs for working-class Americans.

Other giant companies like McDonald’s and Apple have enjoyed tangible success in China in the form of higher revenues, physical footprints, and reputational gains. However, Apple stores and KFC restaurants in China have encountered local imitations. While copying intellectual property is illegal and harms the business results of American firms, imitation demonstrates the soft power of the United States over China. On a main street in any first-tier or second-tier city in China, one can see the success of US businesses or American culture generally (see Figure 6). Globally, household brands like KFC and McDonald’s are representative of American culture, habits, and soft power over China.



Figure 6. Cases of American Success in China

Source: World Bank

Case Study Example: Moviles

Moviles is a Brazilian mobile phone service company founded by Fabricio Bloisi and Eduardo Henrique, with locations in China. The founders noticed that there was renewed focus on profitability over growth in China, and to compete and stay relevant, they too had to focus on profitability.

It began with ComperaTime, a merger between Compera (a company focused on the creation of product and services of the new mobile technologies in Brazil and Latin America) and nTime (another Brazilian mobile technology company). ComperaTime soon rebranded as Moviles, with Bloisi as CEO and Eduardo Henrique as mobile marketing director. The company continued to grow via acquisitions, becoming the top mobile phone service firm in Brazil.

Moviles learned that from Silicon Valley to China there was an exchange of ideas and data on different areas such as failing fast, user validation, and data-driven experiments, and these lessons later influenced the company's approach. A Stanford Graduate School of Business case study on Moviles raised the issue that Silicon Valley could also learn from the entrepreneurial ecosystem in China.

Case Study Example: Zotter Chocolate

The gigantic size of the Chinese consumer market makes it rational for any consumer products company to focus on China. A small Austrian chocolate company named Zotter Chocolate targeted China as their growth priority because of the enormous size of the market—1.4 billion consumers. Zotter's first international expansion was in

Germany, where soon it enjoyed major success as German shops began to generate more revenues than Austrian shops.

Zotter initially considered expanding into other Western markets, but instead of the US market, Zotter focused on China. Julia Zotter, the owner's daughter, spearheaded the project, partnering with local manager Amy Fang, who helped Zotter enter the Chinese market. In December 2012, Zotter Chocolate Shanghai was formally registered, and by the end of March 2014, the new chocolate theater opened on the banks of the Huangpu River in Shanghai. The China Europe International Business School conducted a case study on Zotter (see Figure 7).



Figure 7. Chocolate Diplomacy: An Austrian Firm's China Story

Source: CEIBS (China Europe International Business School)

Besides success stories, Chinese case studies also present instructive marketing lessons for American executives. One example is the 5C case study on Apple.

In 2013, Android smartphones dominated the Chinese market. Apple reacted by launching a more affordable smartphone called the 5C. It was cheap, colorful, and cool for China buyers. The idea was CEO Tim Cook's, but unfortunately it was not successful. Four months after launch, the phone had gained a mere 2% share of all iOS devices.

The case study provides a detailed history of Apple's entrance into China and its subsequent stabilization. The company first entered the country in 1993 aiming for a 15% to 16% share of the PC market. Facing an image problem relative to the Apple brand, the company repositioned itself as a luxury product in China, which turned the tide in its favor. By Q3 2015, Apple's revenue in China grew from USD 6.2 billion (in 2014) to USD 13.2 billion.

In studying Apple's case, one can learn about the ambidexterity of China's competitive telecommunication landscape with strong central controls. In 2015, the companies that dominated were China Telecom, China Mobile, and China Unicom, all of which are publicly traded, state-owned enterprises. As demand for Apple products grew in China, there was also a growing concern over fake Apple stores popping up around China, in some cases reselling actual Apple products from factory overruns.

But with all the challenges, successes, and competition facing Apple in China, the case study questions Apple's future in China, and discusses whether Apple is positioned to win or even maintain its position in China. In the following chapter, 32 other companies will be researched and analyzed.

Hypothesis and Testing

In January 2023, former US Treasury Secretary Henry Paulson said: “America’s China policy is not working,” in an article that appeared in *Foreign Affairs*. Paulson advocated that an economic solution might be to address the tension between United States and China.

I hypothesize that further trade liberalization with RMB full convertibility would benefit American companies and workers. The hypothesis was tested by collecting sample data from 32 companies from among the full list of 274 small and large corporations on the US-China Business Council. The sample data set consists of mostly design and manufacturing companies in the industrial and consumer products sector that employ a high number of working-class Americans.

Companies were selected from a balanced mix of East Coast, West Coast, and Mid-Western headquarters locations in the United States. These companies have on-the-ground operations in both the US and China, and derive significant revenues from US-China business cooperation. The list of companies in the US from which sample data was taken can be found in Appendix 4.

I identified and collected data from seven different parameters: (1) revenue trends, (2) number of employees, (3) pay multiple (CEO to worker), (4) employee salary trends, (5) company tax payment/rate, (6) locations, and (7) currency exposure to a weakening RMB. Each parameter represents a score of +1, 0, or -1. The Benefit Score is defined as the arithmetic sum of the 7 parameters. Each parameter contributes either positively or negatively to the benefits of working-class Americans. The Benefit Score indicates whether the combined effect of the 7 parameters is positive or negative. For example, a

positive revenue trend is a positive contributor to working-class and Parameter 1 will be assigned a score of (+1). On the other hand, a negative revenue trend will be assigned a score of (-1) to Parameter 1. An increasing number of jobs is positive to working-class and will be assigned a score of (+1) to Parameter 2. An increasing CEO pay multiple is negative to working-class and will be assigned a score of (-1) to Parameter 3. An increasing worker salary trend is positive for working-class and will be assigned a score of (+1) to Parameter 4. A higher company tax payment is good for the government and will be assigned a score of (+1) to Parameter 5. An increasing number of locations/offices is generating more jobs and will be assigned a score of (+1) to Parameter 6. A weakening RMB to USD exchange rate is positive to working-class and will be assigned a score of (+1) to Parameter 7. If no information or data is available for determination from any of the 7 parameters, then a score of zero (0) will be assigned to that parameter.

Parameter 1 = Revenue trends

Parameter 2 = Number of employees,

Parameter 3 = Pay multiple (CEO to worker)

Parameter 4 = Employee salary trends

Parameter 5 = Company tax payment/rate,

Parameter 6 = Locations

Parameter 7 = Weakening RMB

Benefit Score = Parameter (1) + Parameter (2) + . . . + Parameter (7)

For example, if a company has an increasing revenue trend, increasing employee count, decreasing CEO pay multiple, increasing Employee salary trends, increasing tax payment, increasing physical locations and positive results to RMB weakening, it will receive a maximum Benefit Score calculated as $\text{Benefit Score} = 1+1+1+1+1+1+1 = 7$.

Some employees may not benefit from a certain parameter. For example, if an American company is exporting various goods to China, a weakening RMB makes US products more expensive, hence potentially reducing revenues. The financial accounting of the sales figures as measured in USD also might be lower due to the strength of the USD. While there is a directional determination of the impact of Parameter (1) to Parameter (6) due to lifting of the RMB control, there is also an additional determination of the financial benefit (if any) of the weakening of RMB against USD, which is Parameter (7), in the free capital market mechanism. The final Benefit Score is the sum of the scores of Parameters (1) to (7).

A Benefit Score of 1 or higher indicates positive and significant economic benefits to the working-class American population. A score of zero (0) or negative indicates none or negative benefits to the working-class American population. The analysis tabulated the percentage of US companies from the sample dataset with a Benefits Score of 1 or higher, which means tangible and positive economic benefits to the working-class. Establishing Null Hypothesis of $X = 50\%$ or less, however, if X is greater than 50% (i.e. more than half the sample), then we reject the Null Hypothesis.

In the last 20 years, economists have debated whether the traditional shareholder primacy model pioneered by economist Milton Friedman is outdated. Increasingly, the stakeholder model that includes customers, community, government, and employees, has

become more prominent. The proposed research here is rooted in the recent stakeholder corporate governance model and will focus on the largest stakeholder group, which is the working-class employees of corporations. This research will observe data on whether there is significant benefit to working-class employees, as indicated by a score of 1 or higher. If the research indicates that there are significant benefits to workers, it could also refute the economic argument of shareholder primacy.

Parameters on company revenues, job growth, CEO pay multiples, employee salary growth, tax payments, geographic location, and effects of weakening RMB exposure (if any) was collected from the sample dataset via annual reports, websites and business school case studies. The key is to observe the trend of these seven factors over the 10-year period. The case studies focus on the list of companies in the dataset and their China strategy. Special attention will be on firms, globalization and employee benefits.

Scoring Using the Seven-Factor Model

Based on the seven factors described above, I determined trends among the 32 case study companies. I also provide relevant tables to illustrate the data.

Factor 1: Revenues

Using annual reports from 2012 to 2022, the following trends were observed among the 32 companies. Grey areas indicate that most of the companies experienced positive revenue growth over the 10-year period due to their significant business engagements with China.

Table 1. Revenue Trend

REVENUE TREND											
Cpy/Yr	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
Abbott Laboratories	+1	-1	-1	+1	+1	+1	+1	+1	+1	+1	+1
Advanced Micro Devices Inc	-1	-1	+1	-1	+1	+1	+1	+1	+1	+1	+1
Allison TransmissionHoldings	-1	-1	+1	-1	-1	+1	+1	-1	-1	+1	+1
AO Smith Corporation	+1	-1	+1	-1	-1	+1	+1	-1	-1	+1	+1
Apple Inc	+1	+1	+1	+1	-1	+1	+1	-1	+1	+1	+1
Arconic Corporation	0	0	+1	-1	+1	+1	+1	-1	-1	+1	+1
Bank of New York Mellon	-1	+1	+1	-1	+1	+1	+1	+1	-1	+1	+1
Best Buy Co.	-1	-1	-1	-1	-1	-1	+1	+1	+1	+1	+1
Cabot Corporation	+1	+1	+1	-1	-1	+1	+1	+1	-1	+1	+1
Caterpillar inc.	+1	-1	-1	-1	-1	+1	+1	-1	-1	+1	+1
Cargill Inc.	+1	+1	-1	-1	-1	+1	+1	-1	+1	+1	+1
Chevron Corporation	-1	-1	-1	-1	-1	+1	+1	-1	-1	+1	+1
CME Group	+1	+1	+1	+1	+1	-1	+1	+1	-1	-1	+1
Cummins inc.	-1	-1	+1	-1	-1	+1	+1	+1	-1	+1	+1
Danaher Corporation	+1	+1	+1	+1	-1	+1	+1	-1	+1	+1	+1
Dolby Laboratories	-1	-1	+1	+1	+1	+1	-1	+1	-1	+1	-1
Eaton Corporation	+1	+1	+1	-1	-1	+1	+1	-1	-1	+1	+1
Ford Motor Company	-1	+1	-1	+1	+1	+1	+1	-1	-1	+1	+1
Harley Davidson , Inc	+1	+1	+1	-1	+1	+1	+1	-1	+1	+1	+1
ICE	+1	+1	+1	+1	+1	-1	+1	-1	+1	+1	+1
Intel Corp	+1	+1	+1	-1	+1	+1	+1	+1	+1	+1	-1
Las Vegas Sands	+1	+1	+1	-1	-1	+1	+1	-1	-1	+1	+1
Marriot Int't	+1	+1	+1	1	1	+1	-1	1	-1	+1	+1
Mars Inc.	+1	+1	+1	+1	+1	+1	+1	+1	+1	+1	+1
Nike Inc	+1	+1	+1	+1	+1	+1	+1	+1	-1	+1	+1
Principal Financial Group	+1	+1	+1	+1	+1	+1	+1	+1	-1	-1	+1
Tapestry	+1	+1	-1	-1	+1	-1	+1	+1	-1	+1	+1
Tesla	+1	+1	+1	+1	+1	+1	+1	+1	+1	+1	+1
The Boeing Company	+1	+1	+1	+1	+1	+1	+1	-1	-1	+1	+1
The Estee Lauder Companies	+1	+1	+1	-1	+1	+1	+1	+1	-1	+1	+1
United Airlines	+1	+1	+1	-1	-1	+1	+1	+1	-1	+1	+1
Visa inc.	+1	+1	+1	+1	+1	+1	+1	+1	-1	+1	+1

Factor 2: Job creation (Number of Employees)

Using the number of employee counts from annual reports, this exercise estimates the number of job creation over the 10-year period from 2012 to 2022. The grey areas indicate positive trends. In many cases, companies like Abbott Laboratories, Apple Inc. and Visa have shown very positive trends of creating jobs. For the 32 companies in this dataset, most of them experienced positive job creation in majority of the 10-year period. A few examples like Boeing Company, Chevron, Caterpillar and CME Group showed job losses for about 4 years and the reasons could be automation.

Table 2. Employee Count.

EMPLOYEE COUNT	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
Abbott Laboratories	+1	-1	+1	+1	+1	+1	+1	+1	+1	+1	+1
Advanced Micro Devices Inc	-1	1	-1	-1	-1	+1	+1	+1	+1	+1	+1
Allison TransmissionHoldings	+1	+1	+1	+1	-1	+1	+1	+1	-1	+1	1
AO Smith Corporation	+1	+1	+1	+1	+1	+1	+1	+1	-1	-1	-1
Apple Inc	+1	+1	+1	+1	+1	+1	+1	+1	+1	+1	+1
Arconic Corporation	0	0	0	0	+1	+1	+1	+1	-1	+1	-1
Bank of New York Mellon	+1	+1	-1	+1	+1	+1	-1	-1	+1	+1	+1
Best Buy Co.	-1	-1	-1	-1	+1	+1	+1	+1	+1	-1	+1
Cabot Corporation	+1	-1	+1	-1	-1	+1	-1	+1	+1	+1	-1
Caterpillar inc.	+1	-1	-1	-1	-1	+1	+1	-1	-1	+1	+1
Cargill Inc.	+1	+1	+1	+1	-1	+1	+1	+1	-1	+1	+1
Chevron Corporation	+1	+1	+1	+1	-1	-1	-1	-1	-1	-1	+1
CME Grp	+1	+1	-1	-1	+1	+1	+1	-1	+1	-1	-1
Cummins inc.	+1	+1	+1	+1	+1	+1	+1	-1	-1	+1	+1
Danaher Corporation	+1	+1	+1	+1	-1	+1	+1	-1	+1	+1	+1
Dolby Laboratories	+1	+1	+1	+1	+1	+1	+1	+1	+1	-1	-1
Eaton Corporation	+1	-1	+1	-1	+1	+1	+1	+1	-1	-1	+1
Ford Motor Company	+1	+1	+1	+1	+1	+1	-1	-1	-1	-1	-1
Harley Davidson , Inc	-1	+1	+1	+1	-1	+1	+1	-1	-1	+1	+1
ICE	+1	+1	-1	+1	+1	-1	+1	+1	+1	-1	+1
Intel Co.	+1	+1	-1	+1	-1	-1	+1	+1	-1	+1	+1
Las Vegas Sands	+1	+1	+1	-1	+1	+1	+1	-1	-1	-1	-1
Marriott Int'l	+1	-1	+1	+1	+1	-1	-1	-1	-1	-1	+1
Mars Inc.	+1	+1	+1	+1	+1	+1	+1	-1	+1	+1	+1
Nike Inc	+1	+1	+1	+1	+1	+1	-1	+1	-1	-1	+1
Principal Financial Group	-1	+1	+1	+1	-1	+1	+1	+1	-1	-1	+1
Tapestry	+1	-1	+1	-1	-1	-1	-1	+1	-1	-1	+1
Tesla	-1	+1	+1	+1	+1	+1	+1	-1	+1	+1	+1
The Boeing Company	+1	-1	-1	-1	-1	-1	+1	+1	-1	+1	+1
The Estee Lauder Companies	+1	+1	+1	+1	+1	+1	+1	+1	+1	+1	-1
United Airlines	+1	-1	-1	+1	+1	+1	+1	+1	-1	+1	+1
Visa inc.	+1	+1	+1	+1	+1	+1	+1	+1	+1	+1	+1

Factor 3: Pay Multiple

Using annual reports from 2012 to 2022, the following trends have been observed in the 32 companies. The grey area indicated narrowing pay gap while the white area is indicating a widening pay gap. Table 3 indicated mixed results. For example, Caterpillar Inc. has shown that there were more years when the CEO pay multiple to the average GDP per capita in the USA was increasing, indicating a widening pay gap between CEO and the average. Workers were worse off based on Caterpillar’s business activities with China. Two of the large companies, Cargill and Mars, are privately held and do not disclosure the CEO compensation publicly. In 2022, there seems to be a widening pay gap between CEOs and working class based on this dataset.

Table 3. Pay Multiple Trend

PAY MULTIPLE	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
Abbott Laboratories	+1	-1	-1	+1	+1	-1	+1	-1	+1	+1	+
Advanced Micro Devices Inc	+1	+1	+1	-1	+1	-1	+1	+1	-1	+1	+
Allison TransmissionHoldings	+1	-1	+1	-1	+1	+1	+1	-1	-1	+1	+
AO Smith Corporation	+1	-1	+1	+1	+1	+1	-1	+1	+1	+1	-1
Apple Inc	+1	+1	+1	+1	-1	+1	+1	-1	+1	+1	-1
Arconic Corporation	0	0	0	0	0	0	0	0	0	0	0
Bank of New York Mellon	+1	-1	+1	+1	+1	-1	-1	+1	-1	+1	-1
Best Buy Co.	+1	+1	-1	-1	+1	-1	1	-1	-1	-1	+
Cabot Corporation	+1	-1	+1	-1	-1	+1	+1	-1	-1	+1	-1
Caterpillar inc.	+1	-1	+1	-1	-1	-1	+1	-1	-1	+1	-1
Cargill Inc.	0	0	0	0	0	0	0	0	0	0	0
Chevron Corporation	+1	-1	+1	-1	+1	-1	-1	+1	-1	-1	+
CME Grp	+1	+1	+1	-1	+1	+1	+1	-1	+1	-1	+
Cummins inc.	+1	-1	+1	-1	+1	+1	+1	+1	-1	-1	+
Danaher Corporation	+1	-1	-1	+1	+1	+1	-1	+1	-1	+1	+
Dolby Laboratories	+1	+1	+1	-1	-1	+1	+1	-1	+1	+1	-1
Eaton Corporation	+1	+1	-1	-1	+1	+1	-1	+1	-1	+1	-1
Ford Motor Company	+1	-1	+1	-1	+1	-1	-1	-1	+1	+1	-1
Harley Davidson , Inc	+1	+1	-1	-1	+1	+1	-1	+1	+1	+1	+
ICE	+1	+1	-1	-1	-1	+1	-1	+1	-1	-1	+
Intel Co.	+1	-1	+1	+1	+1	+1	-1	+1	-1	-1	-1
Las Vegas Sands	+1	-1	+1	-1	+1	+1	-1	-1	-1	+1	-1
Marriott Int'l	+1	+1	-1	-1	+1	+1	-1	-1	-1	+1	-1
Mars Inc.	0	0	0	0	0	0	0	0	0	0	0
Nike Inc	+1	-1	-1	+1	+1	-1	-1	+1	+1	-1	-1
Principal Financial Group	+1	-1	-1	-1	+1	+1	-1	+1	-1	+1	-1
Tapestry	+1	-1	-1	+1	+1	+1	-1	-1	-1	+1	+
Tesla	+1	-1	-1	-1	-1	-1	+1	-1	-1	-1	-1
The Boeing Company	+1	-1	+1	-1	+1	1	+1	-1	+1	-1	+
The Estee Lauder Companies	+1	-1	+1	-1	+1	-1	+1	+1	-1	+1	-1
United Airlines	+1	-1	+1	-1	+1	-1	-1	+1	-1	-1	-1
Visa inc.	+1	+1	-1	+1	+1	+1	-1	+1	1	+1	-1

Factor 4: Employee Salaries

Most companies did not breakdown their costs in terms of employee salary figures, except a few: CME Group, Bank of New York Mellon, United Airlines, and Visa. Apple, Best Buy, and Chevron indicated no significant data on their employee salary trend. Therefore, a value of zero (0) is assigned to this data point.

Table 4. Employee Salary Trend

WORKERS' SALARY TREND											
Cpy/Yr	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
Abbott Laboratories	+1	-1	-1	-1	+1	+1	-1	+1	+1	+1	-1
Advanced Micro Devices Inc	0	0	0	0	0	0	0	0	0	0	0
Allison TransmissionHoldings	0	0	0	0	0	0	0	0	0	0	0
AO Smith Corporation	0	0	0	0	0	0	0	0	0	0	0
Apple Inc	0	0	0	0	0	0	0	0	0	0	0
Arconic Corporation	0	0	0	0	0	0	0	0	0	0	0
Bank of New York Mellon	+1	+1	-1	-1	-1	+1	+1	-1	-1	+1	+1
Best Buy Co.	0	0	0	0	0	0	0	0	0	0	0
Cabot Corporation	0	0	0	0	0	0	0	0	0	0	0
Caterpillar inc.	0	0	0	0	0	0	0	0	0	0	0
Cargill Inc.	0	0	0	0	0	0	0	0	0	0	0
Chevron Corporation	0	0	0	0	0	0	0	0	0	0	0
CME Grp	+1	+1	+1	+1	-1	+1	+1	+1	-1	-1	-1
Cummins inc.	0	0	0	0	0	0	0	0	0	0	0
Danaher Corporation	0	0	0	0	0	0	0	0	0	0	0
Dolby Laboratories	0	0	0	0	0	0	0	0	0	0	0
Eaton Corporation	0	0	0	0	0	0	0	0	0	0	0
Ford Motor Company	0	0	0	0	0	0	0	0	0	0	0
Harley Davidson , Inc	0	0	0	0	0	0	0	0	0	0	0
ICE	+1	+1	+1	+1	+1	-1	+1	+1	+1	+1	-1
Intel Co.	0	0	0	0	0	0	0	0	0	0	0
Las Vegas Sands	0	0	0	0	0	0	0	0	0	0	0
Marriott Int'l	0	0	0	0	0	0	0	0	0	0	0
Mars Inc.	0	0	0	0	0	0	0	0	0	0	0
Nike Inc	0	0	0	0	0	0	0	0	0	0	0
Principal Finacial Gropup	+1	-1	+1	+1	+1	+1	+1	+1	-1	-1	-1
Tapestry	0	0	0	0	0	0	0	0	0	0	0
Tesla	0	0	0	0	0	0	0	0	0	0	0
The Boeing Company	0	0	0	0	0	0	0	0	0	0	0
The Estee Lauder Companies	0	0	0	0	0	0	0	0	0	0	0
United Airlines	+1	+1	+1	+1	+1	+1	+1	+1	-1	+1	+1
Visa inc.	+1	+1	-1	+1	+1	+1	+1	+1	+1	+1	+1

Factor 5: Tax Payment Trends

Tax payments to the US government are used as an indication of a company's contribution to the revenues of the federal and state governments. Companies receive a +1 score every year if their tax payment is higher than previous year. As shown in Table 5 below, Las Vegas Sands and Marriott pay less taxes, and they received a score of -1. Tesla has consistently paid more taxes to the US government over the 10-year period from 2012 to 2022, indicating a positive contribution to state and federal governments' revenues. The years 2016, 2017, and 2018 are mostly white which indicated less tax payments were received. This could be the result of US-China trade wars and high tariffs on imports from China. Marriott experienced negative trends for tax payments, and this could be a potential case study for financial accounting.

Table 5. Tax Payment Trends

COMPANY TAX PAY TREND											
Cpy/Yr	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
Abbott Laboratories	-1	+1	+1	-1	-1	+1	-1	-1	+1	+1	+1
Advanced Micro Devices Inc	-1	+1	-1	+1	+1	-1	-1	+1	-1	+1	-1
Allison TransmissionHoldings	-1	+1	+1	-1	+1	-1	+1	-1	-1	+1	-1
AO Smith Corporation	+1	-1	+1	+1	+1	+1	-1	-1	-1	+1	-1
Apple Inc	+1	-1	+1	+1	-1	+1	-1	-1	-1	+1	+1
Arconic Corporation			+1	+1	+1	-1	-1	-1	+1	+1	+1
Bank of New York Mellon	+1	+1	-1	+1	+1	-1	+1	+1	-1	+1	-1
Best Buy Co.	+1	-1	+1	-1	+1	+1	+1	-1	+1	+1	-1
Cabot Corporation	-1	-1	-1	+1	-1	+1	-1	+1	-1	+1	+1
Caterpillar inc.	+1	-1	-1	+1	-1	+1	-1	+1	-1	+1	+1
Cargill Inc.	0	0	0	0	0	0	0	0	0	0	0
Chevron Corporation	+1	-1	-1	-1	-1	+1	+1	-1	-1	+1	+1
CME Group	+1	-1	+1	+1	+1	-1	+1	-1	+1	-1	+1
Cummins inc.	+1	-1	+1	-1	-1	+1	-1	+1	-1	+1	+1
Danaher Corporation	-1	-1	-1	+1	-1	-1	-1	-1	+1	-1	+1
Dolby Laboratories	+1	-1	+1	-1	-1	-1	+1	-1	-1	+1	-1
Eaton Corporation	+1	-1	-1	+1	+1	+1	-1	+1	-1	+1	-1
Ford Motor Company	+1	-1	+1	+1	-1	+1	-1	-1	+1	-1	-1
Harley Davidson , Inc	+1	+1	+1	-1	-1	+1	-1	-1	-1	+1	+1
ICE	+1	+1	+1	-1	+1	-1	+1	+1	+1	+1	-1
Intel Corp	+1	-1	+1	-1	-1	+1	-1	+1	+1	-1	-1
Las Vegas Sands	-1	-1	-1	+1	-1	+1	-1	-1	+1	+1	-1
Marriott Int'l	-1	-1	-1	-1	-1	-1	-1	-1	+1	-1	-1
Mars Inc.	0	0	0	0	0	0	0	0	0	0	0
Nike Inc	+1	+1	+1	+1	-1	-1	+1	-1	-1	+1	-1
Principal Financial Group	+1	+1	+1	+1	-1	+1	-1	-1	-1	+1	-1
Tapestry	+1	+1	-1	+1	-1	+1	+1	-1	-1	+1	+1
Tesla Co.	+1	+1	+1	+1	+1	+1	+1	+1	+1	+1	+1
The Boeing Company	+1	-1	-1	+1	-1	+1	-1	-1	-1	+1	+1
The Estee Lauder Companies	+1	+1	+1	-1	-1	-1	+1	-1	-1	+1	+1
United Airlines	-1	-1	+1	-1	+1	-1	-1	+1	-1	+1	+1
Visa inc.	-1	+1	+1	+1	-1	+1	-1	+1	-1	+1	-1

Source: Annual Reports of companies, <https://drive.google.com/drive/u/1/my-drive>

Factor 6: US Locations

The number of US physical locations or offices of the 32 companies was obtained through published annual reports of the companies and a paid subscription service. One fundamental assumption is that the more US physical locations there are, the more job opportunities there will be for workers, and more economic opportunities for other community members like real estate brokers, commercial building operators, HVAC companies, or cleaning & janitorial service providers.

Table 6 shows a large grey area, which indicates that a majority of the 32 companies have increased their physical footprint in the US, which is likely to provide more economic benefits to their community, especially for working-class employees.

Table 6. Number of US Locations.

NUMBER OF US LOCATIONS											
Cpy/Yr	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
Abbott Laboratories	+1	+1	+1	+1	+1	+1	+1	+1	+1	+1	+1
Advanced Micro Devices Inc	+1	+1	+1	+1	+1	+1	+1	+1	+1	+1	+1
Allison TransmissionHoldings	+1	+1	+1	+1	+1	+1	+1	+1	+1	+1	+1
AO Smith Corporation	+1	+1	+1	+1	+1	+1	+1	+1	+1	+1	+1
Apple Inc	+1	+1	+1	+1	+1	+1	+1	+1	+1	+1	+1
Arconic Corporation	+1	-1	-1	+1	+1	+1	+1	-1	+1	+1	+1
Bank of New York Mellon	+1	+1	+1	+1	+1	-1	+1	+1	+1	+1	+1
Best Buy Co.	+1	-1	-1	-1	-1	-1	-1	-1	-1	+1	-1
Cabot Corporation	+1	+1	+1	+1	+1	+1	+1	+1	+1	+1	+1
Caterpillar inc.	+1	+1	-1	+1	+1	+1	+1	-1	-1	+1	+1
Cargill Inc.	+1	+1	+1	+1	-1	+1	+1	-1	-1	+1	+1
Chevron Corporation	+1	+1	+1	-1	+1	-1	+1	+1	-1	+1	+1
CME Grp	+1	+1	-1	+1	+1	-1	+1	+1	+1	-1	-1
Cummins inc.	+1	+1	+1	+1	-1	+1	+1	+1	+1	+1	+1
Danaher Corporation	+1	+1	+1	+1	+1	-1	+1	+1	+1	+1	+1
Dolby Laboratories	+1	+1	+1	+1	+1	+1	-1	+1	+1	+1	+1
Eaton Corporation	+1	+1	+1	+1	+1	+1	+1	+1	+1	+1	+1
E-BI International	+1	+1	+1	+1	+1	-1	+1	+1	-1	+1	+1
Ford Motor Company	+1	+1	+1	+1	+1	+1	-1	+1	+1	+1	+1
Harley Davidson , Inc	+1	+1	-1	+1	+1	+1	+1	+1	+1	+1	+1
ICE	+1	+1	+1	-1	+1	-1	-1	+1	+1	+1	+1
Intel Co.	+1	+1	+1	+1	+1	+1	+1	+1	+1	+1	-1
Las Vegas Sands	+1	+1	+1	+1	+1	+1	+1	+1	-1	+1	+1
Marriott Int'l	+1	+1	+1	+1	+1	+1	+1	+1	+1	+1	+1
Mars Inc.	+1	+1	+1	+1	+1	+1	+1	+1	+1	+1	+1
Nike Inc	+1	+1	-1	+1	+1	+1	+1	+1	+1	+1	+1
Principal Financial Group	+1	+1	+1	+1	+1	+1	+1	+1	+1	+1	+1
Tapstry	+1	+1	+1	+1	+1	+1	+1	-1	+1	+1	+1
Tesla	+1	+1	-1	+1	+1	+1	+1	+1	+1	+1	-1
The Boeing Company	+1	-1	+1	+1	+1	+1	+1	+1	-1	+1	+1
The Estee Lauder Companies	+1	+1	+1	+1	+1	+1	+1	+1	+1	+1	+1
United Airlines	+1	+1	+1	+1	+1	+1	+1	+1	+1	+1	+1
Visa inc.											

Source: www.globaldata.com/ and annual reports of the 32 companies.

Factor 7: Impact of a Weakening RMB on Workers

The last factor is the impact of a weakening RMB on workers. In general, a weaker RMB makes Chinese goods more affordable to working-class Americans, but will hurt similar products made in the US. A weaker RMB would also give American workers greater purchasing power when travelling to China because every American dollar can buy more products and services there. Due to this conflicting effect, the seventh column in Table 7 has a naturalizing effort over the 10-year period.

To summarize, the seventh column is marked as zero for all 32 companies. For column 1 to column 6, a summary score is either +1, -1, or zero, with +1 indicating the overall effect over the 10-year period is beneficial to American workers, and -1 is not beneficial to American workers. Zeros indicate a naturalizing effect over the 10-year period.

Table 7. Impact of Weakening RMB on Workers

	1st	2nd	3rd	4th	5th	6th	7th
COMPANIES	Revenue Trend	Employees' Count	Pay Multiple	Workers Salary Trend	Company Tax Trend	Locations	RMB Weakening
Abbott Laboratories	+1	+1	+1	+1	+1	+1	0
Advanced Micro Devices Inc	+1	+1	+1	0	-1	+1	0
Allison TransmissionHoldings	-1	+1	+1	0	-1	+1	0
AO Smith Corporation	+1	+1	-1	0	+1	+1	0
Apple Inc	+1	+1	+1	0	+1	+1	0
Arconic Corporation	+1	+1	0	0	+1	+1	0
Bank of New York Mellon	+1	+1	+1	+1	+1	+1	0
Best Buy Co.	-1	+1	-1	0	+1	-1	0
Cabot Corporation	+1	+1	-1	0	-1	+1	0
Caterpillar inc.	-1	-1	-1	0	+1	+1	0
Cargill Inc.	+1	+1	0	0	0	+1	0
Chevron Corporation	-1	-1	-1	0	-1	+1	0
CME Grp	+1	+1	+1	+1	+1	+1	0
Cummins inc.	+1	+1	+1	0	+1	+1	0
Danaher Corporation	+1	+1	+1	0	-1	+1	0
Dolby Laboratories	+1	+1	+1	0	-1	+1	0
Eaton Corporation	+1	+1	+1	0	+1	+1	0
Ford Motor Company	+1	+1	-1	0	-1	+1	0
Harley Davidson , Inc	+1	+1	+1	0	+1	+1	0
ICE	+1	+1	-1	+1	+1	+1	0
Intel Co.	+1	+1	+1	0	-1	+1	0
Las Vegas Sands	+1	+1	-1	0	-1	+1	0
Marriott Int'l	+1	-1	-1	0	-1	+1	0
Mars Inc.	+1	+1	0	0	0	+1	0
Nike Inc	+1	+1	-1	0	+1	+1	0
Principal Financial Group	+1	+1	-1	+1	+1	+1	0
Tapestry	+1	-1	+1	0	+1	+1	0
Tesla	+1	+1	-1	0	+1	+1	0
The Boeing Company	+1	-1	+1	0	-1	+1	0
The Estee Lauder Companies	+1	+1	+1	0	+1	+1	0
United Airlines	+1	+1	-1	+1	-1	+1	0
Visa inc.	+1	+1	+1	+1	+1	0	0

Source: Company Annual Reports.

The Benefit Scores

In summarizing the effects of the seven factors, the benefit scores are calculated by simply adding the sums of the seven factors.

$$\text{Benefit Score} = \text{Parameter (1)} + \text{Parameter (2)} + \dots + \text{Parameter (7)}$$

Table 8. Summary of Benefits Scores.

Companies	Benefit Score
Abbot Laboratories	6
Advanced Micro Devices	3
Allison Transmission Holdings	1
AO Smith Corporation	3
Apple inc.	5
Arconic Corporation	4
Bank of New York Mellon	6
Best Buy Co.	-1
Cabot Corporation	1
Caterpillar inc.	-1
Cargill inc.	3
Chevron Corporation	-3
CME Group	6
Cummins inc.	5
Danaher Corporation	3
Dolby Laboratories	3
Eaton Corporation	5
Ford Motor Company	1
Harley Davidson inc.	5
ICE	4
Intel Corporation	3
Las Vegas Sands	1
Marriott International	-1
Mars inc.	3
Nike inc.	3
Principal Financial Group	4
Tapestry	3
Tesla	3
The Boeing Company	1
The Estee Lauder Companies	5
United Airlines	2
Visa inc.	5

A null hypothesis occurs when more than 50% of the sample companies have zero (0) or negative value score. Since 28 of the companies (88%) had a benefit score of +1 or higher, and only 4 companies had a benefit score of -1 or lower, I reject the null

hypothesis. The above results demonstrate that US workers benefitted from doing business with an unconvertible Chinese currency over the last ten years.

Why is full convertibility of the RMB still needed? The main risk of the unconvertible RMB is the increasing risk of decoupling and isolation. The analysis shows that among the 32 companies in the dataset, only four do not provide tangible benefits to their working-class American employees. The four companies are: Best Buy, Caterpillar, Marriott, and Chevron. While currently 28 companies (or 88% of the sample data) are benefitting from doing business with the unconvertible RMB, I fear that this number will decline significantly if the RMB remains unconvertible and will harm more American working-class employees financially. Therefore, advocating for full RMB convertibility should be a priority for the US government because it will provide tangible financial benefit to working-class employees.

What is Good for Working-Class Americans?

A central goal of the US government is to provide economic opportunities for American workers. At the same time, China is the second-largest economy in the world, so it would be unwise for any government to shut American workers out of the benefits of the large Chinese marketplace. The benefit scores from the 32 companies indicate that working-class Americans are better off with a convertible RMB because 88% of the companies have a positive Benefit Score.

Moreover, the stock market performance of the companies (illustrated in Figure 7) shows that it significantly outperformed the benchmark stock index. Capital market reform in China would further improve corporate earnings and boosts shareholder

returns. In addition to just obtaining a base salary, workers should be granted company shares not just from the company they work for, but from a basket of shares that are actively benefiting from US-China business cooperation.

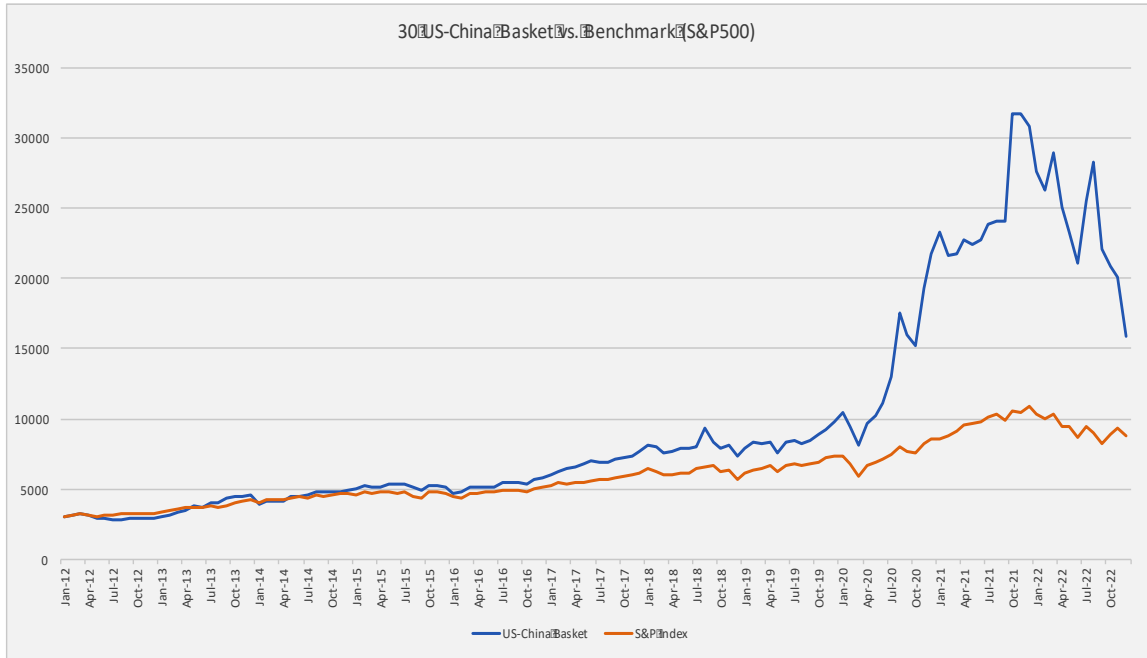


Figure 7. Equity Valuation of 30-Sample Companies (2012–2022).

Source: FAA Investments Internal Analysis

I propose an Equity Participation Plan (EPP) for American workers in general, based on the idea that workers should become shareholders of companies doing active business in China. An EPP is comprised of companies that are members of the US-China Business Council, and as shareholders, it would help narrow the income and wealth gap in America.

I performed a detailed analysis based on historical stock market data of companies in my hypothetical EPP. If each American worker received a stock award as part of their total compensation, a worker receiving equity grants of \$100 in each of the 30

companies, totaling \$3,000 in 2012, would have \$15,847 in Dec 2022. This represents an annual return of more than 18% per year compared with the average stock market return of American companies (S&P500 Index) during the same period of just 11% per year, highlighting the significant value creation potentially on offer for working-class citizens. American workers can reap significant economic benefits from participating in an EPP.

In terms of implementation, the EPP could be integrated into the current 401(k) plans of individual's retirement accounts (IRAs), subject to the annual maximum contribution and matching by employers. Each working-class employee should receive around \$3,000 worth of EPP matching awards. Over time, the EPP awards would grow significantly and allow workers to enjoy the capital appreciation of equities that is normally experienced by institutional shareholders of these companies. The EPP comprised of 30 US-China companies could narrow the wealth gap between working-class and high-net-worth individuals.

The blue line in Figure 7 shows that companies with significant business interactions with China outperformed the benchmark S&P 500 Index. This plan is also in the interests of corporate management based on the stakeholder model argument because over the long term, if management also provides more economic benefits to workers, such action does not just benefit shareholders but also employees and management would benefit as well.

Chapter V.

The Ambidexterity of RMB Convertibility and Its Geopolitical Implications

*“President James Garfield could write in Latin with one hand
while writing in Greek with the other.
I would give my right arm to be ambidextrous.”*

—Jay Leno

Professor Michael Tushman has researched how groups of managers explore and exploit organizational ambidexterity (O’Reilly & Tushman, 2011). The authors cite one case in point, Harvard University, which is itself ambidextrous. While Harvard College is extremely selective in its college admission process, with only some 3% of applicants admitted in 2023, Harvard Extension School is open to everyone without restriction. In a 2013 article *Academy of Management Perspectives*, O’Reilly and Tushman defined “ambidexterity” as “hosting multiple contradictory structures, processes, and cultures within the same firm” (O’Reilly & Tushman, 2013). Harvard is an ambidextrous entity in the way it embraces opposites.

China is also ambidextrous because it embraces tight control and liberalization at the same time under one government. While the RMB is not ready to be fully convertible based on historical economic and financial arguments, there is a need to embrace an opposite and advocate full convertibility.

Long-Term Debates About Convertibility in China and Overseas

Dr. Kean Fan Lim (Newcastle University, England) stated that from a global historical perspective, the early stages of RMB internationalization occurred against a backdrop of sustained engagement with the USD-centric monetary system, reflecting an alignment with, rather than a challenge to, the USD-centric pathway (Lim, 2023). He went on to say that thinking of the RMB as a “challenge” to the USD would be to think of it in terms of “monetary sovereignty.” Lim explained this by saying that its rise to dominance as the global reserve currency was less a case of competition between the US and other nations for monetary sovereignty, and more a mix of favorable domestic and international factors.

Lim also described how the Bretton Woods Agreement of 1944 was a moment of historic global significance because it marked the official recognition of the USD as the global reserve currency. This was possible only because it consolidated the then-flagging gold standard and offered much needed stability to many countries that were experiencing all the negative effects of World War II.

In the case of the RMB internationalization, there has been no similar break. Its internationalization is a unilateral process by China to address the contradictions of sustaining a fixed currency regime within a context of global economic integration. Lim believes that RMB internationalization is significant because the process reflects faith in the US government. Attempts to stimulate greater RMB use in offshore centers like London and Singapore are fundamentally predicated on confidence in the RMB’s peg to the USD. If the Chinese central government continues to accumulate large dollar-denominated reserves while permitting offshore RMB holders to transact through a current rather than a capital account, RMB internationalization would not engender a moment of rupture in

global monetary history. What it demonstrates, instead, is the CCP's path-dependence on the USD-centric global monetary system, which in turn sustains its absolute domestic financial control. All signs suggest that this national-level continuity is the overarching goal of RMB internationalization (Lim, 2023, p. 2).

Professor Yin-Wong Cheung (City University of Hong Kong) has said that the replacement of an incumbent global currency is a rare occurrence in international finance (Cheung, 2021). The last occurrence was when the USD replaced the GBP after WWII. Cheung also noted that there is no doubt that the RMB is currently under-represented in the global market, and its current role is not commensurate with China's global economic status. RMB's global role could grow over time as China continues to liberalize its capital markets, loosen its grip on the RMB, and reduce restrictions on capital flows. China's deliberate and systematic policies will no doubt allow RMB to be fully convertible over time, but they are unlikely to dethrone the incumbent USD in the near term, which has dominant for 75 years (Cheung 2021).

What would happen if China were to liberalize its capital markets, loosen its grip on RMB, and reduce restrictions on capital flow? Allowing the ensuing massive capital outflow would certainly be a short-term pain point for the CCP. However, it would also attract capital to return in the future. Currently, the lack of confidence in CCP leadership is the key obstacle. As described earlier, over time Japanese and UK central bankers developed skills and the confidence to address exchange rate volatility in global markets. Chinese officials and CCP members can do the same. The CCP and its regulatory agencies like PBOC, CSRC, and CBIRC should allow more foreign companies to enter the Chinese domestic markets and encourage high-quality domestic business to go

abroad. It is the simultaneous implementation of markets reform, renewal, and the centralization of Party control. Outside of capital markets, historically China has already demonstrated that entrepreneurial renewal could help Chinese business compete in the global markets. In almost every major city around the world, there is a Chinatown with immigrants and entrepreneurs. These Chinese businesses adapt and adjust to the host countries and their surroundings. No matter where Chinese individuals are in London, New York, Hamburg, Paris, San Francisco, Johannesburg, Mexico City, or Boston, learning and a spirit of renewal propel and strengthen the Chinese entrepreneurial character.

Party Autocracy and Entrepreneurial Renewal

Professor Arne Westad (Yale University) questions the notion that a new cold war is imminent, since China today is very different from the USSR of the 20th century (Westad, 2019). For more than 70 years, the US has faced a communist rival with regional dominance and global influence. The relationship is different now because the US has much closer economic ties with China than it ever did with USSR. While the People's Republic of China is unquestionably ruled by the CCP, China's entrepreneurial success is felt by the working class across America's heartland. Westad spoke at the Salzburg Global Seminar in Austria, on Oct. 19, 2024, where he reiterated that Russia's economic relationship with the US is extremely small when compared with that of China. Westad mentioned that other university deans such as Nitin Nohria (Harvard Business School) and Bill Kirby (Harvard Faculty of Arts and Sciences) also supported this hypothesis regarding China, based on historical facts and data. In 1900, most of the top

ten universities in the world were German or English, none were American. However, in the last 70 years, American universities have dominated global rankings. However, in the last 10 years, several Chinese universities have been making rapid strides toward innovation, as posted in Kirby's 2022 book, *Empires of Ideas: Creating the Modern University from Germany to America to China*.

Applying this concept in the business world, Wanxiang China is a major automobile components manufacturer. Its entrepreneurial founder, Lu Guanqiu, became the first Chinese person to be inducted into the US Automotive Hall of Fame. Lu established Wanxiang in 1969 following the Cultural Revolution, and grew the company under difficult circumstances by identifying and filling market gaps that were overlooked by the government. He paid special attention to quality output, human capital, and R&D. Wanxiang's internationalization began in 1984 when the company developed a relationship with Zeller Corporation, an American auto parts manufacturer. The two companies entered into a contract to supply 200,000 units of universal joints. Today, Wanxiang America employs around 6,000 workers in the US, with its American facility in Elgin, Illinois.



Figure 9. Wanxiang America HQ in Elgin, Illinois.
Source: Google Maps

Fast forward 32 years later, to December 2016, when Wanxiang won the approval by China's National Development and Reform Commission (NDRC), the country's top planner, to build the facilities needed to produce electric vehicles (EV) in China. Currently, Wanxiang is considering its options in producing EVs.

Another Chinese entrepreneur of mixed reputation is Wang Jianlin, the founder of Dalian Wanda Group. While the Group has failed in certain business ventures, it embodies the Silicon Valley culture of "fail fast, fail often, or fail cheap." More importantly, business school professors like Amy Edmondson (Harvard) and Sim Sitkin (Duke) argue that entrepreneurs should learn to fail intelligently.

In 2012, Wanda Group announced it paid USD 2.6 billion to acquire AMC Entertainment Holdings, the second largest US movie theater chain. This acquisition raised eyebrows as it was the largest acquisition of a US company by a Chinese firm. As this was Wanda's first overseas acquisition, Wang hoped the proposed deal would win approval from the US Federal Trade Commission.

AMC was incorporated in 1968 by its founder Stanley Durwood as America Multi Cinema Inc. (AMC). It started with 12 theaters and 22 screens. In late 2001, the company began to face financial challenges due to industry overbuilding and declining attendance. Overcapacity led to a wave of bankruptcies in the industry, while AMC's debt rose and its earnings were under pressure. Durwood died in 1999 and was succeeded by Peter Brown who subsequently made some major changes.

When Wanda first approached AMC in 2010, Wang saw the business as an opportunity for Wanda to go global. Negotiations lasted two years, and in May 2012, the deal was announced — and received a barrage of skepticism from the press as many

wondered how the Chinese company was going to manage an American company. But Wanda held a strategic, long-term view on AMC. He assigned someone to the headquarters in Kansas as an observer, while AMC continued working autonomously. Ultimately when Wanda exited its investment in AMC in 2021, Wang claimed, “Until now, Wanda Group has always made a profit when we exited from our investments.” The company claimed it had spent USD 700 million buying AMC, while collecting \$1.48 billion from its exit, thanks to a run-up in the cinema operator’s shares at the time.

Wang Jianlin and Dalian Wanda Group learned from their venture, and while they might have scaled back their foreign acquisition spree because of Central Government directives, Wang will likely reactivate his international activities again. The entrepreneurial spirit in China and the willingness to work with international partners should help China to accelerate capital markets reforms.

Conditional Convertibility

Unlike the freely convertible HKD, MOP, and TWD, the RMB is only convertible when it meets several conditions. At the institutional level, only Current Accounts for corporations are convertible but Capital Accounts are not. At the retail level, individuals in China may bring a maximum of RMB 20,000 per day per person when they enter Hong Kong SAR from mainland China. For conversion to USD, the annual limit is USD 50,000 per individual per year. In December 2023, for retail consumers or travelers in Shenzhen to exchange RMB into foreign currency (like HKD), the daily limit is set at RMB 7,000 per person per day.

The CCP is implementing a gradual, managed, and reversible process of reforms on RMB conditional convertibility. Especially in times of crises, stress, or speculative attacks by foreign participants, the PBOC should have the power to halt convertibility entirely. Historically speaking, during the Asian financial crisis of 1997, the Government of Malaysia imposed a complete ban on convertibility of the Malaysian Ringgit (MYR) when they believed the Ringgit was under speculative attack by foreign hedge funds. The PBOC views this as a very important and special condition.

Risks of Full RMB Convertibility

While the full convertibility of RMB may bring significant financial benefits to China's trading partners (for example, American working-class citizens), there are reasons why China has not yet pursued convertibility. Convertibility poses potentially serious risks to the CCP leadership in terms of control, as well as a potential economic crisis that could threaten the country's political stability.

The major risk of liberalization and unlimited convertibility of RMB is the potential for a massive outflow of capital, both at an institutional and at a retail level, from China to other markets. If there were more demand for USD, EUR, or other currencies, the RMB would likely experience a massive devaluation based on market dynamics. A recent example of a large devaluation is seen in Japanese Yen. Figure 10 shows that the JPY lost almost 50% of its value against the USD over a period of five years from 2019 to 2024. In a completely open market, driven by sellers and buyers, this is likely to happen to RMB. However, while there is significant short-term risk of

currency devaluation, there are also long-term benefits to China in both exports and attracting foreign investments.



Figure 10. Japanese Yen / USD Exchange Rate (2019–2024).

Source: Yahoo Finance

Besides the risks of massive devaluation of RMB, challenges remain in the capital markets for economic reforms. Economist Barry Eichengreen (University of California, Berkeley) noted: “In China, as in other countries at a similar stage of economic development, the financial system remains heavily bank-based” (Eichengreen, 2015). He suggested that China needs more capital market reforms, especially relative to the RMB.

However, these challenges face major obstacles due to the CCP’s reluctance to lose control and a lack of experienced capital market professionals skilled at operating in

the domestic Chinese market. What is needed is an economic reform agenda and more development of professional talent. The current CCP regime could build more self-confidence by embracing the dynamics of capital markets and interacting with American and European capital markets participants more directly. Such international interactions would enhance the professional standards of Chinese local banks and capital markets professionals.

While opening the capital account is a necessary step, Eichengreen believes that China should not resort to capital-account liberalization to help foster domestic economic growth. He argued that although the lack of liquidity in bond market (caused by the fact that most bonds are held by banks that may not sell as frequently as other holders) could be solved by increasing foreign investor participation, China should not resort to this strategy. Easily accessible foreign capital might put companies into too much debt. Banks with easier access to foreign capital may also increase their balance sheet. These are concerns about opening the capital account too quickly.

Therefore, it is advisable that China should focus on the foundations of its regulatory environment for its domestic financial system. In China's current capital markets, the quantity of bonds in the market is still small compared to the amount of traditional loans outstanding. In debt capital markets, credit standards and risk management policies are two key areas where domestic investment banks and non-bank financial institutions can benefit from learning about international best practices. For example, state-owned banks should use commercial metrics to evaluate bond borrowers. Regulators should also open the domestic RMB lending and deposit business and debt capital markets business to more foreign banks. J.P. Morgan CEO Jamie Dimon and his

global peers have repeatedly asked the PBOC to allow more foreign banks to conduct local currency business in RMB. As an example, in Hong Kong SAR, the top 20 global banks—such as Citibank, ABN Amro, BBVA, and Bank of America—can operate a local HKD lending, deposit, and debt capital markets business. Therefore, liberalization in RMB markets should be a priority in the reform agenda. With the background of historical, social, and the economic relations between the US and China, an in-depth focus on currency convertibility and its financial benefits to working-class Americans would be useful.

Pax Sinica

Since the 1940s, the US has been the world's dominant economic and military power. The term *Pax Americana* is a term referring to the concept of relative peace in the world after 1945, which also overlapped with the era of the Cold War between America and the former Soviet Union. The Marshall Plan, which spent \$13 billion after World War II to rebuild the economies of Western Europe, has been described as the launch pad for Pax Americana. Before there was Pax Americana, there was a *Pax Britannica* (1815-1914) and, in ancient times, a *Pax Romana* (27 BC–180 AD).

The Salzburg Global Seminars have been called the “Marshall Plan of the Mind,” so it was appropriate to ask at the Salzburg Global Seminar in February 2024: What will launch a *Pax Sinica*? Is China a major risk factor/disruptor? A Pax Sinica could be described as peace on China's terms. The Carnegie Endowment for International Peace (2024) has been asking whether a post-American world order would be one of Pax Sinica. I disagree, for one macroeconomic reason and one microeconomic reason.

Macroeconomists would argue that the economies of the US and China are much more intricately integrated than those of the US and Russia. Furthermore, the main reason China will not replace the US economically is because the USD is still the main international currency. Despite China's immense trade volumes, the Chinese RMB still accounts for only 2% of global payments, leading to an uncertain path of RMB internationalization. Without RMB as the main international money, China is unlikely to be the sole and dominant global power.

Multipolarity versus Unipolarity

Unipolarity is defined as “an international system characterized by one major center of power and influence” (Oxford Dictionary). For example, American exceptionalism emanates from the concept of unipolarity. On the other hand, multipolarity is a distribution of power in which more than two states have similar amounts of power. In the case of US, China, and the EU, the concept of multipolarity applies.

The semiconductor industry is a good example. Neither the US nor the EU can claim dominance. Professor Chris Miller (Tufts University) teaches US-Russia relations. In his book *Chip War*, he writes about Intel, one of America's leading technology companies, and the risks it faces if it falls behind Asia competitors in Taiwan and South Korea (Miller, 2022). ARM Holdings and ASML Holdings, Europe's top semiconductor companies, also rely on Taiwan and South Korea companies. In an interview with Intel Board Member Dr. Tsu-Jae King Liu, also Dean of the College of Engineering at UC-Berkeley, Dr. Liu highlighted joint efforts by the US federal and state governments, along

with academia and industry executives, to ensure that the semiconductor manufacturing and hardware businesses remain a priority for the US. Liu acknowledges the technological advancement made by European and Asian chip companies and is committed to helping Intel be globally competitive.

In the currency market, in 2011, the World Bank predicted that by 2025, six major emerging economies—Brazil, China, India, Indonesia, Russia, and South Korea—would account for more than half of all global growth, and the international monetary system will no longer be dominated by a single currency, implying that the USD would no longer be the global currency. The USD now occupies around 43% of market share, implying that multipolarity is already a reality.

Unipolarity is also at risk because of geosocial networking in multiple regions of the world. The abstract geopolitics of hotspot human conflict and the embodied geosocial constructions of solidarity show safe spaces to be compromised and constantly contested.

Chapter VI.

Perspectives

It is important to note that two different schools of international relations have guided the policy direction of US political leaders. Both the Trump and Biden administrations seem to be under the influence of realism, while the Clinton and George W. Bush administrations seemed to operate under approaches that could be called liberalism.

Realism versus Liberalism

In international relations studies, the US-China relation is understood by some scholars through the lens of realism, while others consider liberalism to be a more appropriate interpretation. For example, English philosopher Thomas Hobbes, and more recently Professor John Mearsheimer (University of Chicago) are well-known proponents of realism. Others, like German philosopher Immanuel Kant and Professor Alexander Stubb (European University Institute), take a more liberal position on international relations (Mearsheimer, 2018). Consider these pairings:

- Classic realism focuses on competition between states in an anarchic global system; liberalism emphasizes the benefits of international cooperation.
- Realism claims that only the nation/state is the key actor; liberalism claims that states, individuals, and international institutions (like the UN and WTO) are actors in the interactions of international relations.

- In addressing the central problem of war and conflict, realism seeks security via power and self-interest; liberalism seeks to establish peace via mutual assistance and collaboration.
- For realists, the nature of international relations is based on a background of anarchy; liberalism is based on cooperation and community.
- Realism considers conflict as rational; liberalism considers conflict as irrational.

In arguing against Mearsheimer's realism-based stand on Russia's invasion of Ukraine, Stubb drew on his own previous experience as both prime minister and finance minister of Finland to argue that individuals like Putin and organizations like NATO and EU each played a role in what is now the current state of international relations between Russia, Ukraine, and the United States (Stubb, 2022).

Further, in a conversation with Arne Westad and Rana Mitter at the Salzburg Global Seminar on February 19, 2024, both said they believe liberalism is a better guide for political leaders seeking to shape US-China foreign policy. Under the liberal approach, the business community, individual working-class citizens, and major international institutions like the WTO, World Bank, and the UN are all additional actors in US-China relations, helping to create more value for both sides and avoiding a fall into the zero-sum trap.

Another school of thought that is similar is called constructivism, which emphasizes the role of ideas, norms and identities in shaping states' behaviors. Constructivism argues that states' actions are influenced by their beliefs, values, and social interactions.

Not a Zero-Sum Game

Is China a US strategic partner or a competitor? To answer this question, we should assume that the relationship is not to be viewed as a zero-sum game. In her book, *The New China Playbook*, Jin analyzes a case of competition between Didi and Uber in Mexico (Jin, 2023). Uber was losing market share to Didi, a Chinese ridesharing platform in Mexico, in part due to Didi's innovative policy of paying Mexican drivers daily instead of monthly. Didi also provided more culturally appealing features to local customers. Uber learned from the experience, and used it to improve Uber services in other non-US markets.

Another case is Starbucks. In January 2016, Starbucks's CEO Howard Shultz said the company was going to open 500 stores in China in one year alone. The company not only faced challenges associated with rapid growth, but as an innovation leader, it also faced expectations from the fourth industrial revolution. The VP for Digital at Starbucks China was tasked with delivering the company's business plan: 70% growth in three years, all in a weak economy and an industry with fierce competition. The executive wondered what his team had to do to ensure Starbucks remained the market leader in China.

China is Starbucks' second largest market after the US. By 2016, there were more than 2,000 stores in China, 3,000 by 2019. The Chinese market held great market potential but this also came with cultural and regulatory challenges. Starbucks was successful in China as a first mover but despite the company's successes, fierce competition emerged from a range of domestic and international competitors such as UBC coffee, 85 Degrees, McDonalds, and KFC.

As loyal customers know, in order to differentiate itself, Starbucks offers a premium coffee experience to its core middle class customers: affluent urbanites, typically ages 18 to 42 years old. When the company decided to change its model from luxurious to more widely accessible, it quickly became apparent that locals preferred to buy from local sellers and promote them, rather than buy from Starbucks. That case is a prime example of why US leaders should focus on the geoeconomics instead of geopolitics.

Chapter VII.

Recommendations

Former US Secretary of State and National Security Advisor Henry Kissinger said in 2012: “Conflict is a choice, not a necessity.” To that end, I believe politicians should consider the best interests of all Americans. While there are significant groups in both China and the US that believe a contest for supremacy between the two countries is inevitable and perhaps already under way, Kissinger argued they were wrong: Beijing and Washington owed it to themselves, and to the world, to avoid conflict.

Ten years after Kissinger’s article, “The Future of US-China Relations,” appeared in *Foreign Affairs*, former Australian Prime Minister Kevin Rudd added his support to the argument that conflict is a choice, not a necessity (Rudd, 2022). Further, military strategies like “pre-emptive war” or “first strike” do not apply in the current conflict between the US and China. Professor Michael Doyle, former director of Columbia University’s Global Policy Institute, also argued that customary international law is not capable of adequately responding to the pressing security threats of our times (Doyle, 2011).



Hu (China) & Bush (US)



Hu & Obama (US)



Trump (US) & Xi (China)



Xi (China) & Biden (US)

US AND CHINA'S PRESIDENTS FROM 1970 TO PRESENT



	
Richard Nixon 1969-1974	Mao Zedong 1970-1976
Gerald Ford 1974-1977	Deng Xiaoping 1976-1993 (Li Xiannian – 1983-1988) (Yang Shankun – 1988-1993)
Jimmy Carter 1977-1981	
Ronald Reagan 1981-1989	
George H. W. Bush 1989-1993	Jiang Zemin 1993-2003
Bill Clinton 1993-2001	Hu Jintao 2003-2013
George W. Bush 2001-2009	Xi Jinping 2013-present
Barack Obama 2009-2017	
Donald J. Trump 2017-2021	
Joe Biden 2021-present	

Figure 11. US Presidents and Chinese Presidents (1970 to present)

Source: Wikipedia

Recommendations to the US Government

My first recommendation to US policymakers is that the US government should advocate for capital market reform, and continue to leverage American exceptionalism in executing and implementing policies and products such as EPPs to benefit its citizens. A tremendous amount of wealth has been created and is reflected in the stock market capitalization. However, the distribution of that wealth is uneven, and the US should use its power to reduce the wealth gap.

The power of the state is best illustrated by US government initiatives to establish federal agencies like NASA in 1958, and federal policies such as the CHIPS Act (Creating Helpful Incentives to Produce Semiconductors) in 2022. The CHIPS Act is a federal statute that provided USD 39 billion to chip manufacturing and USD 170 billion to an overall budget of research and technology ecosystems for the Department of Energy, NASA, and the US Department of Commerce. The funding focuses on certain capital-intensive industries like semiconductors, space science, and/or artificial intelligence, which should leverage the power of the state in its development.

At the state government level, Jerry Brown, the longest serving governor in the history of California, established the California-China Climate Institute (CCCI) at UC Berkeley. The CCCI consists of advisory board members from different business sectors, government, and academia from both China and the US. The goal of the CCCI is to provide a platform for the US government to better cooperate with the Chinese government on various climate and sustainability initiatives.

The US government has very powerful tools. For example, in financial systems, the US Federal Reserve uses interest rates (Fed Funds rates) as a tool to control inflation.

By the end of 2023, the Fed had raised rates more than 500 basis points since the beginning of 2022 as a tool for combating domestic inflation. The Fed Funds rate can also be a tool of mass intervention by the Central Bank. In the aftermath of the Covid-19 crisis, the Biden administration announced a USD 5 trillion stimulus package to help the US economy (Parlarpiano, et al., 2022).

In addition to providing direct financial aid and implementing corporate programs like EPPs, US presidents should engage Chinese CCP leaders in further bilateral economic dialogues between the US and China, as was the case in the first decade of the 21st century. While Chinese domestic politics have severely limited economic reform over the past decade, there is an upside for a more authoritative leadership style and centralization of political power. The centralization of CCP power should boost its confidence in letting go of control and allow market dynamics to determine RMB exchange rates.

In 2006, then US Treasury Secretary Henry Paulson launched the first Strategic Economic Dialogue (SED) with China. This government-to-government dialogue was halted for political reasons, but it should be restarted by including key financial and commerce leaders like the Secretary of Commerce, Secretary of Agriculture, Secretary of Treasury, and the Chairperson of the Federal Reserve System. Chinese counterparts in trade and finance ministries should also be included in these SEDs.

Recently, most US-China discussions have been viewed through the lens of national security. However, as President Bill Clinton succinctly put it during his campaign in 1992: “It’s the economy, stupid!” The average American workers need to have decent jobs and higher incomes by exporting more agricultural goods, industrial or

consumer products, and services to China. Thirty years after Clinton popularized that phrase (first coined by strategist/pundit James Carville), political leaders in Washington still need to pursue economic dialogue to benefit American workers. Advocating a political reform or a democratic political system is probably not going to offer economic benefits to American workers directly. Eichengreen noted: “The dollar in 1914, like the RMB today, played a negligible role in international trade and payments” (Eichengreen, 2011). He argues that it took 10 years, from 1914 to 1924, for the dollar to overtake sterling as the leading international reserve currency. As the RMB becomes more relevant, it is imperative for the US government to engage China in strategic economic dialogue.

In addition to economic cooperation, political leaders also need China’s cooperation in fighting the global pandemic and other bio-social issues. The Covid-19 pandemic did not increase US-China cooperation in fighting global problems that affected both American and Chinese citizens. It is imperative for political leaders in Washington to take global leadership and partner with China to combat global issues like climate change and infectious disease. We share the same planet and many values. China and the United States should be partners in addressing global challenges like climate change, health care, and long-term energy policies for humanity.

There are additional issues such as climate and health where ongoing discussions could benefit both the US and China. Dr. Cary Krosinsky (Harvard Extension School), mentioned in his book *Modern China*: “The West isolating China and making it an enemy only makes this transition harder and less likely to occur, reducing the opportunity for successful global transformation” (2022, p. 9). Krosinsky argues that the US and

Western countries need China to partner in solving global problems like climate change and energy sustainability.

The Paulson Institute in Chicago, a non-partisan, independent “think and do tank” founded by Henry Paulson, advocates that the US should foster a US-China relationship that maintains global order in a rapidly evolving world. The Institute believes working in partnership with China is essential to success in climate change. To that end, the Institute has hosted multiple seminars to promote sustainable economic growth and a cleaner environment around the world.

Recommendations to the Chinese Government

China is currently the world’s second-largest economy. What is most threatening to the leaders of China? I would argue it is not a military attack or invasion by another foreign country, but a domestic economic crisis. The number one priority of any leader of China is economic growth and political stability.

There are both tangible and intangible benefits for Chinese citizens if the RMB were to be fully convertible. First, it would provide financial freedom to the large number of depositors in mainland China. There are few investment and financial products for RMB depositors, and the majority of households have access to only two types of assets—residential properties and bank deposits—because domestic stock markets are too volatile for many inexperienced retail investors. Bridgewater Associates, a large US hedge fund, launched an RMB-denominated fund, but it was intended only for ultra-high-net-worth individuals and not for retail investors. There is a strong need for more retail financial products and investment vehicles denominated in RMB for the hundreds of

millions of average depositors in China. Imagine if the average Chinese investor with RMB deposits in local banks could purchase financial products like international mutual funds and equities denominated in RMB (Fok, 2022, Chapter 8). Besides these tangible benefits, allowing the RMB to be freely and fully convertible would also remove the political “currency manipulator” narrative on China.

It should not be in the interest of the PBOC to limit the development of retail financial products in China. Opening of the Capital Account will allow individuals in China to use their own currency, the RMB, to invest overseas. Investors in Japan can buy shares of foreign companies denominated in JPY⁴; American investors can buy shares of BMW and Mercedes Benz denominated in USD, while European investors can invest in American companies and financial products denominated in EUR. Chinese leaders would not see any benefit if China were to become an autarkic economy, even if China had the capacity to achieve complete economic independence and self-sufficiency, which is unlikely.

The fear of massive capital flight remains the biggest obstacle to the RMB’s full convertibility. I argue that convertibility is the right policy but the timing is not yet mature. It will take time to build confidence in RMB by learning from the successful examples of HKD and TWD previously. While the RMB’s market share has doubled over the last ten years, the absolute number is still very small at about 2.5%. Moreover, without the RMB’s full convertibility, the geopolitical implications for China are still

⁴ See March 2023 listings from the Japan Exchange:
<https://www.jpx.co.jp/english/equities/products/foreign/issues/index.html>

very limited. It is highly unlikely the RMB will become a global currency or dominant international currency that can rival the JPY, GBP, or the EUR, let alone the USD.

In a May 2018 paper published in the journal *International Affairs*, Masanori Hasegawa questioned whether the RMB will replace the USD and dominate the international monetary system despite the global history of economic and geopolitical advantages enjoyed by the US (Hasegawa, 2018). Hasegawa introduced the concept of a Regional Key Currency (RKC) based on academically rigorous and practitioner-focused scholarship. In recent years, as the Chinese economy has grown, many scholars have argued the potential of the RMB to rival the USD—not at the global level but at a regional Asia-Pacific level (see, for example, Kirshner, 2018).

Both Kirshner and Hasegawa argue that the RMB is unlikely to become a global currency, for three reasons: (1) The CCP is unable to undertake full scale financial liberalization, (2) China has enormous regional economic power over neighboring Asian countries and (3) CCP's paradoxical policy seeking to internationalize the RMB without losing control of exchange rate.

In 2016, China was the largest trading partner with several neighboring states in Asia, including Australia, Indonesia, Japan, Malaysia, Singapore, South Korea, Taiwan, and Vietnam (Hasegawa, 2018, p. 545). The Cross Border Interbank Payment System (CIPS) was launched by China in October 2015 as a Chinese payment system that offers clearing and settlement services for its participants in cross-border RMB payments and trades. Backed by the PBOC, China launched CIPS to internationalize RMB settlements with trading partners like Laos, Mongolia, Myanmar, North Korea, and Vietnam, which had accepted settlement in RMB with trades with China since 2000s.

There are signs, however, that China is implementing reform at its own pace: Stock Connect schemes between Hong Kong stock exchange and exchanges in Shanghai and Shenzhen are good examples. These schemes demonstrate the CCP's continued insistence that it will maintain certain capital controls while allowing foreign investors greater access to its onshore stock markets. But Stock Connect also highlights how China remains unwilling to undertake any full-scale financial liberalization, but instead will engage in a gradual, limited, and reversible process.

Beyond China, many Asian states also have concerns about US financial hegemony status and the USD's unipolarity. For many Asian leaders, China is their largest trading partner, and their respective countries share some degree of cultural affinity. Even in the predominantly Muslim countries of Malaysia and Indonesia, the Chinese diaspora still controls a significant segment of the economy and occupies key business positions. As the second most populous country in Asia, India's largest trading partner is China, based on 2002 figures related by the Ministry of Commerce and Industry of India. Therefore, if the RMB were to become the regional key currency, it would have a practical application for India as well.

Incentives for the Chinese Communist Party

Why might it be in the interests of the CCP to have a convertible currency? John Ryan, a Network Research Fellow at CESifo, in Munich, Germany, argues that the RMB is a foreign policy tool rather than a reflection of macroeconomics. The RMB's accession to Special Drawing Rights greatly advanced China's image and economic prowess.

The CCP's push for RMB internationalization is shaped by a desire to reduce US dollar exposure. The UK's first issuance of RMB bonds in 2014 served as a benchmark for RMB risk-free rates, in a deal that was critical for building RMB credibility and facilitating the currency's growth in offshore markets. However, such a move may be complicated by the United States' geopolitical back-pedaling on its allies like South Korea, Singapore, India and Japan; all are neighboring countries in a similar time zone as China. Therefore, it is in the interests of the CCP and the People's Bank of China to have the RMB as a regional key currency supported by the agreeable geo-economics between China and its neighbors in Asia.

Chapter VIII.

Conclusion

“President Donald Trump’s policies toward China left America more vulnerable and more isolated.”

—Janet Yellen, Dec. 15, 2023
US Secretary of Treasury,
former Chairman of the Federal Reserve

This thesis explored how capital market reform in China might benefit working-class Americans. Internationalization of the RMB could mean that China makes a concerted effort to strengthen its domestic financial institutions and capital market regulatory agencies with assistance from the US government and business community, the BIS, OCC, and the World Bank. Growing confidence will be needed to reduce the volatility of RMB exchange rates and attract talented domestic and international professionals to work in regulatory agencies in China.

The Long-Term Benefit to the US

What is the long-term benefit to the US and its working-class citizens? Having the biggest military or economy might not benefit the American working-class. This thesis recommends both domestic policy and foreign policy ideas.

As a domestic policy matter, I believe successful implementation of the Equity Participation Plan into 401(k) plans will bring significant long-term benefits to American workers. These financial benefits will reduce the income inequality and wealth gap in the

US, but it will require close cooperation between the Department of the Treasury, the Department of Labor, and the US private sector.

In foreign policy, ever since *Empress of China* sailed from New York to Canton, China in 1784, the founding fathers foresaw the use of trade and commerce as tools to improve the lives of working-class Americans. However, trading physical goods and services were just the beginning; today, international relations have evolved significantly because of technological advancement and currency market developments. There are now many more sophisticated tools and financial products available. In time, full RMB convertibility will bring significant financial benefits to working-class Americans.

I am convinced that American companies and working-class employees could benefit from full convertibility of the RMB, based on the statistical analysis shown in this thesis. It is in the best interests of American policy makers to advocate for a fully convertible RMB. An open economy in China with a fully convertible RMB will accelerate domestic reforms, which is what American political leaders in Washington DC advocate. Someone should be the first to do that for America!

Appendix 1.

List of Interviewees

Craig Allen, President of US-China Business Council (Zoom, Sept 6, 2023)

Myma Belo-Osagie, Trustee, African Wildlife Foundation, retired partner, Udo Udoma & Belo-Osagie law firm, Lagos, Nigeria (WhatsApp, Jan 10, 2024)

Matilde Bombardini, Haas School of Business, UC Berkeley (Zoom, Jan, 25, 2024)

Joseph H. L. Chan, Undersecretary of Financial Services & Treasury Bureau (WhatsApp, Dec 28, 2023)

Alex Cheng, Senior Manager, Hong Kong Monetary Authority (Zoom, Jan 15, 2024)

Paul Clifford, Harvard Kennedy School (Zoom, Jan 5, 2024)

James Fok, author and Chief Commercial Officer of HKMA (in-person, July 2023)

Daniel Fung, Vice Chairman of Financial Services Development Council of the HKSAR (Zoom meeting, Aug 2023)

John Greenwood, British economist, architect of the Hong Kong dollar currency board established in 1984 (Zoom meeting, Sept 10, 2023)

Alex Ho, Manager, Hong Kong Monetary Authority (Zoom, Jan 15, 2024)

James Lau, Jr. former Secretary (2017-2020) of Financial Services & Treasury Bureau of HK SAR Government (in-person, Nov 1, 2023)

SY Lau, advisor and SEVP Tencent, HBS AMP178, (WhatsApp, Oct 28, 2023)

Daniel Leong, Division Head, Hong Kong Monetary Authority (Zoom, Jan 15, 2024)

Tsu-Jae King Liu, Dean of Engineering, UC Berkeley, Board Member, Intel Corp (Jan 18, 2023)

Victoria Mars, Chairman, Mars Incorporated (in person, Nov 17, 2023)

Blair Pickerell, HBS '84, Former CEO, HSBC Asset Management, Morgan Stanley AM, Board Member of Principal Group, (In person, Nov, 2023)

Meg Rithmire, F. Warren McFarland Associate Professor at Harvard Business School (Zoom, Jan 31, 2024)

Weijian Shan, Executive Chairman, PAG and author of Out of the Gobi – My Story of China and America (email, Jan 11, 2024)

Marti Tirinnanzi. Board Member, ICE / NYSE (in-person meeting, Nov 17, 2023)

Arne Westad, Professor, Yale University (in-person, Feb 18, 2024)

Mark Wu, Harvard Law Professor (in person, Feb 26, 202

Appendix 2.

List of Interview Questions

- a) As a long-term national & financial policy, should the RMB be fully convertible?
- b) What are the risks and benefits to average Chinese citizen?
- c) What are the risks and benefits to working class American citizens?
- d) How will this impact the US-China relationship?
- e) What are some issues and obstacles to overcome for PBOC?
- f) Will American multinational corporations benefit financially from a fully convertible RMB?
- g) What lessons can we learn from Taiwan Dollars, Hong Kong Dollars or other currency's (Sterling pound, Euro) path to liberalization?
- h) Currently, Iran, Russia have imposed further limits on their currency's convertibility. Do you think this will further damage their relationship with the US or rest of the world?
- i) In the case of North Korea, will trade liberalization or open economic access help their citizens?
- j) Do you have any view on Nigeria's currency Naira and its recent fall in value?
- k) What recommendation would you give to PBOC on RMB policy?
- l) What recommendation would you give to US Congress on foreign policy towards China?
- m) Any other thoughts on the direction of RMB convertibility that you like to share?

Appendix 3.

List and Description of Case Studies

1. China. To float or not to float (A)

Laura Alfaro, Rafael Di Tella, April 02 2010

Harvard Business School

In 2005, China revalued its exchange rate from 8.28 Yuan per US dollar by 2.1% to 8.11 per US dollar. People called for a more dramatic change to China's exchange rate believing the new trade weighted value of the Renminbi was undervalued. People also wondered if the small change was merely symbolic or was the first step to greater exchange rate flexibility. It remained to be seen when and even whether additional flexibility to the exchange rate would be introduced.

2. China. To float or not to float (B)

Laura Alfaro, Rafael Di Tella, April 03 2015

Harvard Business School

This case outlined that timelines of changes which were relevant to the Chinese Renminbi. The major timelines included; July 21st when China's central bank revalued China's exchange rate by 2.1% from 8.28 Yuan per dollar to 8.11 Yuan per dollar. It also announced that a basket of currencies would serve as the Yuan's exchange rate reference including US dollar, Euro, Yen etc. In Nov 8 2005. It also went further to state how in January 16 2006, China's reserves reached \$818 billion and has been increasing since then.

3. China to float or not to float (C)

Laura Alfaro, Rafael Di Tella, November 20 2006

Harvard Business School

This case talks about the Esquel group and the Chinese Renminbi. By 2005, Esquel had become one of the largest cotton shirt manufacturers in the world. The 2.1% revaluation of the Yuan threatened to reduce profit margin and possibility for future changes affected the group which was confronted with the challenge of addressing the revaluation of the Yuan and the possibility of future appreciation. Esquel had some operational protection against Renminbi movement but they were insufficient to protect the company from the Yuan's appreciation and possible future appreciation.

4. China to float or not to float (D), Bank of America's strategic investment in China Construction Bank

Laura Alfaro, Rafael Di Tella, November 20 2006

Harvard Business School

This case talked about Bank of America's strategic investment in China construction bank. With its \$3 billion investment in China Construction Bank, Bank of America was one of the several foreign banks directly participating in China's banking sector reform. People believed Bank of America would bring in expertise in risk management and would also help create a solid credit culture, but others thought Bank of America would be restricted to a total of one board member from a total of 16 to 19 board members which might limit influence.

5. China to float or not to float (E), ABB investment in China

Laura Alfaro, Rafael Di Tella, November 21 2006

Harvard Business School

With the revaluation of the Yuan by 2.1%, ABB was also among the companies that was confronted with the challenge of addressing the revaluation of the Yuan and the possibility of future appreciation. Outsiders thought ABB and European companies who compete directly with Asian rivals were likely to enjoy a competitive advantage due to the revaluation, but ABB thought otherwise as the possible future appreciation would affect ABB's strategy to intensify the use of China as a base for global sourcing.

6. McDonalds. Is China loving it?

Stephen Ko and Claudia H.L, January 2008

Asia Care Research Center, University of Hong Kong

McDonald entered China in 1990 and operated under direct investment model since China did not have franchise regulations. It grew and faced some controversial issues. It was accused of paying its part time workers lower in Guangzhou, In February 2008 when China inflation hit, McDonald quietly raised prices which caused, McDonald was also criticize saying it did not apply the same health and environmental standards in China as it did for other places. McDonald received criticism with its ad campaign in in the Olympics in China which ran "I am lovin it when China wins" People in the US called McDonald a sellout. The prevalence of McDonald shows the Chinese are "Lovin it" But however, the case asks if McDonald will ever be able to sustain itself as China transformed into a developed nation

7. Bridgewater. Developing its business in China

Rujing Meng and Gianne Wong, 9th April 2020

The University of Hong Kong, Faculty of Business and Economics

Bridgewater LP entered the Chinese market and developed its business in China under its wholly owned subsidiary Bridgewater China Investment Management (BCIM) in 2011. It was led by Yang Wang and launched its first onshore Chinese investment product in 2018. China was no doubt one of Bridgewater's major focuses and it was Bridgewater belief that China will be the number one economy in 10 years. With BCIM deepening involvement in China, the case asks how the fund manager will get the best out of China amidst the challenging global economic market conditions.

8. Taiwan Semiconductor Manufacturing Company Limited. A Global Company's China Strategy

William C. Kirby, Michael Shih and Keith Wong, October 2, 2015

Harvard Business School

This case talks about future of the TSMC's development in China which was also the world's largest market for semiconductors. Morris Chang wondered if China could still be the missing piece that will help TSMC's strategic road map that will help sustain the company's future growth. The case asks if TSMC should expand its capacity in China, and what type of technology should it move to China if it chooses to expand there or should it keep its activities in Taiwan while searching for other countries in which to locate its equipment.

9. Taiwan Semiconductor Manufacturing Company Limited. A Global Company's China Strategy (B)

William C Kirby, Billy Chan and Dawn H Lau, January 17 2020

Harvard Business School

This case looked at the Taiwan Semiconductor Manufacturing Company and its early investment in technology and how it surpassed the major US chip maker Intel corporation. With the technological competition going on, people wondered if TSMC could benefit from the competition without getting caught in the crossfire of a potential US-China decoupling while none of the Chinese companies were posing an immediate threat to TSMC, perhaps it was only a matter of time before they did.

10. Augustine Heard and Co. (AHC): Building a family business

William C Kirby, Joycelyn Eby and John S. Ji, June 14 2016

Harvard Business School

This talked about AHC which and how it was an American family owned firm in the China trade. Heard expanded his business, recruiting his nephews. By 1850, the company emerged as the third largest American company engaged in trading with China. Despite AHC's successes in 1840 and 1850's, the company faced challenges in 1860 as the environment and technology changed.

11. Augustine Heard & Co., Building a Family Business in China Trade

William C. Kirby and Joycely Eby, June 16 2016

Harvard Business School

When Augustine Hears Sr. retired from his family business in 1862 and left the business to be managed by his 4 nephews but with lack of coordination, untrustworthiness, lawsuits and family dysfunction, the company filed for bankruptcy in April 19 1875. The brothers raised \$30,000 to reopen the firm in 1876 but later closed as they realized it was also a failed operation.

12. Dalian Wanda Group: The AMC Entertainment Acquisition (A)

Willy Shih, April 5 2018

Harvard Business School

In 2012, Wang Jianlin the founder of Dalian Wanda Group announced it was going to acquire AMC Entertainment Holdings for \$2.6 billion which was the second largest US

theatrical exhibition company. This acquisition raised eyebrows as it was the largest acquisition of a US company by a Chinese firm. This was also the first overseas acquisition for Wanda and he hoped the proposed deal will win the approval of the US Federal trade commission as well as other committees.

13. Dalian Wanda Group: The AMC Entertainment Acquisition (B) (1)

Willy Shih, April 6 2018

Harvard Business School

In 2012, Wang Jianlin, Chairman of the Wanda group, acquired 80% of AMC using \$800 million in a \$2.6 billion debt financial deal. AMC went public in 2013 at a \$18 per share, with the expectation of growth and their re-seating programs that were introduced, the stock quickly rose. By 2014 it was clear that the investment will pay off as revenues and EBIDTA. The end of the case asked what synergies AMC and Wanda Group might expect to reap.

14. Wanxiang Group. A Chinese Company's Global Strategy (A)

Regina M. Abrami, William C. Kirby, F Warren McFarlan, Keith Chi-Ho Wong and Tracy Manty, July 9 2008

Harvard Business School

The case begins in 2007, with discussion on how to build on and nurture the synergies in the companies the group had just acquired in the US, and how to integrate them with the operations in China. In 1993 the group ventured into the US market. By 2007, Wanxiang America had generated sales of over \$1 billion. Wanxiang grew through various acquisitions as well as additions of other operations to the core business. It also ventured to the production of electric cars for the Chinese business in early 1990s. In its core businesses, Wanxiang was facing challenge in managing its overseas customers and subsidiaries. The case ends asking if Wanxiang localization strategy could lead the company in becoming a global leader and what will become the future of the company.

15. Wanxiang Group. A Chinese Company's Global Strategy (B)

William C. Kirby, Nancy Hua Dai and Erica Zendell, January 23 2013

Harvard Business School

Wanxiang also got into the development of electric vehicles in 1990 after various processes and to help with its businesses, the company decided to bid for of A123 systems which went bankrupt and Wanxiang won the bid of \$256.6 million and the deal was approved in the US bankruptcy court. Lu Guangui was excited about the news and hoped the acquisition becomes successful as A123 propriety Nanosphosphate technology will give Wanxiang a competitive edge in the electric vehicle industry.

16. Wanxiang Group. A Chinese Company's Global Strategy (C)

William C. Kirby and Yuanzhou Wang, May 18 2021

Harvard Business School

In January 2013, Wanxiang Group purchase A123 at \$257 million. The company also acquired Fisker in 2004 for \$150 million and renamed it Karma automotive. Wanda Group grew through acquisitions and good decisions making. In December 2016, Wanxiang won the approval by China's National Development and Reform Commission

to build the facilities needed to produce EV's in China. Despite having the capacity to launch EV on its own, the case asks if such an endeavor is worth the risk for Wanxiang? It wondered if Wanxiang should focus on developing technology and components for EV instead.

17. Starbucks China: Managing Growth Through Innovation

Ali Farhoomand, January 2016

The University of Hong Kong. Asia Case Research Center.

In January 2016, Starbucks's CEO Howard Shultz said the company was going to open 500 stores in China. The company faced challenges presented by rapid growth and innovation. Starbucks grew through acquisition, partnerships and investments around coffee and by 2016, over 2000 stores were in China. Despite the company's successes, competition grew fiercely from 85 Degrees, McDonalds, KFC etc. To differentiate itself, Starbucks offered premium experience. Starbucks started changing its model from luxurious to widely accessible when it noticed locals will prefer to buy from local sellers. The case asked if Starbucks was on the way to never ending growth or was it the beginning of a next cycle of decline and what employees must do to ensure the decline doesn't happen.

18. Amazon in China

Amy Ni, Anna Fu, 13 July 2021

Ivey Publishing.

In 2004, Amazon entered the Chinese market through the purchase of an online bookshop called Joyo. After some changes, Joyo became Amazon-China. Amazon's shares in China fell rapidly from a 15.4% in 2008 to a 0.6% in 2018. It was believed that Amazon China lost an approximate of \$600 million in 2014 despite the massive growth in China's e-commerce industry. The question now is what should be the next step for Amazon, should Amazon acquire one of its competitors? Start a joint venture with one of its local partners? Or pursue other options.

19. NIKE, the NBA, China and Free Speech: A Zone Defense

Zhigang Tao, Ellen Orr and Grace Xie, January 2021 Month

HKU Business School, Asia Case Research Center.

As John Donahoe prepared to take over Nike, he thought about the company's reputation as a series of recent events had tarnish the company's image, with the latest event being in 2019 against a backdrop of anti-government demonstrations in Hong Kong. The manager of Houston Rockets had tweeted in support of the demonstrations; China was angry and denounce the team and NBA. Nike was closely associated with NBA as it supplied uniforms for NBA teams. Nike tried to distance itself from the team but received backlash from American politicians who accused it of putting profits ahead of American values.

20. Mobile: Lessons from Silicon Valley to China

Peter Ziebelman, Erika Feldhause, 8th June 2020

Stanford Graduate School of Business

The case began in 2018 with Fabricio Blois in China the second time noting the changes from his first visit. Chinese startups which were focused on growth were now focused on

profitability and the ability to compete and stay relevant. With the lessons they got from businesses and leaders in Silicon Valley, to catch up with the Chinese market, Moviels decided to replicate that Silicon Valley data exchange model in China. This was done with companies like Chinnovation, Sensetime, DiDi and Meituan where information was exchanged.

21. Google's dragonfly: Ethics of providing a censored search engine in China

Ernesto Dal Bo Guo Xu, October 1st 2020

Haas school of Business, University of California, Berkeley

When Google launched its services in China in 2000, many searches using Google's search engine were censored, some even linked to the individual's phone numbers so the Chinese government could spy on citizens. However, due to external pressure, it was stopped in 2010. Later, in 2018 with new leadership involving Sundar Pichai, there was a leak that Google was trying to provide its services again in China at the direction of the Communist Party called Project Dragonfly. Project Dragonfly was later terminated in 2019 due to involvement from employees, human right organizations and governments

22. Leadership and Power Dynamics in Crisis Management (A): China

Kaisa Snellman, Andy J. Yap, Gabrielle Lamont-Dobbin, September 2020

INSEAD. The Business School of the World

This case talked about the origin of Covid19 in China and how it was neglected leading to a global pandemic. It provided a series of dates with the evolution of Covid19, starting from Nov 17 2019 when the first patient was infected till how it spread globally affecting the lives of millions and leading to the loss of 5million jobs.

23. Zotter Chocolate: Creating a market in China

Shameen Prashantham and Liman Zhao, September 21 2020

CEIBS

This case is about Julia Zotter's last day at the Zotter Shanghai branch where she had spent the last three years trying to establish the company. She was finally returning home to Austria because the branch had stabilized. Zotter faced many growth challenges, but had now expanded into the Chinese market with Julia spearheading the project in partnership with Amy Fang. In December 2012, Zotter Organic Chocolate Shanghai was formally registered. Julia wondered if the 20 employees will be able to serve all of Zotter's customers. She also wondered if Amy Feng will be able to maintain innovation.

24. Facing Qualcomm: Patent licensing and the development of Anti-monopoly law in China (A)

Thomas Cheng, Yuk-fai Fong, Pedro de Blas. 29th June 2020

HKU Business School

Howard Zhang, an MBA graduate and Li Min another MBA graduate created Xiao Xing. Xiao Xing had to rely on a local third party, an outside foundry for manufacturing the device due to lack of initial fund. With an introduction from Li Min to her former employer, money was provided to start the prototyping work in exchange for a share of equity in Xiao Xing. The problem laid on the baseband processor needed. The group decided use Qualcomm but Qualcomm demanded for a licensed agreement to be signed

that stated that Qualcomm will have 5% of the net sales. The agreement was a problem to Zhang as the prototype was not for sale and the group had to look for another way forward.

25. Apple in China

Mary B. Teargarden, January 2016

Thunderbird School of Global Management

Apple first entered China in 1993 and later decided to launch a more affordable phone in the Chinese market. This phone was the 5C which was meant to be cheap, colorful, cool for China and Cook's idea but unfortunately the phone only gained 2% share of the all iOS devices sold after 4 months. Apple had to reposition itself as a luxury good in China and this turned the tide in Apple's favor. By Q3 of 2015, Apple's revenue in China grew from USD\$6.2 billion to USD\$13.2 billion. The case doubted Apple's future in China asked if Apple could win or even keep up in China.

26. Cabot corporation: The Fuel Cell Decision (A)

Williy Shih, Ying Zhou, January 8 2013

Harvard Business School

The fuel cell project was a project to commercialize a tiny methanol-powered fuel cell that could produce electricity to power devices. The fuel cell project started out well but later, the team started realizing the project was a treadmill coupled with fears that the government funding on R&D might stop. With challenge in materials and expertise to assemble the fuel cells, the team decided to give it a go. Within a year after the first stage of development samples were being provided to customers. With the 2008 financial crisis in the horizon and forecasted loss of USD\$35 million, the team wondered if they should halt the project or continue.

27. Caterpillar Inc. Taps the Chinese bond market.

Luann J. Lynch, Mark E. Haskins, May 9 2019

University of Virginia. Darden Business Publishing

The Chinese bond market was the third largest in the world by 2017 standing at \$12 trillion. This bond market was dominated by domestic users and investors. The two type of bonds were Panda bonds (onshore market) or Dim sum bonds (offshore market). These two set of bonds presented entities with various advantages and disadvantages. In November 2010, caterpillar issued a 2 year ¥1 billion dim sum bond with a coupon rate of 2% in Hong Kong to help finance its expansion in China. Caterpillar also returned to Hong Kong bond market in 2011 to issues a 2 year ¥2.3 billion bond. The company has ever since made some trips to the Hong Kong bond market.

28. Best Buy Co. Dual Branding in China

Niraj Dawar, Chandra Sekhar Ramasastry, November 5th 2010

Richard Ivey School of Business

This case began in 2006 with John Noble as senior vice president at Best Buy international, tasked in his new role to decide and plan how Best Buy should implement a dual brand strategy in China. Best Buy Co entered China and by 2003, but they faced different behavior in the Chinese markets. The dual strategy was one where two brands

both from a common corporate entity fought for market share. This strategy had worked well in Canada when Best Buy Co purchased Future Shop and thought the strategy might work in China. By the end of the first year, there was indication the dual branding strategy was working.

29. Danaher Corporation

Bharat Anand, David. J Collis and Sophie Hood, November 30th 2015
Harvard Business School

In 2010, Danaher's CEO Larry Culp and others were getting ready for another round of performance review of the firm's diverse operating businesses as it is usual in Danaher. For Danaher, a central pillar was their strategy called Danaher Business Strategy (DBS. It basically involved lean manufacturing DBS also involved four P's which were people, plan, processes and performance) Danaher's successful execution of its strategy led to a rapid growth, with a revenue growth rate of nearly 30% from 1986 to 2010, growing from \$296 million to \$13.2 billion. Danaher also faced challenges despite its growth

30. Taming the Dragon: Cummins in China

Charles Dhanaraj, Maria Morgan, Jing Li and Paul W. Beamish, Sept 12, 2006
Richard Ivey School of Business

Cummins established its presence in China in 1979, with several successful businesses, agreements and joint ventures. In 1985 Steve Chapman joined Cummins and was part of Cummins and took over as head of international business later. Cummins also participated in the generator business in China in the 1990s. Cummins faced issues as China prohibited distribution and service of the auto product in any plants except those produced at that plant. With Chapman being appointed to a different position, Cummins also faced a problem of who was good enough to replace him

31. Harley Davidson 2018: Trump Tariffs and the Future

Jonas Gamso, Michael H. Moffett, 2019 January
Thunderbird School of Global Management.

In 2018 Harley Davidson announced it had to shift some United States production to foreign countries in order to remain competitive in the market, all these was due to an increase in the import duties by the EU in retaliation to president Donald Trump's imposition of increased tariffs on Europeans steel and aluminum and due to a consistent fall in the company's sales and profitability. Harley's attempt to open a new assembly facility in Thailand received so much backlash and even the then US President Donald Trump encouraged a boycott on Harley's bikes saying "a Harley-Davidson should never be built in another country".

32. Nike's Response to Human Rights Abuses in China

Andrew Hoffman, May 10 2021
Ross School of Business, University of Michigan

This case began with explanation on how Nike's chief sustainability officer watched a YouTube video on October 2019 titled forced labor, mass internment, and social control in Xinjiang where Nike and other companies were accused of selling products potentially made with materials gotten from forced labor in Xinjiang. With accusations coming up

again, Miller knew how complicated it will be to verify or reject these allegations. He debated if a commitment to stop sourcing from Xinjiang imply Nike was associated with forced labor and if leaving Xinjiang will help the Uyghur people.

33. Intel Corporation: Outsourcing Dilemma

Saurabh Bhattacharya, Arpita Agnihotri, 2022 02 04

IVEY Publishing

In 2021, Patrick. P Gelsinger the newly appointed CEO of California based Intel Corporation was faced to decide between three actions; outsource advanced chip production to competitor like TSMC, completely spin off Intel foundries or reduce some production to fill gaps in its product line as it addressed its manufacturing issues. With competition mounting and the disagreement by the US government and some stakeholders to outsourcing to TSMC, Gelsinger was left to find a way forward.

34. Intel China (The case between Charles Tang and Yong Li)

Donna Everatt, Qian Xiaojun, Kathleen E. Slaughter, 24 May 2017

IVEY Publishing

The case began in 1999 with a disagreement between Charles Tang (Newly appointed manager of marketing programs Intel China Beijing) and Yong Li (Account manager) over Tang's decision to stop a project that was assigned to Li. The project was to create a manual providing software vendors with tip for running their enterprises it had changed from a manual to a book form with different chapters. Tang halted the project based on the thought that Li did not have enough experience and time and Li totally rejected Tang's decision.

Appendix 4.

List of Companies in Hypothesis Testing

Abbott Laboratories, Chicago, IL (Medical devices)

Advanced Micro Devices Inc., Austin, TX (Semiconductors)

Allison Transmission Holdings, Indianapolis, IN (Auto transmission)

A. O. Smith Corporation, Milwaukee, WI (Water heaters)

Apple Inc., Cupertino, CA (Technologies)

Arconic Corp, Pittsburg, PA (Metals manufacturing)

Bank of New York Mellon, NY, NY (Financials)

Best Buy Co., Richfield, MN (Consumer electronics retails)

Boeing Company, Arlington, VA (Airplanes and missiles)

Cabot Corporation, Boston, MA (Chemicals and materials),

Caterpillar Inc., Deerfield, IL (Construction equipment)

Cargill, Incorporated, Minnetonka, MN (Foods)

Chevron Corp, San Ramon, CA (Oil & energy)

CME Group, Chicago, IL (Financials)

Cummins Inc., Columbus, IN (Engines)

Danaher Corporation, Washington, DC (Industrial products)

Dolby Laboratories Inc., San Francisco, CA (Audio equipment)

Eaton Corporation, Cleveland, OH (Industrials/electrical)

Estee Lauder Companies, New York, NY (Cosmetics)

Ford Motor Company, Dearborn, MI (Automobiles)

Harley-Davidson, Inc., Milwaukee, WI (Motorcycles)

ICE, Atlanta, GA (Financials)

Intel Corporation, Mountain View, CA (Semiconductors)

Las Vegas Sands, Las Vegas, NV (Gaming and Resorts)

Marriott International, Bethesda, MD (Hospitality)

Mars, Incorporated, McLean, VA (Confectionaries & foods)

Nike Inc., Beaverton, OR (Appeals & footwear)

Principal Financial Group, Des Moines, IA (Financials)

Tapestry, New York, NY, NY (Fashion/apparels)

Tesla Co, Austin, TX (Automobiles)

United Airlines, Chicago, IL (Transportation)

Visa Inc., San Francisco, CA (Credit cards services)

Appendix 5.

Data Room for Company Annual Reports

<https://drive.google.com/drive/u/1/my-drive>

Login: Projectworkersrmb@gmail.com

PW: Youcannothackme123@

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