

Macro Roundup Article

Headline: [US-China Relations Have Entered a Frightening New Era](#)

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Tweet: If China reached the current relative position of South Korea in PPP terms, its economy would be 50% larger than the US and EU combined. @martinwolf_

Summary: Measured in comparable terms (at “purchasing power parity”), the economies of the US and its allies remain some 80 per cent bigger than those of China and Russia together. Yet China is still a poor country: at PPP, China’s GDP per head in 2022 was still less than 30 per cent that of the US. Suppose it managed to reach the current relative position of South Korea. Its economy would then be almost half as big again as those of the US and EU, combined. Will this happen? Probably not. But, given past performance, it cannot be ruled out. In any case, China already has a potent economy, a big role in world trade and a huge military. The era of strategic confrontation we have entered is frightening. Somehow, we have to co-operate and compete, while also avoiding military conflict. Our starting point must be to achieve the greatest possible transparency over our aims and plans. We learnt the necessity of that after the Cuban missile crisis in 1962. But we will need far more than that and probably for longer.

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