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CCIEE

中国国际经济交流中心
China Center for International Economic Exchanges

US-CHINA TRADE AND ECONOMIC RELATIONS: WHAT NOW, WHAT NEXT

Conference Summary Report

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Hong Kong



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EXECUTIVE SUMMARY

Building Bridges After G-20

In an effort to build on the forward momentum of bilateral discussions following the G-20 Summit, the China-United States Exchange Foundation (CUSEF) and the China Center for International Economic Exchanges (CCIEE) co-hosted the “U.S.-China Trade & Economic Relations: What Now, What Next” forum in Hong Kong on July 9-10, 2019. Gathering more than 40 past and current major stakeholders and influencers in the China-U.S. relationship, forum attendees from the United States, China, and other Asia Pacific countries came together to candidly address the challenges facing China-U.S. relations, as well as to explore new and creative ways to find a consensus on shared issues.

CUSEF and CCIEE share the belief that constructive dialogue and diverse exchanges are essential to advancing the relationship between one of the world’s most developed nations and its most populous, fast-developing nation. “Our discussions will not only be useful and give inspiration, but also will encourage people to take an extra step in support of this very important U.S.-China relationship,” Tung Chee-hwa, founder and Chairman of CUSEF, stated in his opening remarks,. “I also hope that at the end we can come away more confident about the future.”

What Now, What Next

In the foundation’s tradition of gathering influential voices in the China-U.S. relationship, CUSEF welcomed a number of dignitaries to Hong Kong for the Forum’s panel discussions and keynotes. Honored speakers represented a diverse sample of stakeholders in China-U.S. relations, including:

- **From the international community:** **Jean Chretien**, former Prime Minister of Canada; **Yasuo Fukuda**, former Prime Minister of Japan; **Goh Chok Tong**, Emeritus Senior Minister of Singapore
- **From the U.S.:** **Max Baucus**, former Ambassador of the U.S. to China; **Mark Kirk**, former Senator from Illinois; **Ed Feulner**, Chairman of the Asian Studies Center at the Heritage Foundation; **Jeremie Waterman**, President of the China Center and Vice President for Greater China at the U.S. Chamber of Commerce; **William Daley**, former U.S. Secretary of Commerce and BNY Mellon Vice Chairman; **Neil Bush**, Founder and Chairman of George H.W. Bush Foundation for U.S.-China Relations; **Stephen Roach**, senior fellow at Yale University’s Jackson Institute for Global Affairs; **Jan Berris**, Vice President of the National Committee on China-U.S. Relations; **Karl Eikenberry**, Director of the U.S.-Asia Security Initiative at the Walter H. Shorenstein Asia-Pacific Research Center at Stanford University; **David Lampton**, Oksenberg- Rohlen Fellow at Stanford University; **Vali Nasr**, former Dean of the Johns Hopkins School of Advanced International Studies; **William Owens**, former Vice Chairman of the Joint Chiefs of Staff and Red Bison Advisory Group Executive Chairman.

- **From China:** **Zeng Peiyan**, Former Vice Premier of the People’s Republic of China; **Wei Jianguo**, Vice Chairman of CCIEE and former Vice Minister of the PRC Ministry of Commerce; **Zhou Wenzhong**, former Ambassador of China to the U.S.; **Zhu Guangyao**, former Vice Finance Minister; **Fu Xiangsheng**, Vice Chairman, China Petroleum and Chemical Industry Federation; **Qi Zhenhong**, President of the China Institute of International Studies; **Yang Jiemian**, President Emeritus of Shanghai Institute of International Studies; **Wang Huiyao**, founder and President of Center for China and Globalization; **Neil Shen**, founding and managing partner of Sequoia Capital China; **Jerry Guo**, Vice President, Qualcomm; **Zhang Xiaoqiang**, Executive Vice Chairman and CEO of CCIEE and former Vice Director of the Chinese National Development and Reform Commission.
- **From Hong Kong:** **Lawrence Lau**, Kwoh-Ting Li Professor in Economic Development Emeritus at Stanford University; **Victor Fung**, Chairman of the Fung Group; **Ronnie Chan**, Chairman, Hang Lung Properties; **John Zhao**, founder and Chief Executive Officer of Hony Capital

These participants were joined by many other current and former government officials, senior business leaders, and renowned scholars who shared their insights and analyses on free trade, tariffs, and the value of multilateralism in today’s world. We also heard remarks in the form of pre-recorded messages and speeches from those participants who could not be present, such as Chas Freeman, senior fellow at Brown University’s Watson Institute for International and Public Affairs and former Assistant Secretary of Defense for International Security Affairs; as well as Maurice Greenberg, Chairman and CEO of C.V. Starr and former chairman and CEO of American International Group.

Drawing on their wealth of collective experience, attendees participated in a series of panels to assess solutions to the tension pervading the economic relationship fueled by the trade war. In panels titled “**The Future of Globalization, Multilateralism, and Global Governance**,” “**Investment Environment and Technological Innovation**,” and “**Perspectives from Texas and the Heartland**,” panelists examined how both countries have benefited from their trade relationship, the U.S. and China’s most complementary economic sectors, how Chinese and American microeconomic communities can maintain their relationships even in tenuous times, and the other political issues that affect the current tariff policies.

Speakers emphasized that the current domestic political climate in both China and the United States cannot be discounted, but also noted that a change in leadership at the White House would not automatically reset the U.S.-China relationship to its 2016 status. Many panelists argued that acknowledgement of permanent change would be a prerequisite for new productive policies to take hold. Further, panelists agreed that the broader environment in which China and the U.S. compete has shifted, with economic, technological, geographic, and security considerations playing a large role in the way that the two nations perceive one another. As the power balance shifts toward rivalry, some are concerned that policy may be driven more by those who view the party across the table as a foe rather than a friend.

In identifying key ways to resolve the tensions between China and the U.S., panelists highlighted the significance of finding transnational problems, outside of the economic realm, on which the two countries can cooperate. Such problems could be found both in diplomacy and in the private sector, such as nuclear proliferation and climate change. Speakers also highlighted the differing definitions of “success” in the trade war, noting that resolving this will be crucial to achieving a deal.

Other key takeaways from the Forum included:

- China and the United States have found themselves in a new international environment that cannot be mitigated by a change in leadership. This new environment must be recognized and accounted for in policy making by both countries.
- Geopolitical realities, technological innovations, and security considerations have drastically shifted the nations' perceptions of one another from partners to rivals.
- By identifying transnational issues that impact both countries, China and the U.S. can find sectors in which to collaborate.

The "U.S.-China Trade & Economic Relations: What Now, What Next" Forum was an example of the type of dialogue that is necessary to bridge the widening gap between China and the U.S., especially during this contentious time. Maintaining such dialogue ensures that this relationship strengthens, rather than deteriorates, in the future. As Mr. Tung emphasized, "a decoupling of China and the United States harms all and benefits none." The way in which leaders of business, academia, and government rapidly gathered after the conclusion of the G20 to address the future of China and the United States demonstrates the continued vitality and strength of that belief.

In our conversations with the panelists and speakers following the conclusion of the Forum, we received encouraging and positive feedback:

- Hosting frequent Forums would add momentum but also foster greater person-to-person relations.
- There is a need to be more candid about the role of domestic politics in China and the United States when exchanging views on economic and trade matters.
- It is encouraging to see that the majority of participants were optimistic about the future of China-U.S. relations, and believe that cooperation will be the key to continuing the bilateral relationship.
- It is important to remember, as many discussions at the Forum emphasized, that China and the U.S. should expand their discussions and collaborations beyond trade.
- Part of the forum's success was its platform for "voices of third countries" such as Japan, Canada, and Singapore. Perhaps there could be a forum focused on "collateral damage," or what happens to innocent bystanders when the U.S. and China ask other countries to choose sides.

These reflections are important as we continue to foster ongoing dialogue and positive interactions. CUSEF, CCIEE, and Mr. Tung are extremely grateful to all who participated and supported this Forum and look forward to our work together in the future.

CONFERENCE BACKGROUND

This is a high-level international conference that brings together politicians, former heads of government, senior diplomats, business leaders, and renowned scholars of different countries to explore the current status and prospects of Sino-U.S. relations in a two-track discussion.

Purpose

The forum coincides with the 40th anniversary of the establishment of U.S.-China diplomatic relations and follows the recent G20 summit where a consensus for continued negotiation was reached by U.S. and Chinese leaders on June 29, 2019.

This high-level, non-governmental exchange strives to promote U.S.-China relations by looking for ways to both meet the current challenges and be a driving force for future cooperation and stability.

The forum will bring together the wisdom and strength of the international community, allowing many voices converge on the critical issues of multilateralism, free trade, and long-term global economic growth.

Themes

The forum is a free and open dialogue. It focuses on issues including economic and trade relations, intellectual property rights, multilateral and liberalized trade, open markets and global governance, as well as the prospects and future development of U.S.-China relations.



OPENING SESSION

Welcome Message

Tung Chee-hwa

Vice Chairman of the CPPCC, Founder of CUSEF

I'm delighted to welcome all of you today to this beautiful spot in Hong Kong to talk about a topic of great global significance. I hope these beautiful surroundings can give you all additional inspiration.

President Xi and President Trump met on the fringes of the G20 meeting in Osaka on the 29th of June. And it is now time to get together. People will say it's too soon after the meeting, but that's exactly the point: to discuss its impact and importance to all of us.

I'm glad that today and tomorrow we will have the opportunity to thoroughly discuss many important issues. And I hope that our discussions will not only be useful to you, but that they will encourage you to take extra steps in support of the very important U.S.-China relationship.

Finally, I hope that at the end of this gathering, we can come away more positive and more confident about the future. I would like to express my gratitude to every one of you for coming, some of you from very faraway places, to participate in this gathering. To you, to every one of you, thank you.



Keynote Speeches



Yasuo Fukuda

Former Prime Minister of Japan

Yasuo Fukuda says in his speech that the problems China faces today are similar to those Japan has faced. The recent rhetoric of American negotiators with China remind him of their attitude towards Japan in years past.

Mr. Fukuda describes how, in Japan, misjudgments and mismanagement by political leaders and decision-makers led to an unprecedented bubble economy, which soon busted, resulting in more than a decade of serious recession.

According to Mr. Fukuda, the Japanese negotiated with the U.S. in great pains, but they learned many significant lessons during the process. He says all the difficulties they underwent proved to be the “delivery pains” of modernizing and internationalizing Japanese industries and society.

He admits that American demands are not always necessarily just. But unless appropriate policy measures are taken, terribly negative effects will continue to be felt throughout the world.

Mr. Fukuda offers several pieces of advice for China concerning the current situation:

- Each step China takes gravely affects not only the future of U.S.-China relations but also the direction of the entire world. The role China ought to play in this situation is the most serious issue of our era.
- China, as one of the two world powers today, must share the global perspective with other major countries and show a sense of responsibility required of a world power.
- China should not regard itself as a victim of trade frictions with the U.S. On the contrary, China should take this difficult phase as a great chance to transform the nation for the better. Such a determined effort will pave the way for the future and enable China to find new engines for continued economic growth.
- China, as a major power, should squarely face the challenge in cooperation with other countries. China should take the specific first step to construct a “Community of Shared Future for Mankind.” This path will benefit not only China but also the entire world.

**Edwin Feulner**

Chairman, Asian Studies Center, The Heritage Foundation

Edwin Feulner believes no matter the outcome of the 2020 presidential and congressional elections, “waiting for the end of Trump, so that things can get back to ‘normal’ is not a viable strategy.” Regardless of who wins the next presidential election, the U.S.-China relationship on economic policy issues will not return to a pre-Trump position. He advises China not to expect American policy to bounce back to “the good old days of normalcy.”

He notes that the challenges are real, but so is the opportunity for a remodeled and upgraded U.S.-China economic relationship. By stating the challenges clearly and forthrightly, the two countries can define the issues and gain fuller understanding of differences, perhaps even resolve some of them.

In his opinion, the “grip and grin” handshake between the two leaders in Osaka does not guarantee a final deal, because there are three unresolved fundamental issues from the American perspective:

- The first obstacle is intellectual property, where the two views are fundamentally different, independently shaped, and opposing. Whatever the specific details of a case in the form of the theft of intellectual property, or forced technology transfers, or concerns about cyber security, the overarching question of respect for patent and intellectual property must be discussed candidly and openly. This must be resolved with more than smiles, sound-good statements, and promises for reform “soon”.
- The second challenge is the status of China as a “developing country” in the WTO, and China’s receipt of massive World Bank loans as a developing third world country. If China is the number two economy in the world, it is not unreasonable for the U.S. to assume that it will act like it and not try to game the world’s systems.
- The third major challenge is China’s practice of changing the ground rules of the negotiations.

In his concluding remarks, Mr. Feulner says the U.S. and China will remain the two dominating economies, in whichever order, for at least the next half century. China, the rising power, will have to learn how to face the reality that the U.S. is the current dominant power. The two countries have to continue to talk and to act positively as they meet, and actually carry out the agreements that can bind them together.



Zeng Peiyan

Chairman of CCIEE, Former Vice Premier of China

Zeng Peiyan's remarks focus on the allegation by the United States that it has suffered "losses" from its trade with China. In a systematic analysis, Mr. Zeng refutes this allegation by highlighting three factors: the inevitability of America's trade deficit, the lack of a comprehensive and objective approach toward America's trade deficit with China, and the fact that the United States stands to gain substantially from its trade with China.

In his opinion, the United States should not stress deficit in goods trade alone. Instead, it needs to tackle the reason behind the deficit and the lessons to be drawn from it. Any policy measure needs to be based on an objective analysis, otherwise resorting to increasing tariffs would only worsen the situation. Mr. Zeng hopes that the two countries will respect each other's core interests in order to reach a trade deal acceptable to both sides.

This will not only bear historic significance in the bilateral economic and trade relations, but it will also set up a great example for international economic and trade cooperation.

Mr. Zeng makes the following points:

- There has been a long history of the U.S. trade deficit, which stems from the dominance of the U.S. dollar in the international monetary system, the domestic imbalance between low savings and high consumption, and the adjustment of its industrial structure, including the pursuit of a service sector with higher added values and transfer of its manufacturing sector overseas. Moreover, the U.S. restriction on high-tech exports to China for years is a major reason for its widening trade deficit with China.
- We need a realistic picture of the trade deficit.
 - We cannot look at trade in goods alone. Though America suffers a deficit in goods trade, it enjoys a surplus in services trade.
 - The U.S. deficit with China is, to a larger extent, its total deficit with the whole of East Asia. Over half of Chinese goods exported to America are processing trade, with intermediate goods mostly coming from economies in other parts of East Asia. Against the backdrop of a global division of labor, it is trade in added values that truly reflects a nation's trade situation.
 - When calculating trade, GNP should play a larger role, which incorporates business revenues in host countries. The current statistical method based on GDP is lagging behind trade realities.
- Instead of suffering "losses," the United States has gained tangible benefits in its trade with China at the national, corporate and household levels.
 - The United States has gained massive international coinage tax thanks to the dominance of the U.S. dollar.
 - China-U.S. trade has provided a large number of affordable, quality products to U.S. consumers.
 - U.S. companies have made huge profits from the Chinese market.
 - China has provided a large amount of low-cost dollar capital to the United States. China's trade surplus for years has flowed back to the United States mainly through buying U.S. treasury bonds.

SESSION 1

U.S.-CHINA TRADE AND ECONOMIC RELATIONS

Panel 1

Current Status of Trade and Economic Relations



William Daley

Vice Chairman of BNY Mellon

In his opening remarks, William Daley says what is needed in the U.S.-China relationship is a courage, drive, and passion for getting things done. The two sides need to get things done in a way that is collaborative and positive.

Admitting that even if the world is now at a critical point, Mr. Daley notes that many have focused too much on how the relationship between China and the U.S. is fraught with challenges. However, he says, the two countries have come a long way. They can and will settle their issues economically, and things will change. He believes that the world is better off because of what China and the United States have done together over the last 25-30 years.

In his opinion, nothing is perfect. Deals like NAFTA are not perfect. Twenty-five years into this system, there surely need to be changes. The same can be said of the World Trade Organization, he adds. The WTO could function better, quicker, and fairer and be perceived as fairer. The WTO has to be modernized for the 21st century and be made work again.

Looking ahead, Mr. Daley points out that the biggest challenge for all who believe in the benefits of this relationship is to get the average person — in China, in the U.S., and in other parts of the world — to begin to see those benefits. He says that lies at the heart of U.S.-China difficulties in the current moment.



Zhang Xiaoqiang

Executive Vice Chairman and CEO of CCIEE

In his speech, Zhang Xiaoqiang reviews some major points arising from the current China-U.S. trade frictions. He notes that the two sides have conducted numerous rounds of negotiations and suffered many difficulties and setbacks, many of which were a result of America's back-tracking and untrustworthiness. From March through late April, the two countries had reached consensus on most issues and, on the remaining points, the Chinese side suggested that two countries show mutual understanding and consideration in a bid to find solutions. However, the United States adopted a strategy of bullying and applying maximum pressure, insisted on unreasonable demands, refused to scale back additional tariffs targeting Chinese goods, and persisted in adding compulsory demands involving China's sovereign affairs. The two sides obviously failed to bridge their remaining disputes.

Citing empirical evidence, Mr. Zhang demonstrates that trade cooperation between China and the United States benefits both sides, while trade frictions put everyone in harm's way. Between June 17 and June 25, the United States Trade Representative Office conducted a seven-day hearing on additional tariffs on Chinese goods. Among 314 U.S. corporate representatives attending the hearing, 303 were opposed to the tariffs, and some companies, including Apple, Microsoft and Intel, demanded that the U.S. government exempt them from tariffs.

Mr. Zhang points out that some American politicians adopt protectionist policies because they believe other countries in the world are taking advantage of the United States in economy and trade. As a result, America has registered as high as a 890 billion U.S. dollar deficit in goods trade in 2018, 84 billion higher than the previous year and an all-time high. Mr. Zhang warns that trade disputes fanned by the United States would disrupt global industrial chain to a great extent, undermine confidence in the global market, and pose serious challenges to the global economy.

Mr. Zhang made clear China's positions concerning the United States' unreasonable demands:

- Increasing U.S. imports is China's fundamental stance, but such a measure is realized by market purchase behavior among companies, meaning that it must abide by market demand and reasonable pricing.
- Chinese companies have a great demand for U.S. high-tech products, but the U.S. has slapped stringent restrictions and intensified control over such exports to China.
- No matter how many more billions of dollars Chinese companies import from the United States, it all depends on increased demand from China and corresponding supply from the U.S.

Citing statistics on American soybeans, passenger aircrafts, and crude oil/LNG imported by China, Mr. Zhang notes that China's increased demand for these three categories combined will account for about 79 billion U.S. dollars in 2020. Even if China is able to make good on its promise that it will import \$ 200 billion more goods from America in 2020 (China imported a total of 134.4 billion U.S. dollars of goods in 2018), it, in itself, already represents a great increase. However, in May the U.S., without any notice, demanded China to increase imports by 300 billion to 330 billion dollars. This is obviously an unreasonable demand.

Ever since the United States triggered economic and trade frictions unilaterally in March 2018, Mr. Zhang says, China has been demonstrating its willingness to resolve the difference in a cooperative way in a bid to reach a deal that benefits both sides. The two countries need to make efforts to reach a fair deal that is conducive to their economic development. There will never exist a deal that benefits the U.S. alone. Any deal that the two countries reach will definitely be a win-win. What the United States wants is “a good deal”, and that is exactly what China wants as well.



Stephen Roach

Senior Fellow, Yale Jackson Institute of Global Affairs
Senior Lecturer, Yale University School of Management

Stephen Roach argues that the current debate over China in the U.S. is tainted by a profusion of false narratives at the macro and structural levels driven by the politics of the blame game, which ultimately seeks to hold others accountable for problems that the Americans are either unwilling or unable to solve themselves.

An elementary point of macroeconomics, Mr. Roach points out, is that investment must always equal saving. If you don't save and you want to grow, you import surplus savings from abroad, and run a big balance of payments deficit to attract the foreign capital.

With the current account deficit comes the U.S. trade deficit with many countries — 102 countries in 2018, including Vatican. It's a multilateral trade problem. If the U.S. doesn't address the savings problems but closes down trade with China, the Chinese will simply divert trade to other countries that run a trade surplus with the U.S., which means higher cost producers will tax the American public.

Apart from the false macro-narrative by the U.S. President and the Congress, Mr. Roach says, there is also a false structural narrative for America's new aggressive policy against China, embodied in the 182-page report *Findings of the Investigation into China's Acts, Policies, and Practices Related to Technology Transfer, Intellectual Property, and Innovation under Section Under Section 301 of the Trade Act of 1974*.

As a scholar, Mr. Roach has looked in detail at the evidence from this report and concludes that the series of estimates laid out in the report are weak evidence and would not be admitted in a U.S. court of law. But as weak as it is, this report has become the foundation for the President's tariff policy against China.

Mr. Roach warns that such a policy completely overlooks the devastating role that tariffs played in the 1930s, which transformed a pretty tough recession into the Great Depression in the United States.

While being critical of the U.S., Mr. Roach also gives his advice to China: do not be distracted. China risks going tit-for-tat with the U.S. on tariffs and trade restrictions, and it might lose sight of its compelling domestic agenda. Domestic issues of productivity and supply side efficiencies, state-owned enterprise reform, the debt intensity of growth model, and the innovation challenge are far more serious than the U.S. trade threat for longer term, sustainable economic growth and development in China.

Mr. Roach also says that the U.S. has existential fears of China challenging its role as the world's leading innovator. China fears that the United States is trying to contain its development and growth and change its economic and political system. The prevailing view in America is the U.S. is good at Cold Wars — the U.S. won the first one with the Soviet Union, and it will win the second one with China. This is wrong. On all three metrics of the economic strength — GDP growth, saving, and productivity — the U.S. today is performing far more deficiently than it was from 1947 to 1991, during the Cold War.

So, we need new ideas, Mr. Roach says. He closes his speech with the following suggestions:

- Both the U.S. and China need to improve market access to each other. The best way to do it is a bilateral investment treaty (BIT), a process that both countries were engaged in for 10 years but has now been aborted.
- Both the U.S. and China should commit to serious macroeconomic adjustments: the U.S. needs to save more, and China needs to save less.
- Cyber attacks are not a bilateral problem, they are a multilateral problem. The U.S. and China, the two largest economies in the world, should show some joint leadership in forging a global multilateral cyber accord with dispute and enforcement mechanisms.
- Both countries can protect their dialogue by establishing a more permanent organization, with a permanent Secretary, that houses experts on both sides working full time on issues of mutual significance and importance. This will go a long way in giving much more of a robust framework for engagement.



Maurice Greenberg

Chairman & Chief Executive Officer, C. V. Starr & Co., Inc.

The following summary is from Maurice Greenberg's prepared speech.

Maurice Greenberg says the trade dispute between the U.S. and China has threatened to destabilize arguably the most important bilateral relationship in the world. In his opinion, however, the solution to the current predicament is clear:

- As an emerging market, China erected trade barriers to build its nascent industries. This was acceptable to foreign countries like the U.S. for strategic reasons. Foreign companies endured it because of China's vast potential. But China today is fully capable of competing with foreigners in its domestic and overseas markets. This needs to change. It is in China's best interest to provide equal treatment for foreign and domestic firms in China in order to attract more businesses from around world and benefit the Chinese economy and people.
- A sense of urgency, mutual respect, and genuine good faith is essential in securing a U.S.-China agreement for a path forward.

- The WTO is a currently under-utilized mechanism that could help codify and implement such a deal. New rules and other reforms are needed to update and improve how the WTO operates.

Mr. Greenberg concludes that both sides should understand this is about more than just trade — the geopolitical stakes involved are high for the U.S., China, and the wider world. He calls on both leaders to recognize the critical importance, now more than ever, of maintaining a constructive and open relationship where they can pursue increased and mutually beneficial bilateral cooperation for peace and prosperity. He warns, this is no zero-sum game.



Panel Discussion

Trade and economic relations are crucial to the United States and China. The key issue at hand is: Do we have new ideas to break out of this conundrum and create something new?

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Cao Derong

President, China Chamber of Commerce for Import & Export of Foodstuffs, Native Produce & Animal By-Products

Harmony brings mutual benefits while fighting each other brings nothing but harm to both sides. The China-U.S. bilateral trade is mutually beneficial, and the current dispute is hurting both parties.

This is my opinion on China-U.S. Agricultural Trade: according to *The 2019 State Export Report* published by U.S.-China Business Council on May 1st, 2019, U.S. exports to China supported more than 1.1 million American jobs from 2009 to 2018. In the meantime, imports from China improved the real purchasing power of American people and their welfare.

In the first five months of 2019, China's agricultural exports to the U.S. were reduced by 22% compared to 2018; U.S. exports to China dropped by 57.4%.

We call for the U.S. to enhance its cooperation with China based on mutual respect and mutual benefit, to develop win-win economic and trade cooperation.



Mark Kirk

Former U.S. Senator

I represent the state of Illinois, and my goal is to increase incomes and economic opportunities in my state. It is a very easy argument to make that the future of big employers in Illinois like Abbott Laboratories and United Airlines will be written in China. The way out of the U.S.-China trade problem is to look at the sum of the parts, which are way more than the whole. If you look at the big battle between Xi and Trump, things can get all wrapped up in egos and a zero-sum game. If you look at \$400 billion in trade, you can look at the sub-issues, which are the most encouraging. Look at all the sub-issues as win-win — this is my message for the Chinese government representatives. The sub-issues are full of opportunities.



Lawrence Lau

Ralph and Claire Landau Professor of Economics, Lau Chor Tak Institute of Global Economics and Finance, The Chinese University of Hong Kong

My definition of winning the trade war is a situation where, after all this has settled, the bilateral China-U.S. trade, the total volume of trade, would exceed what it was before the trade war.

The trade war's effects on both economies are actually quite controllable and manageable. If Chinese exports stop altogether, the damage to the Chinese GDP is about 2.4%. If U.S. exports to China stop altogether, the impact on U.S. GDP is actually around half a percent.

I think the key is finding how to get back on the path where both sides will win. And I think this really means expanding U.S. exports to China and expanding Chinese exports to the U.S.

There are many issues and grievances that ought to be addressed, like intellectual property rights protection, not only because of U.S. government insistence but also because there are many good discoverers and inventors in China. China has gone through the stage of being imitators to actually becoming creators themselves. Forced technology transfer is really a thing of the past. Another issue is cyber-theft. Both governments should join forces to prosecute commercial cyber-theft. Lastly, there is the issue of spying. Spying is the second oldest profession in the world, and it will go on.

If China and the U.S. can compete in a peaceful way, the world will benefit.



John Zhao

President, Hony Capital

I agree with Ed Feulner that this Osaka handshake should not give anybody an illusion that we are going back to where we started with the framework.

The old world order is over. The new one is yet to be established. We don't know how we are going to do that, because this is going to be a fight with the old mentality and the old narrative about who is number one and who is number two. But we do know that China will play a role.

I have two perspectives: One is we live in a global village, but our politics and policy makers are still very national. The other is, we need to give more consideration to the fact that the world is already interdependent. So, digitization is a reality we need to face.

My suggestion is Globalization 2.0 and a more inclusive digitized world. National leaders should quit thinking about wanting to become number one. The new order is going to be inclusive, multilateral, value-driven, people-focused.

Summary by the Moderator



Victor Fung

Chairman, Fung Group

We all need to be thinking about a new world order, Globalization 2.0, and inclusive growth that makes sense to the people and addresses our ultimate issue of inequality in the world. The truth is that the world is now completely digitalized. The world has changed in everything from the trading systems to the global supply chains to the needs of the people. We need to think about coming up with a new world order that fits our purpose in the future. On this we'll need to work not only beyond the national G-to-G level, but at all levels from the business-to-business level to the people-to-people level.

Panel 2

Investment Environment and Technological Innovation



Ma Xiuhong

President, China Council for International Investment Promotion

In her speech, Ma Xiuhong first gives a brief introduction to China-U.S. bilateral investment in the past 10 years, demonstrating with empirical evidence that the two countries are now each other's major investment partner. She then highlights a series of significant measures China has taken in order to continue expanding its reforms and improving its investment and business environment. Such measures include:

- major breakthroughs in reforming the foreign capital management system, with registration replacing market entry approval, the introduction of a system of pre-entry national treatment, and negative list management system for foreign investment;
- the expansion of market entry for foreign capital, shortening the negative list, and slashing restriction measures from 190 six years ago to 40 and 37 respectively; strict enforcement of “either banned or ok”;
- introducing a new Foreign Investment Law;
- strengthening protection of intellectual property rights;
- reinforcing the protection of foreign capital rights and interests, creating and improving complaint systems for foreign businesses;
- tax cuts and fee reductions of 2 trillion RMB, which also brings down operating expenses for foreign business and investment;
- the new Foreign Investment Law enshrining investment promotion as a national law for the first time.

Ms. Ma pointed out that *Doing Business 2019*, a report released by the World Bank, indicated that China's business environment has improved to a great extent recently, with its ranking climbing from 78 to 46. According to the American Chamber of Commerce in China's annual *American Business in China White Paper*, almost 70 percent of businesses that responded to the survey said they have recorded profits in 2018, and over 40 percent viewed China as one of the top three investment destinations worldwide.

Ms. Ma noted two major challenges for China-U.S. bilateral investment: one is the negative impact on businesses in both countries by the escalating economic and trade frictions; the other is that the United States has taken more stringent screening measures against foreign investment, especially those from China, dampening a rapidly developing momentum.

She shared several thoughts on how to promote the China-U.S. bilateral investment and cooperation:

- Presidents Trump and Xi reached a consensus to “restart economic and trade consultations on the basis of equality and mutual respect.” This should serve as the principle upon which the bilateral economic and trade negotiations move forward.
- China will attend to its own affairs, implementing the central government’s major measures on opening up and improving its investment and business environment.
- China and the United States must strengthen and deepen the province-to-state and city-to-city economic and trade cooperation. They must solicit help from all those who oppose protectionism and aim to cushion the negative impact of the current economic and trade frictions.
- When ready, the two countries should restart negotiations on the bilateral investment treaty (BIT). BIT talks have been stalled after 34 rounds of negotiations during the nine years since 2008. Until January 2017, the two sides had agreed on some core issues and major articles of the text.
- In the Osaka communique, all parties attending the summit reaffirmed their commitment to realizing a free, fair, nondiscriminatory, transparent, predictable, and stable trade and investment environment. Ms. Ma hopes that the United States will, in the spirit of the above-mentioned principles, confer fair and nondiscriminatory treatment on all types of Chinese companies with investment in America.
- Ms. Ma echoes Mr. Roach’s advice that the two countries need to establish a formalized bilateral mechanism to discuss long-term, strategic issues of mutual concerns.



Jeremie Waterman

President, China Center, U.S. Chamber of Commerce

In his speech, Jeremie Waterman first outlines a series of complaints by members of the U.S. Chamber of Commerce. According to him, since 2010, the U.S. Chamber has highlighted mounting risks to U.S. businesses, workers, and competitiveness posed by China’s approach to forced technology transfer, misappropriation of intellectual property, localization of industries through subsidies and state intervention, and market protectionism.

Mr. Waterman expresses the deep concern of the U.S. Chamber and its members over the current state and arc of the relationship between the countries. He says he fully agrees with CCIEE Chairman Zeng Peiyan that the trade deficit is not a core challenge in the U.S.-China relationship. Notwithstanding the

Chamber's alignment with the majority of the U.S. administration's section 301 diagnosis, he says, neither side can afford the two-way tariffs or other actions that are dangerously expanding the scope of this conflict.

The U.S. Chamber and its members are alarmed by and opposed to the escalating tariffs, Mr. Waterman notes, adding that these tariffs threaten the benefits of regulatory tax reforms, jeopardize the strength of the American and global economies, and eviscerate the global trading architecture.

In the current climate, business is worried about the diminishing circles of overlapping interests between the U.S. and China. Mr. Waterman highlights several points:

- There are concerns about the expansion of the China model. For most American companies and workers, the issue is not that they have to compete with China, it is the terms of the competition.
- From the perspective of American business, national security concerns should be addressed outside of trade talks, unless those talks focus on resolving core concerns on technology transfer, intellectual property protection, and market access outlined in the section 301 report. Escalating and broadening the conflict by both sides is further undermining trust and increasing risk for companies in both countries.
- Populism isn't going away. Changes in American attitudes towards China took hold long before President Trump was elected, and they are almost certain to continue after he leaves. Bipartisan concern in Congress is being led not by an Old Guard of anti-trade, anti-China hawks, but by pro-trade, pro-business members of Congress in both houses. This is unprecedented in the last 20 years of U.S.-China relations.
- The U.S. business community is concerned that excessive government intervention in a market of China's size, with the aim of creating domestic champions in a globalized economy, will continue to fuel the zero-sum antibody response.

For the U.S. Chamber and American business, Mr. Waterman suggests that accepting isolationism, or worst yet, pushing for decoupling, is not an option. Confidence-building measures in the commercial arena are urgently needed to stave off a catastrophic divorce by the two countries, the fallout of which could be severe and lasting, leaving no country's economy untouched. Further deterioration of relationships is in neither country's interest. It will erode growth and jobs in both countries and around the world, thereby leaving all with a smaller pie, less security, and less prosperity. The solutions Mr. Waterman offers include:

- Negotiation provides the best opportunity to address the serious concerns that are continuing to rapidly erode the substrate of U.S.-China relations. If an agreement could be reached that is comprehensive, of a high standard, verifiable, and enforceable, it could provide the basis for rebuilding confidence and trust in certain facets of the economic and commercial relationship.
- Never allow politics to get in the way of progress made by professional negotiators. It is equally critical that the two governments find ways to make progress, without either side resorting to large-scale actions to announce to the other that something is wrong.



Wang Changlin

Executive Vice President of Chinese Academy of Macroeconomic Research

Wang Changlin stresses that, against the background of lukewarm global economic growth prospects, China and the United States need to strengthen exchange and cooperation in science and technology, speed up a new round of scientific and technological innovation and industrial transformation, and bring the world economy into a new phase of continued growth.

Mr. Wang says there are three reasons for China and the United States to strengthen such cooperation:

- The two countries play key roles in promoting a new round of global science and technology revolution and industrial transformation. The combined research and development input of the two countries amount to over 40 percent of the world's total, with their research personnel accounting for over 40 percent, too.
- The two countries complement each other in science, technology and innovation. The United States boasts the world's top tier research institutions and science institutes, whereas China has a great market size, large human capital with huge potential, and complete supporting industries. The supply chains, industry chains, and value chains in the two countries are interdependent.
- Cooperation between the two countries will be instrumental in coping with major human challenges in the world's population growth, public health, natural resources, and environment.

Mr. Wang offers three pieces of advice to promote cooperation:

- Promote significant breakthroughs in basic science and major technologies. Faced with increasingly complex science and technology questions, it is next to impossible for any single country to tackle them on its own. They have to cooperate.
- Strengthen exchanges and cooperation between scientists, researchers, and academic institutions, which are key to promoting a new round of science and technology revolution and the fourth industrial revolution.
- Accelerate the creation of a management system and policy infrastructure that can accommodate a new round of science and technology revolution and industrial transformation.



Panel Discussion

To address recent China-U.S. trade frictions, we first have to answer some questions: does the United State lose from its trade with China? Is China, as some Americans say, stealing U.S. technology? And should the U.S. continue to focus on the huge Chinese market, or should it, with a cold war mentality, reject Chinese investment and trade flows on the ground of national security? These are the very questions the panel will discuss.



Neil Shen

Founding Managing Partner, Sequoia Capital China

The rapid technological advancements in the past 10 years depend on one important factor: the virtuous cycle of technological development. Specifically, technology can find applications in different sectors at a wider and deeper level than ever before, and this in turn encourages the inflow of more capital to advanced research.

Fast development also depends on contributions from China. China has provided not only a huge market but also critical and extensive spaces for technological application. If China is excluded from the world market, a research outcome worth 100 yuan may produce outputs worth just 60 or 70 yuan. Count China in, and the figure rises to 100 yuan.

Both China and the U.S. have abundant intellectual property rights in research and development as well as strong demand for their commercial application. This points to the large potential for cooperation. The translation of research outcomes into marketable products is highly risky and needs “smart capital” which can come from both China and the U.S. In the past 10-plus years, American startups have embraced Chinese capital, and I believe American scientists look forward to the participation of Chinese businesses in their scientific endeavors.



Tian Lipu

Chairman, China Intellectual Property Society

IP protection is a hot-button issue in China-U.S. trade negotiations, but I am still optimistic that eventually we can reach an agreement that is acceptable to both sides. Why?

Forty years ago, China and the U.S. established diplomatic relations on January 1, 1979. In the same year, the countries signed two important agreements: *Sino-US Agreement on Cooperation in Science and Technology* and *Sino-US Agreement on Trade Relations*, both of which involved the protection of intellectual property rights.

Back in 1787 the U.S. enshrined IP protection in the Constitution, and 196 years later China took the first step towards a modern IP system by publishing the Trademark Law in 1983. Despite being a late-comer, China has been playing catch-up along the way. Thirty years ago, U.S. businesses filed about 10,000 patents in China. In contrast, Chinese companies filed less than 10 patents in the U.S. Around the year 2000, the former figure exceeded 20,000 and the latter grew to more than 100. In 2018, Chinese businesses filed more than 31,000 patents in the U.S., compared with 38,000 patents filed by U.S. companies in China.

Over the past four decades, nearly one million American businesses have invested in China. Will they be attracted to China if the country has a less-than-desirable investment environment and local IP protection is weak? As China works to improve its investment environment and IP protections, relevant problems will need to be solved through discussion and consultation, but an agreement is within our reach.



Jerry Guo

Vice President, Qualcomm

I think the next wave of dividend that China can deliver comes from its opening up at the institutional level.

To move up the technological chain and value chain, a country must possess five factors: enormous government spending, access to advanced technology, huge markets, effective competition and innovation mechanisms, and a stable supply of manpower. Currently China is lacking in access to advanced technology and in its competition and innovation mechanisms.

In the past decade, China has made impressive progress in IP protection. But there is a gap between the internal reality and external perceptions — many expect China to act in a way consistent with its status as the world's second largest economy, not as a developing country.

I have two suggestions. First, the Chinese government must emphasize consistency in policy formulation and implementation. Second, China's industrial decision-making needs to be more market-based.



Zhou Bing

Vice President, Dell Technologies

I want to make two points. First, China's current role in the world economy is determined by its resource endowment and comparative advantage. Second, since technological development changes a country's resource endowment and comparative

advantage, we must take a far-sighted approach to studying our international trade relations.

As China-U.S. trade grows, there is a concurrent decline in U.S. trade with Japan, South Korea, Taiwan, and the ASEAN countries. Why? Because China is unique in terms of its trade and investment facilitation, ports, logistics, customs and foreign exchanges. The supply chain is another strength: China has not only complete industrial categories but also access to stable supply. Few economies in the world can compete against China when it comes to the supply of a low-cost and skilled labor force.

Now, in the context of rapid technological advancements, data will be a vital resource that drives future economic development, and we have already seen that the digital economy has grown faster than expected. Trade negotiations should not be confined to current trade ties, they should take into account future development potential as well.



Zhao Changwen

*Director General, Industrial Economy Department of Development
Research Center of the State Council*

Technological innovation used to refer to the innovation of a single technology. Today, it is more focused on system-wide innovation. In other words, every country contributes to the entire innovation process by leveraging their strengths in different aspects and along the industrial value chain. But China-U.S. trade frictions have dealt a heavy blow to this paradigm.

The U.S. campaign of “maximum pressure” in the innovation sector will achieve nothing but enabling China to move away from its reliance on imported technology toward greater independence. China’s current market access requirements and reliance on imported technology can be attributed to its institutional arrangements and policy measures, and more importantly, the application scenarios in the country. The global division of labor has its merits, because when there exists state-of-the-art technology and equipment, it is not optimal for a country to develop them from scratch on its own. But when left with no choice, China will move further away from its reliance on foreign technologies towards indigenous technological innovation.

I hope that just as Huawei CEO Ren Zhengfei said, China and the U.S. can embrace each other on the top of a high mountain, and that together they can contribute to the progress of human society and civilization.

Summary by the Moderator



Wei Jianguo

Vice Chairman, CCIEE

The United States is the architect of the rules that currently govern global trade. It will by no means make rules detrimental to itself, and, as a result, it is impossible for the country to suffer losses in international trade. This scenario doesn’t stand to reason.

Strengthened IP protection is in the best interest of both the United States and China.

Panel 3

Macro Policies



Jan Berris

Vice President, National Committee on United States-China Relations

In her speech, Jan Berris proposes three baskets for categorizing concerns regarding the current U.S.-China relationship.

The first is the reciprocity basket. Many American concerns these days stem from a deep sense of a lack of reciprocity or fairness in the relationship. This includes disparities in:

- **Diplomatic treatment:** The Chinese Ambassador and his fellow diplomats are able to travel at will and can go to whatever institutions they wish in the U.S., whereas American diplomats in China lack that freedom, and many are not even able to visit schools and universities.
- **Academic institutions:** There are almost 100 Confucian Institutes in the U.S., but in China the U.S. government has been granted permission for only a few American Corners at selected universities. Almost all of them have now closed.
- **Media:** China has blocked various news outlets including the New York Times and several social media companies and has mistreated journalists. Such things do not happen to Chinese journalists in the U.S., nor those who work for them or are interviewed by them.
- **Visas:** Americans, usually academics, have been denied entry into China for writing or speaking about things that the Chinese government finds sensitive.

The second basket is American uncertainty of how to deal with a rising China.

The third revolves around differing cultural values between the two societies.

- The U.S. is an open and pluralistic society, whereas China is much more homogeneous. Instead of focusing on resolving their own problems, the two countries tend to chastise one another for the way each handles its internal issues.
- Matters concerning the rule of law are another values-based concern for many Americans. While decrying these, Ms. Berris says people need to credit China for the enormous gains it has made in several rule of law areas.

Ms. Berris laments the loss of enthusiastic support from the business community, and from other constituencies such as the non-profit sector and academia whose support has waned as well. In her opinion, anti-China sentiment is unfortunately one of the few things that Democrats and Republicans agree on these days. She echoes Mr. Feulner's warning that the countries cannot go back to their pre-Trump relationship. It is going to be different, and both countries will have to learn to look at their

differences, figure out how to best use them, and make the relationship even better than before.

In conclusion, Ms. Berris says she joins the optimists because of her faith in the people of both countries, who, as exemplified by the success of Ping-Pong Diplomacy in 1972, are very adaptable.



Zhu Guangyao

Former Vice Minister of Ministry of Finance, China

Zhu Guangyao's speech centers on macroeconomic issues in the current China-U.S. relationship and its future prospects. Since the 2008 financial crisis, cooperation between China and the United States has led the global fight against common challenges. Still now, against the backdrop of an increasing downward pressure for global economic growth, international cooperation is badly needed, especially between China and the United States.

Mr. Zhu stresses that because global fiscal and monetary policy has little latitude and room for maneuver, policy coordination among nations, especially macroeconomic policy coordination between China and the United States, takes on more significance.

Mr. Zhu takes the IMF firewall as an example, pointing out that it is critical for China and the United States to cooperate in creating and strengthening the financial firewall.

Mr. Zhu also makes the following points:

- After the global financial crisis broke out in 2008, it was policy cooperation between China and the United States that helped establish the G20 mechanism, which ultimately led to wider cooperation under the framework to fight the financial crisis for the past decade.
- For the past 10 years, the U.S. quantitative easing monetary policy ran for four rounds, totaling over 2 trillion U.S. dollars. However, no other country has ever criticized it for manipulating interest rates. The U.S. Treasury Department stipulates three conditions for labelling a country as a currency manipulator: First, the U.S. trade deficit with a certain country surpasses 20 billion U.S. dollars; second, the country's current account imbalance reaches 3% of its GDP; and third, intervention in the country's foreign exchange market accounts for 2% of its GDP. All three conditions have to be met before a country can be designated a currency manipulator. However, the U.S. Treasury Department intends to link an anti-dumping policy to its currency rate, which is a very dangerous development that poses a serious constraint to macroeconomic policy.
- During the financial crisis, thanks to efforts under the G20 framework, especially cooperation between China and the United States, the IMF managed to set up a firewall. But during the April meetings between the IMF and the World Bank, the United States made it clear that it would no longer support the IMF's voting shares reform. In order to establish and strengthen a workable firewall, and to establish a robust, share-based international monetary fund system, cooperation between China and the United States is critical.
- Mr. Feulner's media source alleging that "China demands the United States scrap tariffs before trade negotiations can be resumed" is not accurate. In fact, China's spokesman has said, "China demands that after the two sides reach a deal, both sides need to scrap all tariffs."



Panel Discussion

This panel discusses the current status and future trajectory of China-U.S. relations from the macro policy perspective.



Clayton Dube

Director, USC U.S.-China Institute at USC Annenberg

The U.S.-China relationship is in a really bad space, and it could be worse. It is our job to make sure it doesn't get worse. We always have to be cognizant of the fact that the U.S.-China relationship has a broad audience, not just policymakers, not just politicians, not just leaders, but also the public.

What is the U.S.-China relationship? In fact, at the outset, we were not allies but partners. Today we've reached a critical mass.

The relationship has always been complex, and probably always will be. We are two giant countries with divergent interests. But we also share many common concerns. We have to focus on those common concerns as we look forward.

This trade war is not about the trade deficit. The issue before us now is not about the economy of today, but the economy of tomorrow. And that's where we have to find a way for us to foster healthy, fair competition.

The only way to do that is through extensive dialogue. There are some concerns that affect mutual trust, but most importantly, we have to understand that our societies are getting older and that we share this humble planet. We have to work together to address our own relationship and our commitment to a more stable and prosperous world.



Jeffery Lehman

Inaugural Vice Chancellor, NYU Shanghai

We need to focus on the disappointed assumptions of American friends of China.

When China joined the WTO in 2001, most American friends of China assumed that as China's economy continued to expand, its structure would quickly converge with that of

other developed WTO members. Three of those assumptions were particularly important. First, that state-directed industrial policy would quickly shrink relative to the private market. Second, that foreign enterprises would quickly be given true national treatment in all but a small number of sensitive industries. And third, that foreign investment and ventures in China would no longer be conditioned on technology transfer. Those assumptions have not held up, and when the assumptions failed American friends of China went quiet in the face of pressure to decouple.

I believe this is a mistake. The choices are not restricted to China converging to the developed-country norm and decoupling. Countries with different industrial policies can still enjoy some mutual benefits of trade.

The economic damage of decoupling would not be catastrophic. I am more worried about a different kind of damage that decoupling could cause: the damage to values, to culture, and to the humanistic spirit that John Zhao articulated under the heading of “Globalization 2.0.” Barriers to the free movement of goods, services, capital, and labor do diminish global prosperity, but barriers to the free movement of ideas are catastrophic.

A group of prominent academics from both countries are working on a third approach called “Live and Let Live.” I hope this will be a central approach to the future trade discussions.

Meanwhile, we need American friends of China and Chinese friends of America to step forward and protect our people-to-people partnership. We need to work together to ensure that the partnership continues in a fair and mutually respectful way based on accurate understandings of how our two countries will evolve over the next decade.



Fu Yuning

Chairman, China Resources Holding Limited

I would like to address three points in the Sino-U.S. trade relationship.

First, cooperation benefits both and confrontation hurts both. Despite the many leads China has in various sectors, China still heavily relies on the U.S. and other western countries for key technologies. The global stages of manufacturing are largely a result of cooperation across the industry value chain between China and economies such as the U.S. Decoupling will surely mean both countries will incur big losses.

Second, China has become the largest consumer market with more than 1.4 billion consumers and the world’s largest middle-class population. China and the U.S. are highly complementary in terms of natural resources, markets, and, of course, technological development.

My third point addresses the increasing integration of technological development. Although we are a Chinese state-owned enterprise, China Resources is also very commercially competitive in many fields — we compete on commercial terms without any government subsidies or preferred policies. The Chinese government's relations with SOEs are like those of shareholders. The best way to promote understanding is to invite American friends to visit us to see how we, as a Chinese SOE, operate.

Balancing of Sino-U.S. trade is surely complicated, and it would be practical for China and the U.S. to seek more common ground while setting aside some differences. The more important task at hand is to establish a dispute-resolving mechanism in which the two sides can solve challenges arising from future trade and economic interactions.



Liu Shangxi

President, Chinese Academy of Financial Sciences

It is natural to see disagreements arise between China and the United States, because they see things in different ways. But these disagreements cannot be addressed when problems at the macro and micro levels are mixed up.

Although it has made big contributions to economic globalization and integration, the United States has also led to global economic imbalances. Why and how? Because the U.S. is the world's largest economy, and, given its economic heft, other economies naturally follow its lead. So, what are the strongest pull-points of the American economy?

First, the U.S. dollar: the U.S. dollar holds the greatest appeal as an international currency. By exporting the dollar, America gains monetary seigniorage when other countries use the currency. This leads to imbalances in the global economic system, with the U.S. in deficit and other countries in surplus.

Second, American consumption: the U.S. has an attractive consumer market and most of our products are sold to American consumers. The international trade settled in U.S. dollars and the huge American consumer market lead to imbalances, as seen in the huge gap between savings and spending in the country. Macroeconomic imbalances in the United States also have spilled over into the entire global economic system.

Macroeconomic problems require macroeconomic solutions, not microeconomic solutions. Global macroeconomic policy coordination is needed to address these imbalances, and every country must be involved. China and the United States, and, in fact, every country in the world, must work together because their economies are now integrated. Any country that wants to disconnect from international cooperation will bring huge risks to itself and others, too.

**Nan Cunhui**

Chairman, Chint Group; Vice President, All-China Federation of Industry and Commerce

The United States used to target China's state-owned enterprises, and now the focus has shifted to the country's private sector — Chinese companies with advanced technologies are often targeted. What is wrong with American business values? As a private business owner, I think that, first, we have to understand the causes of China-U.S. trade frictions by studying the history, reality, and structure of bilateral relations, including trade in goods and services and the statistical methodology. We must take reasonable approaches to our focused analysis.

Second, we must recognize the efforts made by the Chinese government to balance trade. China's policy environment, investment environment, and legal frameworks will be improved, and the country will also open wider to the rest of the world. This will deliver benefits for American companies operating in China and the entire world.

Third, both governments should promote free trade and uphold the multilateral trading system to ensure greater fairness and inclusiveness of trade.

Summary by the Moderator**Chen Wenling**

Chief Economist, CCIEE

Based on our discussion, our panel has reached the following consensus:

First, China and the U.S. need to increase mutual trust and mutual understanding to deal with their trade issues in a reasonable manner.

Second, the trade war launched by the U.S. is detrimental to bilateral trade relations and the world economy as a whole.

Third, from state-owned and private businesses to macroeconomic and microeconomic policies, China is working to improve its market-based economy. The United States needs to clearly understand these developments and China's commitments to reform and opening up as seen in its macro- and microeconomic policies. Only in this way can the trade frictions be resolved.

Panel 4

Collaboration: Perspectives from Texas and U.S. Heartland



David Firestein

President, George H. W. Bush Foundation for U.S.-China Relations

David Firestein's speech poses a series of questions: Is China a mortal enemy of the United States, or is it an indispensable partner? Is there an inherent contradiction between China's rise and America's security and prosperity, or can these two countries succeed at the same time? Can the "Chinese dream" and the American doctrine of global primacy exist in the same time and space, or is the world simply not big enough for both nations to coexist peacefully while realizing their full potentials? These are some of the profound questions at the core of the current U.S. debate about China – a debate that reflects what Firestein calls "a fight for the very heart and soul of the U.S.-China relationship."

To answer these questions, Mr. Firestein says that the George H. W. Bush Foundation for U.S.-China Relations takes its cue from its namesake, who categorically rejected the idea that China is an enemy of the United States. In 2007, President Bush articulated a very different vision for the relationship: "I love the Chinese people," President Bush wrote. "One of my dreams for our world is that these two powerful giants will continue working toward a full partnership and friendship that will bring peace and prosperity to people everywhere."

Mr. Firestein observes that there is a great gap between George H. W. Bush's vision for the relationship and the prevailing sentiment toward China among an important segment of the Washington, D.C. elite today. This gap manifests itself in three ways: in the substance of U.S. policy, in the style with which that policy is formulated and implemented, and in the degree of importance attached to having a factual basis for policy decisions.

- Substance: The United States is seeing a great retreat from the limited government, pro-market, pro-trade principles of Ronald Reagan and George H. W. Bush.
- Style: President Trump's erratic lurching from one policy position or viewpoint to another undermines the two vital conditions that undergird global trade: consistency and predictability.
- Importance of a factual basis for policy: Much of Trump's policy toward China is based on "alternative facts," known in some circles as demonstrable falsehoods.

That said, Mr. Firestein argues that the current tensions in the U.S.-China relationship do not lie solely at the feet of President Trump and his advisors and allies. China does, in fact, bear considerable responsibility as there has been a substantial asymmetry and lack of reciprocity in the U.S.-China trade relationship for many years. In his opinion, China should become as open to U.S. goods and services as

the United States has been in recent decades to Chinese goods and services.

Still, for the United States to frame China as an enemy would be among the grandest and most tragic strategic blunders in U.S. history. Mr. Firestein opposes the current U.S. administration's approach to China not because that approach is bad for China, but because it is bad for America.

In his closing remarks, Mr. Firestein contends that China is both a tremendously formidable competitor to the United States, and also an indispensable partner to the United States and major stakeholder in its success. By being cognizant of the essential veracity of both statements, America can – and, over time, will – get its approach to China right and get this relationship right.



Bob Holden

President of the United States Heartland China Association

In his speech, Bob Holden addresses the importance of the American heartland. He argues that if one wants to influence the United States, this is this region where one has to plant the flag.

To illustrate his point, he focuses on three key areas: cultural advancement, educational relationships, and business ties. He believes if people are able to put these three things together, they will have a strong economy and an even stronger relationship between partners working in both countries.

- The American heartland region has produced a significant number of the major political leaders in the past 20 years.
- The region has some of the best universities in the country. Of the top 100 U.S. universities, more than 30 are in the heartland region. There are also about 200 academic institutions just below that top tier that have relationships with top tier institutions. Cultural aspects specific to the heartland are important because they lay the foundation for partnership.
- When people talk about manufacturing, agriculture and tariffs, they are not just talking about the U.S. They are talking about the heartland region. Six of the top 10 manufacturing states in the country come from this region. And about 16 out of 20 states leading in agriculture production come from this region. When people talk about tariffs, they are not talking about their impact across the country, but about their impact on a select area of the country.

Mr. Holden suggests that people must find ways to build those bridges of understanding and cooperation so that they can proceed and move forward. The most difficult issue China and the U.S. have to deal with is how to separate economic competition from national security issues.



Jeff Moseley

CEO, Texas Association of Business

In his speech, Jeff Moseley recalls Deng Xiaoping's 1979 visit to America. He says 40 years ago,

Americans were honored when President Carter invited Chinese leader Deng Xiaoping to come to the U.S., and to Texas as part of his visit. Mr. Moseley said on behalf of the state of Texas that it is pleased to continue the dialogue that began with Deng Xiaoping's visit because the state shares a relationship with China. According to him, Texas is the number one exporting state in America, and its number three trading partner behind Mexico and Canada is China.

Meanwhile, Mr. Moseley notes that there is a tremendous opportunity for the U.S. and China to move forward, and the risks are high if these talks for trade fail.

In his opinion, the Texan people are committed to creating the Texas and China Trade and Investment Coalition (TACTIC) within the Texas Association of Business. Such a coalition would ensure that Chinese capital doesn't automatically go to the East coast or the West coast of America, but that Texas becomes a place where capital can grow, too.

Mr. Moseley also reiterated that Texas wants to protect its existing Chinese investments. It will ensure that the companies that have already come to Texas have opportunities to expand and grow their jobs and paychecks.



Jimmy Flannigan

Councilmember, City of Austin, Texas

Jimmy Flannigan believes it is critical that people start thinking about international relations through a municipal lens, which he argues is lacking at the U.S. federal and international levels.

Mr. Flannigan clarifies that Americans do not have a monolithic culture or perspective. He says one of the important untold stories that city leaders know is that a majority of Americans have no opinion about China.

He argues that any relationship cannot simply be viewed as win or lose, otherwise there are only losers. City leaders know the only prosperity is a shared prosperity, and that when you have a strong economy — when you have prosperity — you have peace. He says that applies even more so at a global level. The closer people tie their economic success, the longer they can achieve a solid level of world peace.

International decisions, he notes, have local impacts in American cities, as they do in China. Therefore, city and municipal leaders have to be pragmatic. They have to focus on shared prosperity and a future that is based on accomplishing clear goals and slicing through partisan politics.

The future of the relationship between the U.S. and China is unknown. However, Mr. Flannigan thinks people know that the future of the United States, and the future of this relationship, is not going to be dictated by the people who are currently in office in Washington D.C. Rather, it is going to be dictated by the next generation of leaders in the United States. And this future is one where city leaders in the U.S. and China can collaborate and develop the next generation of the relationship between the two nations. This is a future where American city leaders and Chinese city leaders work together as neighbors in a global neighborhood that desperately needs them to.



Panel Discussion

The U.S.-China relationship started 40 years ago, with the reformer Deng Xiaoping coming to Simonton, Texas. The panelists of this group are from Texas and the U.S. heartland. They speak about Texas and the community they represent, especially its relationship to business, trade, investment, and collaboration with China.



Li Xu

Founder, International M&A

International Mergers & Acquisitions is a global management consulting company to help companies do business worldwide, including mergers, acquisitions, and trading deal negotiation and origination.



Will Nichols

Project Engineer, Core Engineering

China has said it is open to potentially taking more imports from the U.S., but the price has to be right and the product has to be something in need. Of course, that's what business is about. If you have a trade of any kind, it's good business whether or not we like the numbers.

We are two completely different countries, and we also have a lot in common. But why should America be like China, or China be like America?

Texas is the number one crude exporter for the U.S., with an extensive background in oil, gas, and specifically liquefied natural gas (LNG). Well over 50% of the spot market on LNG is going to China.

What happens if a Chinese company in Texas, taking American assets, exports the product to China at a price that we Texans need? It's more than marketable. It gives us even more of a competitive advantage than we have already in our own market. It also serves the current administration's goal of exporting more U.S. goods to China. Why do it with a Chinese company in Texas? Because Americans spend more money than they should, and the Chinese save more money than they should. So, create a U.S. and China joint venture, use the assets, and work with both administrations. There's a smart tariff plan.



Marina Bhargava

CEO, Greater Austin Asian Chamber of Commerce

The Greater Austin Asian Chamber of Commerce is educating the Asian American business community in the greater Austin area. Austin is the fastest growing big city in the U.S. The population there doubles every 20 years, and the Asian American population is doubling almost twice as fast, every 11 years.

What is unique about Austin is that the city funds and supports the minority chambers in town. Twenty percent of its community is foreign-born. That's why we exist, we help build a bridge.



Andrew Carranco

Board Member, Laredo Chamber of Commerce

Laredo is the largest port in the U.S., with 15,000 tractor trailers and 24 to 32 trains on a daily basis. Laredo has a trade volume of about \$300 billion a year, about \$292 billion of that goes to its largest trading partner, Mexico. Laredo does about \$4 billion a year in trade with China, even though China is its second-largest trading partner. We want to raise that up a bit.

Laredo is building the largest Foreign Trade Zone, to help facilitate more trade between Mexico and China and incorporate the United States into that.

Laredo is beautiful and special. We're Americans, but we speak Spanish. There's nowhere else in the United States that's quite like that.



David Firestein

President, George H. W. Bush Foundation for U.S.-China Relations

Particularly at a time when the federal government is impeding cooperation between our nations, now more than ever, we need to really unleash the power of states, of cities, of businesses, and of nonprofits to engage. The need, the value, and the impact of that citizen-to-citizen engagement has never been greater.

Texas is arguably the richest single entity in terms of energy resources in the world, with as much oil as Saudi Arabia. In the U.S., Texas is number one for oil, number one for liquid natural gas, number one for wind, number one for solar, and pretty high-ranking

for coal and hydro. So we are an energy powerhouse. We have a chance to make a difference and move the needle in a positive direction for the United States and China. I really like Will Nichols's point. We need to do something creative and create a double or triple bottom line in a positive sense.

We can put a Texas-sized dent in the deficit that the U.S. has with China by perhaps stripping off 100 billion or 150 billion right off the top through export of liquefied natural gas, which we have and China wants. The only impediment to getting this done is policy. We need a stable and predictable policy environment that would allow Americans and Chinese to work together to invest the tens or hundreds of billions of dollars of infrastructure necessary to actually get this off the ground.

The Bush China Foundation proposes the idea of the U.S.-China Energy Free Trade and Investment Agreement (EFTIA) between the U.S. and China. Let's take energy out of the normal discourse on trade. Let's make it an exception. This is the idea we're working on with people close to President Trump and people close to the Chinese leadership.

I couldn't agree more with Councilman Flannigan, the future of the relationship is the next generation and the one beyond that.

Summary by the Moderator



Robbin Goodman

*Director, Business Programs and Corporate Affairs
George H.W. Bush Foundation for U.S.-China Relations*

We have with us local Austin brands that are now selling into the Chinese market on TMall. We are bringing the companies not just to sell to the China market but to learn about the Chinese market, to learn the people, and networks. Our delegations are here not only for meeting, but actually to get business done.

SESSION 2

U.S.-CHINA RELATIONS: NOW AND BEYOND



Neil Bush

Founder and Chairman, George H. W. Bush Foundation for U.S.-China Relations

In his keynote remarks, Neil Bush recalls his first trip to China in 1975, when his father, George H. W. Bush, was the “bicycling Ambassador” representing the U.S. in Beijing. The former president played an important role in shaping U.S. policy towards China, and he often stated that the U.S.-China relationship is the most important bilateral relationship in the world. Neil Bush believes his own views are largely shaped by those of his father, as well as his over 140 trips to China in the past 44 years.

According to Mr. Bush, individual freedom is at the core of America’s value system. He marvels that over the past 44 years there has been an unprecedented freedom movement in China, where more people have gained more freedom in the shortest period of time in all of human history.

However, he continues, as China rises, so does anti-China rhetoric. He refutes the view that China is taking advantage of the U.S. at every turn to gain dominance. Instead, he believes that over the past 40 years there has been tremendous mutual benefit to the U.S. and China from closer commercial, educational, diplomatic, and cultural relations. The bilateral relationship has had bumps, but it has also produced a classic win-win scenario.

Central to this relationship is the question of whether China is a natural friend or a foe of the U.S. According to Neil Bush, his father believed that China and the U.S. have historical roots for deep friendship. He believed that there is more that unites the two countries than divides them and that the roots of the relationship today are deep enough to withstand the current typhoon.

Mr. Bush lists several reasons why discord currently undermines the relations:

- The very fact of China’s economic rise is causing angst. But, he contends, the zero-sum/ winner-loser mentality is wrong and naive. The truth is that the trade deficit with China is natural — the richer country buys more stuff from the poorer country.
- The demonization of China is being fueled by rising nationalism in the U.S. manifested in anti-immigrant, anti-Chinese, pro-America-First rhetoric.
- Some critics feel that only a western-style democracy will work in giving the Chinese people a full set of liberties. However, Mr. Bush argues the bottom line is that the American system of government and democracy would not work for China, just like China’s system would not work for the U.S.

Moving forward, Mr. Bush's suggests the following measures:

- China should be as transparent as possible in its intentions and implementation of programs when they draw widespread global criticism.
- The U.S. should not meddle in the internal affairs of China.
- The U.S. government should embrace the George H. W. Bush style of leadership, one that looks to create and maintain multiple levels of frequent dialogue, that seeks to build trust, that puts the parties in the other guy's shoes, that looks for the best in others, that accounts for cultural differences, that is respectful, encouraging and hopeful, and one that is honest, direct, and targeted.
- People need to speak out to add balance to the debate to, over time, realize the former president's vision for closer ties that lead to real collaboration in addressing growing human challenges.
- The two countries must lock arms to collaborate on global issues like climate change, pandemic infectious disease response, terrorism, space exploration, medical breakthroughs, and technological developments to make the planet safer and more harmonious.

In conclusion, Mr. Bush says closer commercial times, the opening of American markets to Chinese companies and vice versa will fuel a decade of high growth and prosperity, and will lift people in both countries. Closer diplomatic and strategic ties will help humans around the world address daunting challenges for a more peaceful and more sustainable life on earth.



William Owens

Executive Chairman, Red Bison Advisory Group, Former Vice Chairman of the Joint Chiefs of Staff

In his speech, William Owens, mentions that he is writing a book called *China-United States 2039*, which attempts to describe what China and the United States will look like 20 years from now. In his book, Mr. Owens poses a central question: if people knew what it was going to be like in 2039, what would they do in 2019 to prevent that from happening?

In his opinion, people generally believe that China will have a significantly larger GDP by 2039. If that is true and if AI and quantum sciences and robotics improve significantly in the next 20 years, then there can be no doubt that China might have the best military in the world. And the United States will be number two.

However, Mr. Owens argues that this is unlikely to be a Cold War. He believes that China is a great country, an honorable country, and that they will be a larger and more successful country.

Mr. Owens offers three recommendations:

- People-to-People programs matter, but they won't happen unless there is leadership to make it happen.

- The world is going to be dramatically different in 2039. Specifically, it will become transparent, which means that strategic deterrents are not going to be as profound. People need to figure out what they are going to do about the two countries that will see the world transparently. China and the United States should come together to talk about those technologies in an organized way.
- The world is changing for the worse. The oceans and the air are polluted and the world is getting warmer. Together, China and the U.S. could have a government-to-government initiative to look at all of the technologies that could make a real difference.

Mr. Owens concludes by saying that ten years ago, with the help of Mr. Tung, he started the Sanya Initiative. The Sanya Initiative has proven to him that there is real trust, that you can build a relationship, and that you can build a friendship.



Tung Chee-hwa

Vice Chairman of the CPPCC, Founder of CUSEF

Tung Chee-hwa says in his speech that the recent meeting in Osaka between Mr. Trump and Mr. Xi gives people hope that the U.S.-China trade relationship can move forward again. Trade negotiation is always difficult, and there may be set-backs, but in the end, he says he believes that common sense will prevail.

According to Mr. Tung, the modern-day U.S.-China relationship began 47 years ago, and, since that time, leaders of both countries have pursued policies to ensure that the relationship moves forward positively. With regard to current U.S.-China relations, he suggests:

- It is important for everyone to understand China's priorities, from its historic roots to its plans for the future. Over the past 40 years, China has made great strides in improving its economy and the welfare of its people. However, the country still has some way to go to satisfy the Chinese people's aspirations for a better life. In order to achieve that, China will continue to collaborate with other nations in trade, commerce, and investment. Domestically, it will pursue the development of science, technology and innovation, as well as continue the path of reform and opening up its economy to the outside world. The ultimate aim is for it to eventually reach the status of a developed nation.
- There have been concerns in the U.S. about China's rapid rise. But China does not seek to become a hegemonic power as it is not in China's DNA. China never sought to expand its borders, export its method of governing, spread any extreme ideologies, or conquer other civilizations. China preaches peace and shared prosperity for all nations.
- A positive relationship between the U.S. and China is not only good for the two countries, but also for the world at large.

- The U.S.-China trade relationship is going to become increasingly complementary.
- U.S.-China relations are based not only on trade, commerce, and finance alone. The two countries have also collaborated on major global challenges such as the 2008 financial crisis and the Paris Accords on climate change. There are other challenges the world will face in the future, including global migration, nuclear proliferation, cyber security, and developments in science and technology. In all these areas, collaboration between the U.S. and China is essential, and this collaboration can only increase the chances of attracting other important nations in support of these efforts and therefore their ultimate success.
- Some Americans have said that the political systems in the two countries are vastly different, so how can they possibly collaborate? The answer is that their political systems are different because the two countries have different cultures, different histories, and are at different stages of development. It is entirely reasonable to have different political systems with the ultimate goal of serving the people. China's system works for China, and this should not hinder collaboration between the two nations.

In conclusion, Mr. Tung says decoupling is not in either party's interest, and certainly not in the interest of the world at large. The more closely the two countries can work together, the better off the two countries will be, and the better off the world will be.



Zhou Wenzhong

*Vice President, China-U.S. People's Friendship Association
Member of Council of Advisors, Boao Forum for Asia*

Zhou Wenzhong, in his speech, reviews 40 years of China-U.S. relations. He points out the most important lesson: that cooperation leads to mutual benefit, while conflict puts everyone in harm's way. Cooperation is the best option for both countries.

In his opinion, both countries need to think about how to address the lack of strategic mutual trust, a fundamental issue underlying today's China-U.S. relations. Containment, decoupling, confrontation, a clash of civilizations, or a new cold war would all be serious strategic misjudgments. Consistent strategic miscalculations such as these could lead to a vicious cycle that pushes China and the U.S. toward a "Thucydides Trap".

Mr. Zhou says we cannot allow frictions and disputes to dictate the current China-U.S. relations. In the spirit of reciprocity and mutual respect, the two sides need to address and manage their differences in a constructive way.

Mr. Zhou's speech included the following points:

- Forty years ago, it was mutual interests that promoted the establishment of diplomatic relations. And 40 years later, it is again mutual interests that promote the continuous development of bilateral ties. As globalization deepens, interdependence and interwoven interests are dominant characteristics of the modern world. All nations will have to have dialogue instead of confrontation, cooperation instead of friction, win-win deals instead of zero-sum games. Only in this way can they better safeguard their own interests and further promote the well-being of the world.
- “Harmony” lies at the heart of the Chinese nation’s value system. This dictates that China will commit itself to a peaceful rise. The fundamental intention of China is to help its people lead a decent life, and, together with all nations in the world, construct a community of shared future for mankind. China is by no means a replica of the former Soviet Union and it will not follow down the beaten path of “power inevitably leading to hegemony”, for such a path will take us nowhere.
- China will never become a second United States, either, nor does it harbor ambitions of replacing it. Competition between China and the United States is bound to arise, but such competition should be constructive and rule-abiding. China’s development and prosperity present opportunities for the United States, and vice versa.
- It is inevitable that differences and disputes will arise. However, it is critical that we not allow these differences and disputes prevail. In the bilateral relationship, there are many more mutual benefits than differences, and much more can come from cooperation than friction.
- Mutual benefit lies at the core of China-U.S. economic and trade relations. No winner emerges from a trade war. All disputes need to be settled through dialogue and consultation. That being said, all negotiations are bound by principles and bottom lines. China will never budge on issues of principle that bear a direct significance on national pride and core interests. The United States, with an eye to the overall bilateral relations and its own interests, should address these issues in a cautious and appropriate way in order to prevent them from affecting and undermining China-U.S. relations.
- People-to-people exchanges between China and the United States are an important aspect of informing and shaping public opinions in the two countries. America’s over-reaction to the so-called “China Threat” will harm American interests in the longer term.

As a witness who has lived through the 40-year development trajectory of China-U.S. relations, Mr. Zhou says he has faith in the prospects of this bilateral relationship going forward. As long as the two sides stand firm on no conflict, no confrontation, mutual respect and mutual benefit through cooperation, this bilateral tie can move forward for another 40 years, which will in turn bring more benefits to peoples of the two countries, as well as those around the world.



Panel Discussion

Trade is an issue. But it is really not *the* issue. The real issue is probably far deeper than just trade. What is it if it is not trade?



Karl Eikenberry

Director, the U.S.-Asia Security Initiative, Stanford University

Regarding the question of agency versus the environment, agency really matters. President Trump -- the agency -- matters in terms of U.S. domestic politics and foreign policy. President Xi Jinping -- the agency -- also matters profoundly in Chinese domestic politics and foreign policy. Both matter in U.S.-China relations.

I have two points about the environment in terms of security.

One is the securitization of economic exchange that's taken place over the years preceding President Trump. In the 1970s, if you had asked leaders in the Pentagon or in the Central Military Commission what technologies matter for national security, the answer might have been that "about 70% of the technologies that matter are under government proprietary contracts." They're outside of the commercial sector. But now, probably, we see the reverse of that: about 70% of what matters is found in the commercial sector. The number of these technologies that are proliferating and have profound national security consequences is extraordinary.

The other point is geopolitics. U.S.-China security competition in the Western Pacific, of course, matters. The U.S. talks about freedom of navigation, and China talks about sovereignty in the seas. The risk of an accident and miscalculation would be terrible.

My worry is about more geopolitical and geo-economic competition in the longer term. The U.S. concern in bilateral relations previously has always been trade imbalance, but now it's a global competition. A concern is that as China moves forward around the world with ambitious programs like the Belt and Road Initiative, an alternate system or order starts to develop, which would have geopolitical consequences.

And, of course, values do matter in increasing mutual understanding. Without talking about political values, the analysis on U.S.-China relations would be incomplete.



David Lampton

Oksenberg-Rohlen Fellow, Stanford University, Asia-Pacific Research Center

If we want to be effective, we have got to first talk about all the gains of U.S.-China engagement that we have worked for in the last 50 years: cooperation on aviation safety,

the strain of flu in 2003, China's share of its vaccine... So let's start talking about what engagement has been and its gains for our two societies.

I agree with Chairman Feulner's point: don't assume that everything's going to get back if there's a change in the U.S. administration. But don't draw the opposite conclusion, that if there was a change in administration nothing would change. No matter if it's going to be a future Republican or Democrat administration of a different character, you should have a policy process that people can see and a certain sense that things are under control.

I agree with Karl Eikenberry, the key issue behind the haywire economic relationship is security. We need to have strategic discussions on this. I have two recommendations.

First of all, the need for cooperation among local governments. When Washington isn't working very well, go local. We are a federal government, so states have capacity, leadership, and incentive.

Secondly, we have a responsibility to our grandchildren. I would recommend that everybody take their grandchildren to China or the United States. Let them draw their own conclusions about what kind of place China or the U.S. is.



Qi Zhenhong,

President, China Institute of International Studies (CIIS)

Currently some people in the U.S. hold the view that “lose-lose is better than win-win” — the U.S. may suffer from a trade war with China, but as long as China suffers greater losses, the U.S. will emerge a winner. Such an idea has three layers of implications behind it: first, the U.S. loses more than it wins from trade with China, therefore it has been a victim in such trade ties. Second, the U.S. is bigger in size, can withstand greater damage, and thus emerges the winner in a confrontation with China. Third, as long as the U.S. can slow down China's development, it will be worthwhile even if both lose.

I think behind such thinking the real issue is how the two parties look at each other. Is the U.S. taking China as a friend, partner, and competitor, or as an enemy? If it deems China an enemy, then all negotiations will be superficial and won't solve in-depth problems.

Such a lose-lose mentality is very dangerous. According to the Peterson Institute for International Economics estimates, if Trump imposes tariffs on all Chinese goods, the average annual loss for American families will surge to \$2,200, and the U.S. economy will sink into a recession. Some American scholars have pointed out, while U.S. politicians are busy making empty promises to their public, the Chinese government is calling on its people to get ready for potential hardships as well as a protracted trade war. Under such circumstances, who will be better prepared for a lose-lose outcome? Vicious China-U.S. competition, even confrontation, will inevitably stall growth in both countries as well as for the entire world, and create disorder in global governance.

Immediately after outbreak of the 2008 financial crisis, China actively supported the U.S. proposal to convene the G20 summit and stabilized the international financial and

currency regimes. Then-State Secretary Hillary Clinton said during a 2009 visit to China, “When you are in the same boat, you should keep the peace on the crossing.” This statement remains valid when it comes to today’s China-U.S. relationship.

Robert Wright, a famous contributor to Time magazine, pointed out in his 1999 book “*Nonzero: The Logic of Human Destiny*” that for humanity to prosper it must proceed from a “zero-sum” era to a “non-zero-sum” one. The idea of “lose-lose” is against the trend of history.



Yang Jiemian

President Emeritus, Shanghai Institutes for International Studies (SIIS)

We must remember, and I agree with most of the previous speakers, that even if President Donald Trump would not be reelected, times have changed. We cannot go back, as Ed Feulner said. The good old days are gone forever. However, the new days are not necessarily going to be a nightmare.

We two countries and two peoples need to understand each other’s mindsets, approaches, ways of thinking. This is very important. The Chinese must listen to the Americans very carefully, and especially during these difficult times. And I hope our American friends could listen to the Chinese more often than now.

Let’s learn from each other and know each other and look forward so that a doomsday scenario will not be our future. We can work together to make tomorrow better.



Vali Nasr

Professor, International Politics at Johns Hopkins University School of Advanced International Studies

China is probably the most important country in terms of what the shape of the global order is going to be and where American foreign policy will land.

There are two notions. One is the American belief that no matter what its membership in the WTO or how wealthy China becomes, China is not going to be changed by this economic engagement and China is more likely to change the world order than being changed by it. The other notion is that of a Thucydides trap, the fear that if China doesn’t change, we somehow are headed for a confrontation.

In this context, the best thing the U.S. can hope for is to manage and contain China. And this actually started, really, under President Obama: his pivot to Asia and TTP, etc. In this sense, although he has particular ideas about trade, President Trump is following essentially where President Obama left off with the notion of “contain China.” It is not really a Trumpian issue.

In Washington and within the current administration, this is more than containment, as

the U.S. has limited time to stop China from becoming a superpower. It's not so much about hegemony. It's literally that China's economic rise is almost unstoppable, and the U.S. has to do something to stop it, to reassert America's unipolar position. It's more about that than it is about containment of China.

I hear some of the President's advisors talking about "a 1948 moment," that the United States has to organize all of its foreign policy in terms of a Cold War/Iron Curtain mentality. How is the United States going to go forward? There are sort of arenas in which it's going to happen. Trade is the first one, but this is only sort of the frontal issue.

There's also technology, because in technology there is the perception that the American economy remains ahead of the curve, remains ahead of everybody else. If you lose the technology race with China, you lose. Everything else is basically lost.

And then the third arena is geography, as containment and global power rivalry is always about. This is likely to be the next frontier of competition.

So, we have to think about not just about trade, but about technology and about geography.

Besides that, the mood among people is actually getting more and more sour, which is critical. If China begins to be seen in the U.S. as the enemy, it's going to impact the overall perception of this relationship.

Those who are friends of this relationship, particularly American businesses and Chinese businesses, have to invest in order to make sure that it works.

Summary by the Moderator



Ronnie Chan

Chairman, Hang Lung Properties

I'm deeply troubled by the win-win notion from the Chinese side. It's very rational, very correct, logically speaking. But you are not talking about just trade, you're talking about security, which goes by a different logic. What logic is there? Actually, it's no logic. It's a totally different logic, win-win doesn't exist in security issues.

I advise my Chinese friends to think beyond what we know, what we think is possible and rational and win-win.

Americans will perhaps finally figure out that what we are doing to China is to our own disadvantage. But, Americans will always do the right thing only after it has exhausted all alternatives.

To my American friends, think and speak what you really think, this is the only way we can discover the truth. And only when we are discovering the truth will we have a chance of having a better relationship in the long run.

SESSION 3

THE FUTURE OF GLOBALIZATION, MULTILATERALISM AND GLOBAL GOVERNANCE



Goh Chok Tong

Emeritus Senior Minister, Republic of Singapore

Goh Chok Tong addresses globalization, global governance, and multilateralism from the perspective of a small country like Singapore. He likens the current political warming in the world to climate change. If not checked, he says, current trends can set a change in the entire global political climate.

In his speech, he claims our world is at a crossroads with two possible futures: one is a path to disaster and the other is a path to development. Two of today's global trends, de-globalization and decoupling, may lead to disaster over development.

- Globalization has benefited all, but the world is now seeing some of its negative effects. One negative effect is international income inequality, which leads to legal or illegal migration from countries being economically left behind. Even domestically, income inequality within a country drives societal angst: Brexit in the UK, “America First” in the U.S., the “yellow vests” riot in France, right-wing and populist groups in Italy, and the UK during the European Parliament elections. All are manifestations of genuine fear that “globalization has taken away jobs.”
- To address the anti-globalization trend, Mr. Goh gives realistic advice: restructure the economy and recognize where jobs are being lost. The easiest measure to take is redistribution via taxes, but the most important side effects to address are the root causes of domestic income inequality: education, family support, and skills training are necessary to train people for a new economy and bring them up.
- Populist politicians are tapping into this vein of discontent against globalization by blaming other countries, foreign investments, imports and immigrants for causing much of their domestic problems. Mr. Goh warns that this trend -- from multilateralism to nationalism to unilateralism, from an open global economy to selective protectionism, is the real concern that we have to watch out.

Mr. Goh said, “sometimes in quarreling over the distribution of the golden eggs of globalization, we may risk killing the golden goose itself.” He calls for all parties to do what we can to avert this catastrophic trend.

Mr. Goh also shared his advice to develop strategic trust between the U.S. and China in three ways:

- Referencing William Owens, Mr. Goh says “we have to prepare for war, but we do not want war.”
- In reference to whether the U.S. can change China, Mr. Goh says China should use those impulses to make changes and reform where it can. But it’s impossible to change China’s system of government: it is a civilizational form of government stemming from a different culture and system.
- in reference to democracy, Mr. Goh says each country must exercise their form of government and follow the objective norms (rule of law, the way you treat a human being, developing growth and providing a better life for people) that allow each one of us to have the best form of government for ourselves.

Mr. Goh urges the formation of “Voice of Moderation.” People who understand China and the U.S., who understand the conflict and challenges, must speak up and find a way for the narrative that China is not an enemy to get through to the U.S. establishment. He shares his own take on China:

- China has transformed itself and grown in a short period of 30-40 years, why would China destroy everything by being a threat to anyone?
- What would Singapore do for a living if China is seen as an “economic threat” because China is growing? As the former Singapore Prime Minister, Mr. Goh concludes that a prosperous neighbor is better than a poor neighbor. Singapore knows how to make a living with a wealthy country.

In conclusion, Mr. Goh says the “Voice of Moderation” is the way to avoid the path of disaster. One must speak up. We must not take the side of China or the U.S., but the side of principles: the rule of law and a multilateral trading order where big and small countries have equal rights.



Max Baucus

Former Ambassador of the United States to the People’s Republic of China

Max Baucus addresses several issues in his speech that he and most Americans are concerned about.

First, he suggests that maybe China is no longer a developing country. Changing the rules accordingly would help engender trust. Dr. Kissinger talks a lot about the Thucydides trap: China is growing, and its economy will soon be larger than that of the U.S. It’s also a military power. What actions is it taking to show that it wants to work with and cooperate with the West?

President Xi raised this point at meetings with President Obama but said there was no trap. But, truthfully, people don’t know if there is a trap or not. That depends on China and on the United States to figure out how they are better together. That is the essential question that people have to face, one that they cannot answer glibly.

Another issue, he continues, is the one Prime Minister Goh mentioned: strategic trust. How do two very different countries, with two very different systems, trust each other? How do they begin to address strategic mistrust? It comes down to real respect for each other.

So, how do people get respect? They have to show more strength. How does America be stronger? It needs to be stronger internally through important infrastructure measures. It also means that Americans should stop fighting among themselves and start working with their allies. They should develop their own 2025.

At the same time, the Americans have to respect China. These are two different countries with different systems. And the Americans have to respect, not look down their noses at, the Chinese. They need not tell them what to do, but rather tell them what the Americans can and cannot live with.

Rule of law is another big concern to the United States. In Mr. Baucus's opinion, there is virtually no rule of law in China. But, he says, China is working toward rule of law. The two countries have to adopt some rules, and they have to find a way for two countries that are totally different to agree on such rules. They also have to begin enforcement of the agreements, because if they don't have rules, enforcement means nothing.

In conclusion, the ambassador says, when he deals with the Chinese, he must be what he calls his three Ps: patient, positive and persistent.



Jean Chretien

Former Prime Minister of Canada

Jean Chretien says the U.S.-China relationship has come a long way, but people still focus on the problems, not the successes. For this reason, people need to look back at the progress that has been made.

Mr. Chretien says there will always be problems, but people need to look at the real situation. In America, for example, the country has reached its lowest level of unemployment in a long time. Deficits are a problem, but these problems can be solved.

To solve these problems, Mr. Chretien says, people don't have to go to university, just a bit of common sense, which he says will ultimately prevail. So, people have a reason to be positive.

Mr. Chretien goes on to offer several of his opinions. First, he says people need rules that everybody respects. Second, great increases in wealth disguise one problem: redistribution of the wealth. That is a big problem facing all countries. Finally, the U.S. imposes tariffs, and says that the Chinese will pay. This is not true. In the end, American consumers are the ones who pay for it.



Chas Freeman

Senior Fellow, Brown University's Watson Institute for International and Public Affairs

The following summary is from Chas Freeman's prepared video.

Chas Freeman believes no country has a bigger stake in saving what it can of the system the Trump administration is dismantling than China. However, America's sudden lapse into belligerent xenophobia and protectionism threatens more than China; it endangers the entire world, including the United States.

Mr. Freeman likens Chinese President Xi Jinping to former U.S. President Nixon, who understood the importance of active participation by both the U.S. and China in every element of the international system. This is the prerequisite for global stability, predictability, and prosperity as well as for both countries' continued advance. At this moment, such cooperation has become impossible, and it is very unlikely that the upcoming U.S. elections will correct this.

Mr. Freeman points out that China's reluctant, restrained, and limited response to this disruption is wise. But while restraint can minimize damage, it does not offset it or provide a basis for its eventual reversal.

Therefore, he argues that the strategic question we all must now ponder is: what stopgap measures and what long-term initiatives can China and others adopt to preserve the benefits of the rule-based international order and enable its eventual return?

Mr. Freeman argues that China and others must look beyond today's America for answers and keep the following in mind:

- This begins with an awareness that dissatisfaction with China's international trade and investment practice is not limited to the U.S.
- A feasible approach would be for China to expand its economic relations with others, bypass American obstruction of global governance, demonstrate its continuing commitment to reform and opening, and lay the basis for ongoing liberalization of global trade and investment flows.
- China and other sponsors of new structures such as the Asian Infrastructure Investment Bank and the Belt and Road have left the door open, the light on, and a chair free for the U.S. if and when it decides to rejoin the international consensus. Any effort to advance the missions of the WTO or other pillars of the rule-based order should do the same.
- It is true of international politics as well as economics: opposition to problem solving by a few need not prevent the many from acting for the benefit of all.
- In the foundational document of Sino-American relations, the Shanghai Communiqué, the two sides wisely set aside ideological differences to enable each other to work in parallel on issues of common concern. The time has come to reinstate this approach. It is the key to reversing the current drift toward war over issues like Taiwan and the South China Sea.

- Finally, success requires not only that each side has a clear concept of where it wants to take its relationship, but also agreement on the mutually beneficial objectives they will pursue.

Mr. Freeman concludes that a relationship not grounded in strategy leaves its parties hostage to events, the current state of affairs in Sino-American relations. The world must conduct an active defense of globalization and multilateral systems of governance, which are the best ways to promote mutually beneficial, non-violent competition, peace, and prosperity.

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Panel Discussion

In the last 40 years, the U.S. has set up 70,000 companies in China and cumulatively generated \$900 billion in revenue in China. This business bond, as the most lasting bond, might in the end save the U.S.-trade relationship from deteriorating. The industry representatives in this panel share their views.



Fu Xiangsheng

Vice President, China Petroleum and Chemical Industry Association (CPCIF)

China and the U.S. are highly mutually complementary when it comes to oil and natural gas. China is the world's largest energy consumer and the biggest importer of petroleum and natural gas. The U.S. is the world's largest oil and natural gas producer and has the most rapid growth in oil and gas exports. According to U.S. statistics, China was its second largest destination of crude oil exports, its second largest export destination of liquefied petroleum gas, and its third largest export destination of liquefied natural gas. Expanding cooperation in this field is an optimal choice for reducing trade deficits.

China and the U.S. have plenty of opportunities for cooperation in the field of new materials for chemical industry as well as high-end chemicals. The Chinese petrochemical industry remains at the middle- and low-end of the industry chain, focusing on basic chemical products and relying heavily on imports for high-end products. Meanwhile, China is a manufacturing powerhouse, with tremendous market demands for petrochemical products and particular dependence on imports of high-end engineering plastics, high-end polyolefin, high-end membrane materials, specialty fiber materials, and specialty chemicals. With its position at the high end of the petrochemical industry, the U.S. can formulate a complementary industry chain with China's basic chemical products. It can then combine this with such massive market

demands as those for automobile weight reduction, wind and solar power generation, and rail transport, and hence find endless opportunities and a bright prospect in the petrochemical field.

Both Chinese and U.S. petrochemical industries are eager to reach an equal and mutually beneficial trade deal as soon as possible. During the dialogue about Texas and the city of Austin moderated by Mr. Robbin Goodman, the highlight was the introduction of the state's advantages in petroleum and natural gas, especially its export of liquefied natural gas. China imported 13,370,000 tonnes of liquefied natural gas in 2017, a quarter of which was from the U.S. We've gotten a lot of inspiration from this forum and benefited greatly from it.



Wang Ning

President, China Electronic Chamber of Commerce (CECC)

Forty percent of the products involved in the China-U.S. trade spat have been electronics, the most disputed being chips, or integrated circuits, which constitute the largest portion of China's overall imports.

Every year, China imports about \$320 billion of chips from such countries as the U.S., Japan and South Korea, and exports such end products as cell phones and TVs.

China and the U.S. are completely mutually complementary in electronic and information industries: China needs to import great quantities of advanced U.S.-made chips and software, and the majority of the U.S.'s low-end manufacturing now takes place in China. High-end U.S. products are more profitable than low-end Chinese end products — this is consistent with the law of production development.

Both parties will suffer if they can't reach agreements about the electronic and information industries in the trade disputes.



Xu Haidong

Assistant Secretary General of China Association of Automotive Manufacturers (CAAM) and Director of Trade Coordination Department

Chinese and U.S. auto industries have been collaborating pretty well, but will surely face problems arising from the trade friction. Since May, tariffs have been hiked from 10 percent to 25 percent, which are on both parties' shoulders and will certainly be transferred to corresponding consumers.

Many U.S. spare parts companies have built factories and networks in China, and their sales in China account for 15 to 20 percent of their global total. Chinese and U.S. auto industries are so closely connected that they are simply inseparable.

Technological transfers between Chinese and U.S. auto industries are totally outcomes of market demands, rather than imposed by the government. GM, for instance, had set up its technology center in China so as to develop models targeted at Chinese consumers based on Chinese market demands, the cost of which may be unimaginable both in terms of design and production in the U.S. Neither has the Chinese government asked Tesla to transfer corresponding technologies when it decided to invest in China.

For 10 consecutive years, China has been the world's largest market for automobile production and consumption. Auto ownership for every 1,000 Chinese has just reached 172, compared to about 500 in advanced economies, and more than 800 in the U.S. Therefore, the market potential in China is enormous. China is already the largest market worldwide for new-energy vehicles and intelligent connected vehicles.

China will become a major automobile producing base thanks to its huge market, complete supply chain, as well as its diligent industrial workers.



Brent Young

Vice President of Intel, Director of Intel China Corporate Strategy Office

The Semiconductor Industry Alliance is totally a global industry, and trade facilitation is a really big deal.

China has made some really positive steps. From a trade facilitation ease-of-doing-business survey, China globally ranked 65 in 2018, up from 97. So that's about one third progress on a global scale, which is huge.

There are further things that China can improve, from transparency of laws to the rules and procedures. We'd love to see China take even more steps in that direction.

Summary by the Moderator



Wang Huiyao

President, Center for China and Globalization

Our panel discussions proved that the fundamentals between China and the U.S., as well as between the two countries' business communities, remain sound. We've heard the views of various industries, which should be the most important direct links between our peoples. Addressing such fundamentals would best serve China-U.S. relations.

Annex 1. Conference Agenda

US-China Trade and Economic Relations: What Now, What Next

9-10 July, 2019

Discovery Bay, Lantau, Hong Kong

Day One (July 9, Tuesday)

09:00-10:30 **Opening Session**

Welcome Remarks:

Tung Chee-hwa, Vice Chairman of the CPPCC, Founder of CUSEF

Keynote Speeches:

Yasuo Fukuda, Former Prime Minister of Japan

Ed Feulner, Chairman, Asian Studies Center at the Heritage Foundation

Zeng Peiyan, Chairman of CCIEE, Former Vice Premier of China

10:30-10:50 Break

10:50-18:10 **Session 1: US-China Trade and Economic Relations**

10:50-12:30 **Panel 1: Current Status of Trade and Economic Relations**

Keynote Speeches:

William Daley, Vice Chairman of BNY Mellon

Zhang Xiaoqiang, Executive Vice Chairman and CEO of CCIEE

Stephen Roach, Senior Fellow at the Jackson Institute of Global Affairs and Senior Lecturer at Yale University School of Management

Panel Discussion:

Cao Derong, President, China Chamber of Commerce for Import & Export of Foodstuffs, Native Produce & Animal By-Products (CFNA)

Mark Kirk, Former U.S. Senator

Lawrence Lau, Ralph and Claire Landau Professor of Economics, Lau Chor Tak Institute of Global Economics and Finance, The Chinese University of Hong Kong

John Zhao, President, Hony Capital

Victor Fung (moderator), Chairman, Fung Group

12:30-13:30 Lunch

13:30-15:00 **Panel 2: Investment Environment and Technological Innovation**

Keynote Speeches:

Ma Xiuhong, President, China Council for International Investment Promotion

Jeremie Waterman, President, China Center, U.S. Chamber of Commerce

Wang Changlin, Executive Vice President, Chinese Academy of Macroeconomic Research

Panel Discussion:

Neil Shen, Founding Managing Partner, Sequoia Capital China

Tian Lipu, Chairman, China Intellectual Property Society

Jerry Guo, Vice President, Qualcomm

Zhao Changwen, Director General, Industrial Economy Department of Development Research Center of the State Council

Zhou Bing, Vice President of Dell Technologies

Wei Jianguo (moderator), Vice Chairman, CCIEE

15:00-15:20 Break

15:20-16:30 **Panel 3: Macro Policies**

Keynote Speeches:

Jan Berris, Vice President, National Committee on United States-China Relations

Zhu Guangyao, Former Vice Minister of Ministry of Finance, PRC

Panel Discussion:

Clayton Dube, Director of USC U.S.-China Institute, a program of USC Annenberg

Jeffery Lehman, Inaugural Vice Chancellor, NYU Shanghai

Fu Yuning, Chairman, China Resources Holding Limited

Liu Shangxi, President, Chinese Academy of Financial Science

Nan Cunhui, Chairman, Chint Group; Vice President, All-China Federation of Industry and Commerce

Chen Wenling (moderator), Chief Economist, CCIEE

16:30-18:10 **Panel 4: Collaboration: Perspectives from Texas and US Heartland**

Keynote Speeches:

David Firestein, President, George HW Bush Foundation for U.S-China Relations

Bob Holden, President, United States Heartland China Association
Jeff Moseley, CEO, Texas Association of Business
Jimmy Flannigan, Councilmember, City of Austin

Panel Discussion:

Li Xu, Founder, International M&A
Will Nichols, Project Engineer, Core Engineering
Marina Bhargava, CEO, Greater Austin Asian Chamber of Commerce
Andrew Carranco, Board Member, Laredo Chamber of Commerce
David Firestein, President, George H. W. Bush Foundation for U.S.-China Relations
Robbin Goodman (moderator), Director, Business Programs and Corporate Affairs, George H.W. Bush Foundation for U.S.- China Relations

18:10 Day One adjourn

Day Two (July 10, Wednesday)

08:30-10:20 **Session 2: US-China Relations: Now and Beyond**

Keynote Speeches:

Neil Bush, Founder and Chairman, The George H. W. Bush Foundation for U.S.-China Relations
William Owens, Executive Chairman, Red Bison Advisory Group, Former Vice Chairman of the Joint Chiefs of Staff
Tung Chee-hwa, Vice Chairman of National Committee of the Chinese People's Political Consultative Conference, Chairman of CUSEF
Zhou Wenzhong, Vice President, China-U.S. People's Friendship Association; Member of Council of Advisors, Boao Forum for Asia

Panel Discussion:

Karl Eikenberry, Director, the U.S.-Asia Security Initiative, Stanford University
David Lampton, Oksenberg-Rohlen Fellow, Stanford University, Asia-Pacific Research Center
Qi Zhenhong, President, China Institute of International Studies (CIIS)
Yang Jiemian, President Emeritus, Shanghai Institute for International Studies (SIIS)
Vali Nasr, Professor, International Politics at Johns Hopkins University School of Advanced International Studies
Ronnie Chan (moderator), Chairman, Hang Lung Properties

10:20-10:40 Break

10:40-12:20 **Session 3: The Future of Globalization, Multi-lateralism and Global Governance**

Keynote Speeches:

Jean Chretien, Former Prime Minister of Canada

Goh Chok Tong, Emeritus Senior Minister, Republic of Singapore

Max Baucus, Former Ambassador of the United States to China

Panel Discussion:

Chas Freeman (video), Senior Fellow, Brown University's Watson Institute for International and Public Affairs

Fu Xiangsheng, Vice President, China Petroleum and chemical industry association (CPCIF)

Wang Ning, President, China Electronic Chamber of Commerce(CECC)

Xu Haidong, Assistant Secretary General of China Association of Automotive Manufacturers (CAAM) and Director of Trade Coordination Department

Brent Young, Vice President of Intel, Director of Intel China Corporate Strategy Office

Wang Huiyao (moderator), President, Center for China and Globalization

12:20 Forum adjourn

