

Center for Strategic and International Studies

TRANSCRIPT
Online Event

**“Chinese Views on the Biden Administration’s China
Trade Policy”**

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FEATURING
Wang Yong
Director, Center for International Political Economy, Peking University

Tu Xinquan
Dean, China Institute for WTO Studies, University of International Business and Economics

CSIS EXPERTS
Scott Kennedy
Senior Adviser and Trustee Chair in Chinese Business and Economics, CSIS

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Scott Kennedy: Well, good morning or good afternoon or good evening. My name is Scott Kennedy. I'm the Trustee Chair in Chinese Business and Economics at the Center for Strategic and International Studies in Washington, D.C.

And I'm delighted to invite you to this program today to talk about Chinese reactions to the very important speech that U.S. Trade Representative Katherine Tai made yesterday at CSIS, where she unveiled the Biden administration's policies with regard to the U.S.-China bilateral economic relationship. This was a highly publicized speech. Many in Washington and elsewhere around the world were looking forward to her remarks. And although she may have disappointed some people in some ways, she was – this was the first time the administration laid out a relatively clear strategy about why we have a relationship with China, the kinds of problems we have, and how we're going to go about trying to address them. And she announced that the U.S. and China would begin soon having dialogues, she with her counterpart, and that the U.S. also would begin to reintroduce the exclusion process for tariffs that were imposed during the Trump administration against China.

All of us in Washington yesterday after the speech were talking about it, but one of the things that exists now is the infrequent opportunities to hear Chinese voices about our bilateral relationship. And so, luckily, I've been able to have two of my close friends from Beijing join us. These are two leading authorities on Chinese economic policy, U.S.-China commercial relations, and China's role in the WTO.

Wang Yong is director of the Institute of International Political Economy and the Center for American Studies at Peking University. Tu Xinquan is dean of the China Institute for WTO Studies at the University of International Business and Economics. More importantly to me, they are close friends and also former hosts of me when I've been in China. When I was on a Fulbright in 2009 and '10, Wang Yong was kind enough to host me for that year and I learned a tremendous amount during that time in China. It was in the middle of the financial crisis. And in – from 2011 to 2013, when I was a professor at Indiana University and opened a research center in Beijing, we opened it in Tu Xinquan's institute at UIBE.

They have been very kind to me, and I hope all of us will be kind to them today particularly because we are interrupting their vacation. This is a week for China's National Day vacation, and neither of them are in Beijing. Wang Yong is coming to us from his family's home in Anhui and Tu Xinquan from his family's home in Hangzhou, and they have been kind enough to take this time to talk with us.

So, Xinquan and Wang Yong, thank you for being with us and everyone today.

Tu Xinquan: Yeah. Hello, everyone.

Wang Yong: Thank you.

Mr. Tu: Yeah. I'm very pleased to be here. Thank you. Thank you for your invitation, Scott.

Mr. Kennedy: Sure.

What I'd like to do now is, because we only have 30 minutes for this program, is I've got a few initial questions I wanted to ask. And we have a very good group of audience members that are growing by the second who probably also have a few questions that I want to also see if we have a little bit of time to get to, but I didn't want to keep this a long program because I want you all to enjoy your vacation.

So let me just begin with the most obvious question, and let's start with Xinquan if we could and then turn to Wang Yong for his as well. And it's just your initial reaction to the speech and what you thought the purpose of the speech was, what you heard, what you think Beijing – the Chinese government – heard from that speech. And why don't we just start there and then we can go to the next issues that follow up from your remarks. Xinquan?

Mr. Tu: OK. Thank you.

I think, actually, the world has been waiting for this kind of speech or policy statement for a long time, for now nine or 10 months. The Biden administration has said that it is – it has been reviewing the U.S.-China trade relationship, but as I said, we are waiting for the results. So this time I think Ambassador Tai is giving us this answer about the results of the review, and I think generally speaking my impression is positive about her remarks and her statement.

Especially, she does not support decoupling. I think it's a very great concern for China.

And she used the word like "durable coexistence" and "recouple." These words are kind of new, but basically I think they are positive for the U.S.-China trade relationship.

And also, she mentioned the possible tariff for exclusion process. It has been long expected and awaited, also, so if this could be started soon then it will be good for both Chinese exporters – importers and also for U.S. companies.

So, as I said, basically, my impression is positive.

Mr. Kennedy: Well, thank you very much.

Wang Yong, did you come away with the same kind of reaction to the speech or did you see things a little bit differently?

Mr. Wang: Yeah. Thank you, Scott, for your invitation.

I share the tones as expressed by Xinquan. I'm speaking in the firmed position of a scholar. And as a – you know, as a Chinese scholar, we have been studying, you know, this – the issue of American – the issue of U.S.-China trade relations for quite a long time.

And I would like – first of all, I would like to give some credit to the – to Ambassador Tai's speech. She recognized the value of the U.S.-China commercial relations does not only benefit the people of the U.S. and China, but also the global economy, and the two sides have a special responsibility as far as the global economy. So I think that is definitely true, right? So both sides has as large as \$600 billion U.S., you know, in trade. I think that is more than any bilateral trade relations in history. So I think that's the values that the common interests of the people. I'm happy and she's – her speech recognized that.

Secondly, as pointed by Xinquan, she, you know, didn't call for, you know, the one more tug of war or the trade war, right, did not call for a decoupling, right, rather than a recoupling – recouple. I think that's important. That's a positive. That is practical and realistic, right? So I think that is – should be encouraged.

And thirdly, I think, you know, she is very right in the try to conduct the dialogue with the Chinese (companies ?) to settle these differences, interests, and positions. I think that's a positive.

So I think, you know, based on these finds, I think that she will gather the positive reactions from the Chinese side.

About the differences, I would like to remind, OK, that you know, she did talk about the issue of the phase-one agreement. I think it's very important to recognize the impact of pandemic and the – you know, I think the undercapacity, underproductions, as well as the rising, you know, cost of

cargo between the two countries. So all these factors, you know, have very unfortunately influenced the implementations of the phase-one agreements.

Secondly, you know, both sides, you know, have different, you know, economic system. It's very natural, OK, to see the differences in the economic governance, right? So I think that is – we should give more the patience and respect to the differences of economic systems, right? So I think on the costs, you know, both sides should talk and work out the differences based on the WTO process. So, you know, the U.S. side might have its own expectation and the Chinese side has expectations, but both sides should respect the WTO and the international laws to settle their problem.

Thirdly, I think I would like to argue that both sides should depoliticize or de-securitize their trade issue. That's very important, right? So I think, unfortunately, over the last several years we have seen the political intervention. There are too much, you know, conflation of national security into this very important commercial relations. And both sides, you know, should resist the temptation of the maneuvering like that.

So generally speaking, I'm cautiously, you know about the directions of the U.S.-China commercial relations. That is – and Tai's speech may apply to some of them, and I think very important speech.

Mr. Kennedy: Well, thank you very much, both of you, for those opening remarks and reaction. I would say that counts as glass half-full or maybe even glass three-quarters-full positive things.

Wang Yong, you touched upon this a little bit, but I would like to get your reaction as well as Xinquan's because there are a couple things that she said which, even though in the short term looks like a reduction of tensions and an increase of dialogue, she also suggested some things where there are some longer-term problems and maybe a resumption, eventually, of escalation. So she highlighted what she called China's state-centered economic system. She didn't use the word "state capitalism." And she talked about the steel industry and other sectors that she's worried about that create overcapacity and the inability to have these resolved through WTO cases in a meaningful way – again, her views. When she was asked about different things that she might do or the Biden administration might do, she was clear to say nothing is off the table, including – you know, people asked about, you know, Section 301 investigations or other kinds of things that the U.S. may do. Those seem – I don't know, is your impression that those seem like less – that her analysis is OK because we can just sort of, you know, agree to disagree about economic systems, and that it's unlikely she will use those kind of tools? Or should we be worried that the framing that she used

and the possibility of these tools means that the relationship is still going to be – have a lot of conflict in it? Yong?

Mr. Wang: Scott, I think you raised a very important question about the U.S.-China, right? So I think that is – as I said, it's very natural, OK, for both, you know, the systems are different from each other. Both sides has different historical background, the different stages of development, right? So very natural.

I think the most important approach to the differences between the two is to conduct the honest and open dialogue. And as you might have noticed, OK, in the last several years even with the time of the trade war or tariff war, China has adopted many unilateral market-opening measures. That is very important. More recently, the Chinese government, OK, decided to apply for the membership of the CPTPP. So that is a high level, high standard, market-opening deal. OK, the regional arrangement, right, China also reached the deal, you know, with the EU on the Comprehensive Investment terms, right?

All these – when you put all these things together, we see China likely to continue the market opening, right, to open the Chinese markets, which is more important, OK, to the other countries. I believe by the end of this year China might release a very important political document to summarize, OK, the experience of reforming and opening up. I believe the market – OK, the market will be separated as playing a vital role in distributions. So that is – that is very fundamental, the stakes. I hope our, you know, American friends should pay attention to it, give some credit as well.

Mr. Kennedy: Thank you. I would say, you know, sitting in Washington, D.C. and reading Chinese official media and speeches and watching news about the situation of Chinese private companies and things, one doesn't get the impression – again, sitting in Washington – that China's reform and opening is accelerating. It seems a little bit different from here, but that's what we're having this conversation.

Xinquan, tell us a little bit more about your thoughts about maybe some of these other elements of Katherine Tai's speech. And given your role at UIBE, you know, some of your thoughts about TPP and the WTO.

Mr. Tu: OK. Thank you. Actually, as I said, my general impression or reaction to her speech is positive. But I think there is one shortcoming in her speech, which is that – the lack of reference to rules. Because the U.S. has been advocating the so-called rules-based trading system. But her speech didn't talk about much of that. Of course, bilateral conversations and dialogues are important. But we need a benchmark to make some judgement. So otherwise, for example, after – maybe after couple of times of conversations, then finally the U.S. is – the U.S. government is not satisfied with the results, then the U.S. government will use Section 201 again.

So then what's – well, what's the good for this conversation? But as we think Section 201 is not consistent with WTO rules. So I think especially for such two powerful economies, international rules are even more important because the two sides have the capability to hurt each other. So if we can have same set of rules, we follow the same set of rules, then it would be easier to deal with conflicts between each other.

And with regard to the so-called state interventions, of course, it has been a long-time debate about this issue. But I think at least in recent years the role of the state has become more and more important. In many economies, not only in China. I think even in the United States. And also, from her speech, Ambassador Tai also mentioned that the U.S. will increase its investments in infrastructure, or education, or people's lives, whatever. So I think we should not kind of demonize the role of state in the economy.

And actually, also in the event of the pandemic, we also see that the state could play and should play a very important role, not only economic development but also in social development, social governance. And also, you can see also on the Biden administration the role of – the importance of industrial policies also has been rising. Like as in the semiconductor industry, as she mentioned, the U.S. government will invest \$50 billion U.S., I think, in this industry to increase its manufacturing basis, to improving its manufacturing basis.

But actually, in the – at least in the case of semiconductor industry, the U.S. is highly more competitive than many – than any other economies, including China. China is at very low level yet. So, I mean, and then with regard to these debates or discussions about industrial policies, we still should stick to the existing rules. But of course, I don't – I don't oppose the reform of WTO. But to reforms at WTO, we need more discussions and especially more multilateral discussions about these rules. Otherwise, these rules are not legitimately enough to persuade or to force economies, including China, to follow them. So anyway, I would like to emphasize the role of rules, not only the conversations – bilateral conversations and the dialogues.

Mr. Kennedy: That's super helpful. Thank you very much, Xinquan.

I was just curious, what do you all expect in the very near short term? Do you expect Vice Premier Liu He or – and, you know, the minister of commerce or others to start having – you know, publicizing forthcoming talks with Ambassador Tai? Or other types of initiatives? Where do you think we'll – this is heading? Do you think it's possible we may see Biden – President Biden and President Xi have more conversations, perhaps in person? Maybe at the G-20 in Rome? What do – what do you think is going to happen in the next few weeks or months?

Mr. Wang: Uh-huh, yeah. I think we can expect more high-level interaction and changes between the two governments and leaders as well. As you might remember, the two political leaders had the good – the telephone conversation. From what I heard, the atmosphere of the conversation and dialogue was quite positive. It might be different from what we have read, you know, in the newspaper, right? So that is something. And we also see – OK, that is, you know, the settlement of Meng Wanzhou's case, right? So I think all these positive things.

Now we have seen the media report, OK, the Chinese Politburo and member of the Politburo are Mr. Yang Jiechi and Mr. Sullivan, he might have the chance to meet with each other in Switzerland, in Europe, right? We can put all these things together. I think we will be not surprised to see both sides send the high-level officials to talk to each other to come to the lines of the dialogue. So I hope that, you know, by taking advantage of these chances and meetings the two governments can resume the strategic dialogue as well as economic – macroeconomic policy dialogue, as well as the commercial dialogue, right?

And besides that, of course, a very important field in the military, OK? That is to find ways to avoid the confrontation in the air and in the maritime fields. That is very important to both of us, yeah.

So I think cautiously – or, cautiously optimistic about the near future directions of the U.S.-China relations. You know, in the field of the commercial relations, I'm – you know, I expect, OK, Mr. Liu He, Ms. Tai, Yellen might have the conversation.

So, Scott?

Mr. Kennedy: That's interesting. Interesting. Of course, it takes, as folks here in Washington like to say, it takes two to tango. It takes two to dance. So if the U.S. is showing good faith and extending an olive branch, China needs to as well on economic and security issues. Have been a lot of reports lately about Chinese military aircraft flying off the southeast coast, in and around – near Taiwan. So there's a lot that both sides can do.

I was wondering, in terms of tariffs, you know, the U.S. is announcing resuming this exclusion process. Does China have a similar kind of exclusion process that it is extending to Chinese importers of American products?

Mr. Tu: Yes. Yes, I think so. Actually, I think in early this year I also joined some kind of discussions about this topic. We thought that the problematic way to solve the tariff issue is to speed up the exclusion process in both countries. So as I know – actually, maybe there are already, there have been already

some dialogues between the two governments about this issue. But, you know, we Chinese tend to pay more attention to the general atmosphere or the broader background. So I think the reason to a conversation – the reason to call between the two presidents set a good basis for the bureaucrats – to push forward the process. So I think as long as the two sides, especially the – like Liu He, Vice Premier Liu He and Ambassador Tai could have some dialogue or conversations recently, then the two sides could, as I said, could start and speed up the exclusion process individually, respectively. They are not – they don't have to be related but they could do this simultaneous.

Mr. Kennedy: Yes. Let me ask one other question; we're near the end. The Phase One agreement calls for specific levels of Chinese imports of American products for 2020 and '21, but it also says it expects the trajectory of Chinese imports to continue from 2022 to 2025. If the United States were to ask China to set new specific quantitative targets for imports in these different four categories, do you think that's something that the Chinese would look forward to accepting to set those targets, or do you think they hope to get beyond these first two years of quantitative targets and not have targets in the future?

Mr. Wang: Scott, I think, let's say, the very – you know, might be the difficult part of the – of the talk if there is some talk after Tai's speech, right? So that is – you know, one thing I would like to say, the phase one of the tariff imposition is not a good idea, right? So that is, first of all, against the WTO rules, against the spirit of the free trade.

And secondly, in the last two years, right, we have seen the cost much more – much more – to the Americans, importers and consumers, than to the Chinese manufacturers, right? So the U.S. – actually, U.S. suffer the most of the tariff burden, right? So that is why it comes to the U.S. government ask for the tariff exclusion, right? So that is something, OK, we should be noting that that's not a good idea.

And the third – so I think the last point, I would like to argue that I think the most impossible to say, OK, such kind of extraordinary arrangement will continue, OK? That's not a good idea – not good idea to the U.S., China, not a good idea to the whole global economy.

Mr. Kennedy: Well, Tu Xinquan and Wang Yong, you've been very –

Mr. Tu: OK, yeah, just to –

Mr. Kennedy: Yeah, go ahead. Go ahead.

Mr. Tu: Very short. Yeah. Anyway, I think managing trade is not – so market-oriented. So I think – and also, that language is not so legal. It's more like an

economist prediction, so I don't think that's so mandatory, requirements. I think it's still subject to further negotiations or further dialogues.

Mr. Kennedy: That's exactly what the ambassador said yesterday, that these weren't specific mentions. But it's something that the two sides will definitely need to discuss.

Tu Xinquan and Wang Yong, you've been very generous with your time, taking away from your vacation. I hope that you've benefited from this. I hope that we can talk again soon because U.S.-China relations, as Wang Yong said, are important, not only for our two economies but for the global economy, and there's much more issues that we need to discuss and that will come up in the coming months and years. So thank you.

Thank our audience for joining and asking good questions. I hope I was able to paraphrase some of them well. To the CSIS team and the trustee chair and the broadcast team, thank you for your good work. And we look forward to continuing this discussion in the future. Hope everybody has a good day, afternoon, or evening, wherever you find yourself. Take care.