

G2 - Can China and the United States Get Along?

Competition, Cooperation or Conflict

stars China 2019

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Sailing Problems

- “Vasa” built to be one of the greatest ships in the world and flagship of the Swedish fleet
- After launching it sailed for 1,300 meters on its maiden voyage
- Capsized and sank to the bottom of the Stockholm harbor
- Vasa Museum opened in 1988 and is the most popular museum in Stockholm



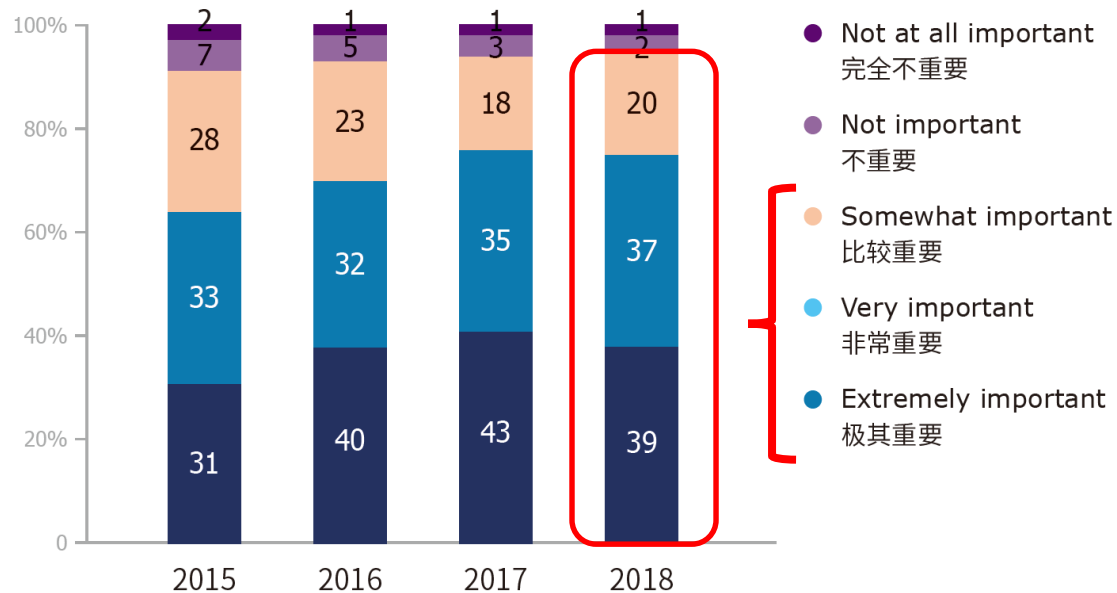
Ballast in the US-China Relationship

- Over the last 40 years
(US established diplomatic relations in 1979)
 - Consistent policy of engagement
 - Involving China in international and multilateral organizations, international monetary and trade systems, etc.
- Ballast of the relationship
 - Academic exchanges – faculty, students, researchers
 - **American business people**

American Business on US-China Relations

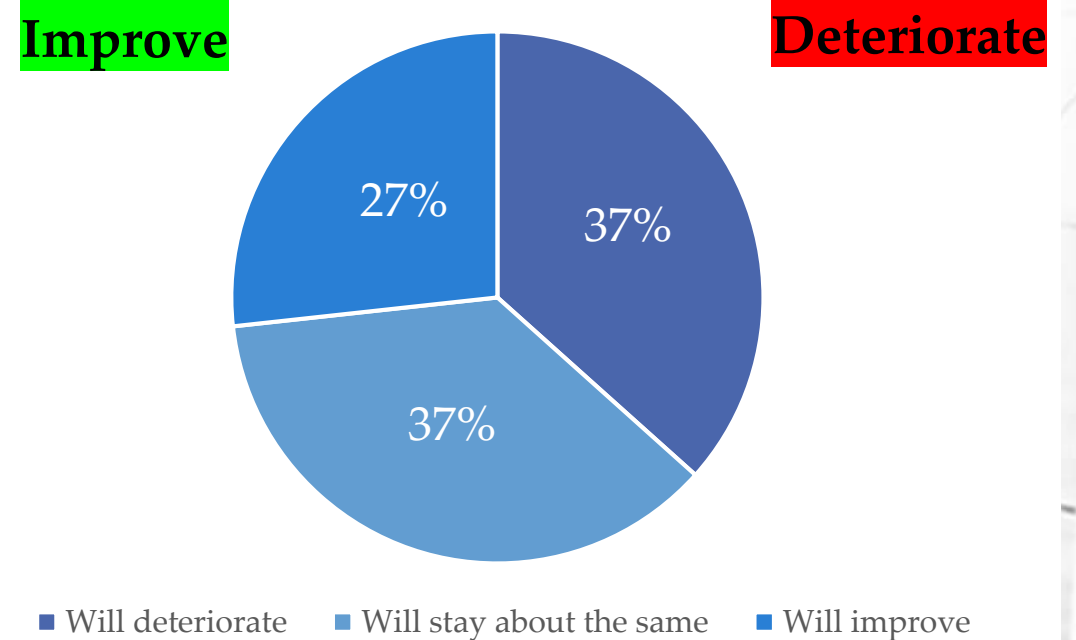
How important are positive bilateral relations between China and the US to your business growth in China?

良好的中美双边关系对贵公司的在华业务增长有多重要?



Source: AmCham China 2019 Business Climate Survey

What is your outlook on bilateral relations between China and the USA for 2019?

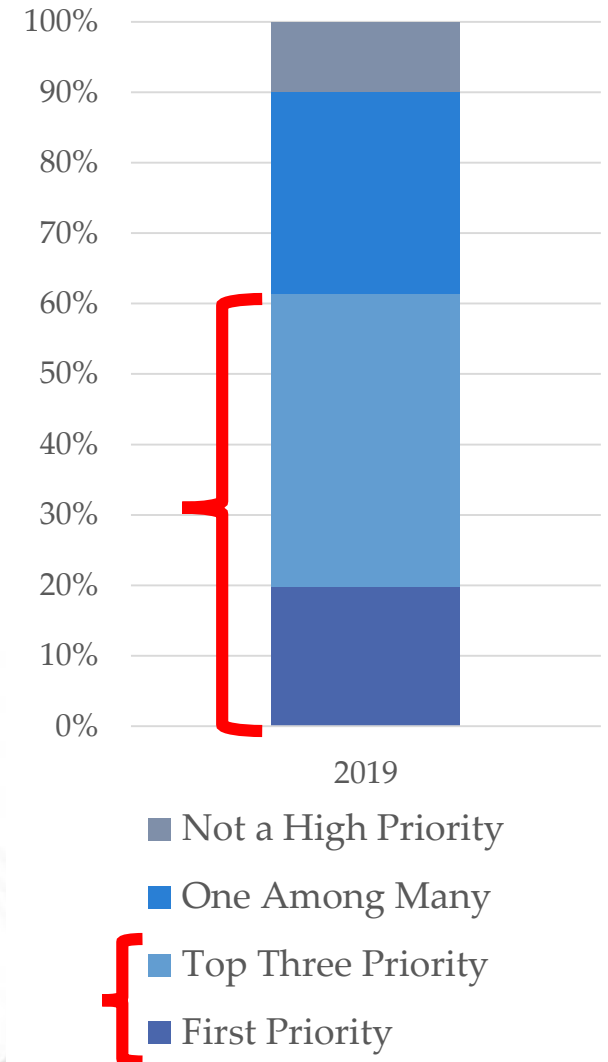


Historically American business community largest, broadest and most consistent supporter of positive, constructive US-China ties

Hedging Bets

- China remains an important market
 - Despite tempered growth and investment expectations
- US-China relations
 - Nearly $\frac{3}{4}$ expect bi-lateral relations to deteriorate or – at best – stay the same in 2019
 - Bilateral tensions a top 3 challenge regardless of sector
- Business responding by hedging bets
 - Flexible contingency planning
 - Supply chain diversification
 - Delayed investment decisions

Near-Term Global Investment Plans



Massive Change in US Attitudes

- Missed by think tanks, political leaders
- Current administration view of China
 - China as a revisionist power, main strategic competitor
 - Proponents of US-China disengagement – seen most clearly in technology areas
 - Reaction to Made in China 2025
- Friction and competition limited previously, now spread to almost all areas of the relationship
- View from the grass roots
 - Wholesale revision of the assumptions of the US-China relationship
 - Negative views of US-China relationship across political parties
 - Might see Trump to be criticized for being “soft” on China in next presidential election cycle (2020)

Vocabulary and Rhetoric

United States

- Make America Great Again
- China has taken advantage of our country; standing up to China's chronic trade abuses.
- China To Blame For Hurting U.S.-North Korean Relations
- The 1994 agreement to establish the WTO "was the single worst trade deal ever made"
- NATO is 'Obsolete,' UN is 'Political Game'.
- The EU has been "a brutal trading partner"

China

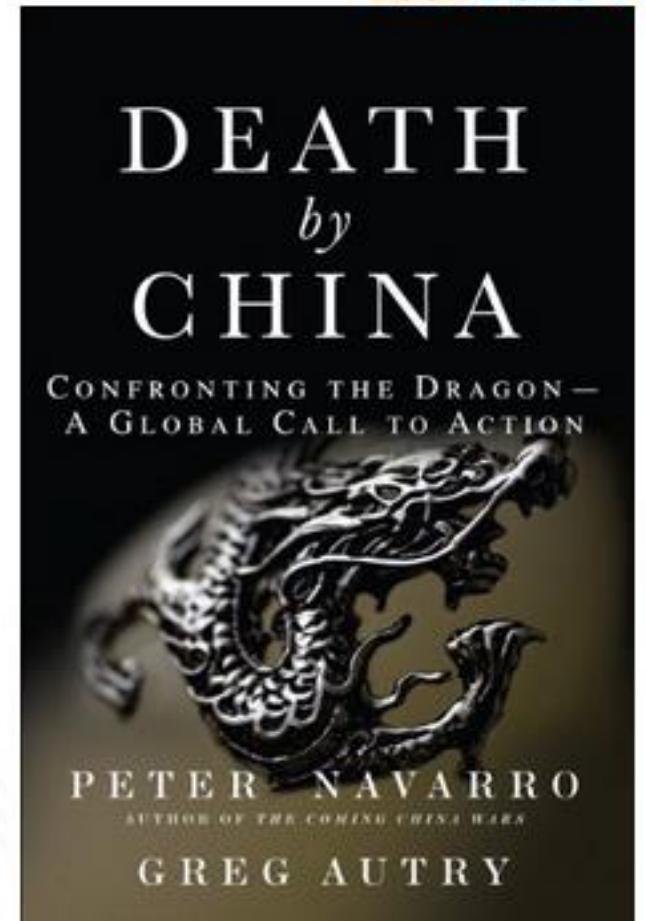
- China Dream
- Fight against rising tide of unilateralism and protectionism
- Promoting common development and a shared future
- Improving global governance
- Mutual respect and mutual benefit
- Common interests of the international community
- Win-win cooperation
- Balanced and inclusive development
- Community with a shared future for mankind

View from China

- “China will make long-term unswerving efforts to develop a ‘coordinated, cooperative and stable’ China-US relationship.”
- Xi Jinping’s comment:
"We have a thousand reasons to get China-U.S. relations right, and not one reason to spoil the China-U.S. relationship."
- Global leadership position increasing
 - BRI – summit April 2019 – 37 heads of state attending (29 last year); 150 countries and multilateral organizations
 - AIIB - 70 member countries (not USA and Japan)
 - China-Africa Summit
 - World Economic Forum
- It takes two to quarrel (两个人才吵得起来)
- Hard to clap with one hand (一巴掌拍不响)

View from USA

- Taking a more protectionist stance – America first
 - Confrontational approach to resolve challenges
 - Talk of a new cold war
- Questioning foundational aspects of US global policies (NATO, WTO, NAFTA, Paris Accord, etc.)
- Aggressive rhetoric and action on China
 - Members of team known for extreme views on China
 - Many public negative comments about China
 - Trade war now over 300 days



Competition? Natural Result

- Natural Result – Two big countries and economies
- Highly interconnected - connect, overlap, compete across multiple sectors and domains
- Other countries – not wanting to take sides

China



- Lead with economic issues – trade, investment, BRI/OBOR
- Rhetoric about new cooperation
- Realist approach
- China Dream / OBOR
- Export/current account surplus
- Look for cooperation

USA



- Lead with security issues – terrorism, NATO, military
- Rhetoric about alliances
- Idealist approach
- Make America Great Again
- Trade deficit
- Look to win

Challenges & Opportunities

- Challenges
 - Loss of traditional “ballast” for the relationship
 - Shift of business priorities for China - hedging
 - Massive shift of public perception in the USA
- Opportunities
 - Near term – resolving trade issues
 - Medium term – China commitment to reforms
 - Long term – Finding a new rationale and framework for the US-China relationship

US & China Must Get Along

- Competitive interdependence
 - Competition will not disappear
 - Cooperation needs to increase
- Old model appears broken
 - Doubt that there is a road back
 - Need to find a road forward
- Need a New model of US-China relations
 - Respectful and carefully managed coexistence?
 - Something else?
- Too important to fail / Too important not to get right