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# CHINA & US FOCUS DIGEST

## THE WAY FORWARD



**Hong Kong Forum on  
U.S.-China Relations**

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# CHINA & US FOCUS

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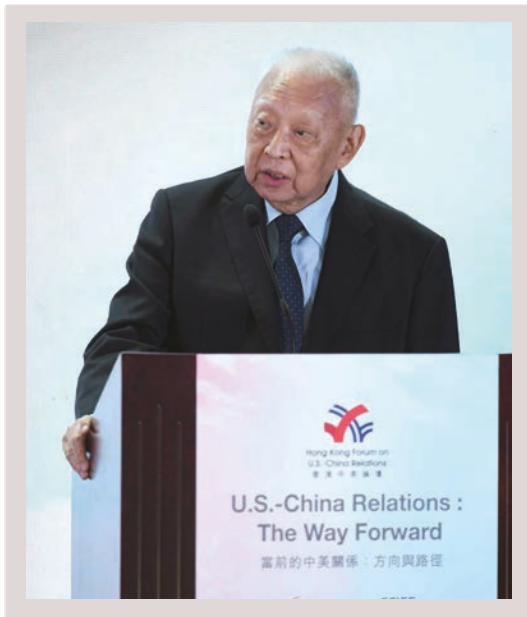
#### Note:

From January 26 to 28, China-United States Exchange Foundation partnered up with the China Center for International Economic Exchanges (CCIEE) for an online international forum on China-U.S. relations. The conference brought together more than 40 global leaders and experts to examine key challenges and areas of cooperation facing the United States and China. In this special issue of the Digest, we aim to capture the forum in its entirety, with the publication of the remarks by the keynote speakers and panelists. The transcripts have been lightly edited for clarity. This year's webinar can also be found at [www.chinausfocus.com/special/2021forum](http://www.chinausfocus.com/special/2021forum)

# ACKNOWLEDGEMENT

## **Tung Chee-hwa**

*Chairman of the China-United States Exchange Foundation;  
Vice Chairman of the 13th CPPCC National Committee;  
Former Chief Executive of Hong Kong Special Administrative Region*



First of all, I want to thank all the speakers who joined us in this event. Do you know that our speakers were actually spread out in nine different time zones? Our European friends dialed in at 2 am in the morning. My great appreciation to all, for your sacrifice and your contributions.

Second, I want to thank all the participants for watching or listening in. I hope the discussions in the past few days have been helpful to you — in understanding the challenges and what should be done to put the China-U.S. relationship back on the road to progress.

Indeed, our many speakers and panelists have pointed out what should be done. If I were to summarize the thoughts expressed in these three days, I'd say: Return to the dialogue table. Restore respect and trust. Allow competition and cooperation to coexist. Think about the developing countries and low-income people that need help. Know that all mankind lives on this same planet and all share a common destiny. ACT now!

The road is not easy, but together we'll find a way. One discussion is never sufficient. Changes of circumstances will require us to revisit the issues and rethink. When the pandemic and travel restrictions are over, I'd be happy to host this forum again. We can then meet, face to face, in this wonderful city of Hong Kong.

# EXECUTIVE SUMMARY

After a challenging year in which the world was tested by the impacts of COVID-19, global leaders and experts recognized the unprecedented changes facing the United States-China relationship and urged the two countries to work together to usher stability and security back into the international community. Following the inauguration of President Joe Biden in the United States, distinguished experts gathered virtually over three days, Jan. 26 to 28, 2021, to assess the future of bilateral relations. They examined key issues and areas of cooperation in the CUSEF's second international forum themed "The Way Forward," co-hosted by the China Center for International Economic Exchanges (CCIEE).

Last year was a year of unprecedented turmoil in which the pandemic sent humanity a message: The world is fundamentally changing, and the U.S.-China relationship remains crucial. The "Hong Kong Forum on U.S.-China Relations" featured more than 40 past and current major stakeholders and influencers, including former prime minister of Japan Yasuo Fukuda, CCIEE Chairman and former vice premier of the People's Republic of China Zeng Peiyan, former prime minister of Italy and former president of the European Commission Romano Prodi, former Prime Minister of Canada Jean Chretien, former U.S. secretary of commerce Carlos Gutierrez, current government officials, senior business leaders and renowned scholars from the United States, China and other

Asia-Pacific countries. They came together to address the current challenges facing bilateral relations. The discussion focused on how China and the U.S. should move forward in light of the new U.S. administration and used the opportunity to identify areas of cooperation between the two countries to tackle global challenges, including climate change, the environment, food security, cybersecurity and COVID-19.

Former prime minister of Japan Yasuo Fukuda stressed that less division and instability is something all nations are seeking, given the risks and problems that need to be resolved immediately and which cannot be solved without the support of the U.S. and its leadership, especially in international trade and finance. However, he noted, "The U.S. must first contain its biggest issue — COVID-19 — before it can help the rest of the world."

Aside from the pandemic, speakers conveyed their desire for progress through continued dialogue between U.S. and Chinese officials. Although there was a general sense of optimism around the new U.S. administration, speakers also spoke candidly about the challenges that will remain on both sides, while emphasizing the importance of global governance during an era of heightened risk. "I don't think there will be a major change in China-U.S. relations despite the new administration. However, there will be more dialogue," said Romano Prodi, former prime minister

of Italy and former president of the European Commission. “The tensions within the U.S. and competition with China are prevalent among both the Republicans and Democrats. Thus, there will be a necessity for deeper dialogue and exchange of views.”

This exchange of views must happen “not just by words but by deeds,” said former U.S. senator and former ambassador to China Max Baucus. Although the future of the relationship remains uncertain, President of the Chinese People’s Institute of Foreign Affairs (CPIFA) Wang Chao expressed confidence in the foundation of U.S.-China relations, which has been “built through our joint efforts over generations.” He added that goodwill remains unchanged and that cooperation will prevail.

Adding to the optimism and hope for progress in both trade and policy negotiations, CCIEE Chairman Zeng Peiyan said that to seek win-win cooperation, China and the U.S. must first rebuild mutual trust by restarting and improving multilevel engagement mechanisms. Ultimately, they should use the results of those dialogues as the fundamental conduit to address issues and challenges and play a leading role in managing relations. He also stressed that the two countries must “reshape and restart economic and trade relations, which have always been the ballast and stabilizer of the overall relationship.”

Emphasizing the detrimental effects of a complete China-U.S. decoupling, former U.S. secretary of commerce Carlos Gutierrez said that the bilateral relationship should not be based solely on transactions. Rather, it should encourage a more strategic partnership that increases areas of collaboration while eradicating areas of friction. “When you call someone an ene-

my, they become your enemy,” he said. “We are not an enemy of China, and I don’t think China is an enemy of us. Words matter.” Former U.S. Trade Representative Carla Hills expressed a similar sentiment, predicting that there will be significant changes in how the U.S. handles its international relationships. Under Biden, she said, “The tone in which we deal with all international governments, including China, will be more diplomatic.”

Both President Xi Jinping and President Joe Biden were the topic of several discussions during the forum. Tung Chee-hwa, founder and chairman of the CUSEF, outlined how the two countries share mutual goals and underscored the need for all nations to abide by the same rules-based system. He noted that China will work to protect that system and maintain global harmony. Addressing areas of cooperation, Mr. Tung noted: “President Biden has said that his four priorities are the pandemic, the economy, climate change and racial injustice. There is no question that the two countries can work together on at least the first three priorities.” In his opinion, “It is time to turn the page on the negatives of the past few years and start to work with one another again” because that path offers renewed hope for the future of the U.S.-China relationship.

Closing the forum, Mr. Tung reiterated the importance of productive dialogue and thanked the speakers for their insightful input over the three days. “Indeed, our many speakers and panelists have pointed out what should be done,” he said. He summarized their thoughts as returning to the dialogue table, restoring respect and trust and allowing competition and cooperation to coexist. “Let’s work together now,” he said. “The road is not easy, but together we will find a way.”









# At a Critical Crossroads



**Zeng Peiyan**

*Chairman of China Center for International Economic Exchanges (CCIEE);  
Former Vice Premier of People's Republic of China*

“Fifty years ago, Dr. Kissinger’s China visit broke the ice. [Relations] have had a profound and positive influence on both countries and laid solid groundwork for global prosperity and stability. Today, we are again at a critical crossroads.”

---

Respectable former Prime Minister Chretien, former Prime Minister Prodi, former Prime Minister Fukuda, Vice Chairman Tung, former Commerce Secretary Gutiérrez, former Trade Representative Hills, ladies and gentlemen, I’m very glad to see you here via video link.

The China-U.S. relationship has sunk into unprecedented troubles in recent years. One important reason is the U.S. cherishes strategic suspicion and anxiety regarding China, believing a rising socialist China will inevitably become a “threat,” and the two countries will inescapably fall into a Thucydides trap. I believe it is completely wrong to see and handle China-U.S. relations based on such Cold War thinking and ideological prejudices, and the outcomes can be extremely dangerous. Let me share a few points here:

***A country’s people are in the best position to judge whether or not their country’s development path suits itself well.***

**First, differences in social systems don’t mean China and the U.S. will necessarily come to confrontation.**

The formulation of any system and model has its specific cultural and historical conditions. China and the U.S. operate under different social systems, which are determined by their respective history and the choices their people made. A country’s people are in the best position to judge whether or not their country’s development path suits itself well. The Chinese civilization boasts a history of over 5,000 years, during

*One important reason is the U.S. cherishes strategic suspicion and anxiety regarding China, believing a rising socialist China will inevitably become a “threat,” and the two countries will inescapably fall into a Thucydides trap.*

which such ideas as “harmony is precious,” “harmony without uniformity,” “universal love” and “no offense” have melted into the blood of the Chinese nation. In modern times, having been through foreign aggressions and suppressions as well as vicious exploitation, China has finally chosen the path of socialism with Chinese characteristics. Practice has proved such a path is in full conformity with Chinese national conditions, and has won the endorsement and support of the Chinese people.

China has always advocated seeking common ground while shelving differences and respected people of all countries’ in the choice of their own development path. China has no intention to change the U.S., or to replace the U.S., and it is impossible for the U.S. to change China based entirely on its own will. The world is not about black-or-white binary opposition but a colorful place where all countries display their respective advantages and each gets what it pursues and deserves, and where all kinds of social systems can coexist in peace and advance together.

**Second, changes in our time have overthrown the theoretical foundation of the Thucydides trap.**

Take a look at the historical background of the Thucydides trap theory: At the time and a considerably long time afterward, the natural economy was the mainstream in human societies, and countries competed for such resources as land, population and grains by means of war or colonial plundering, thereby obtaining benefits and even establishing hegemony. The devastation of two world wars has brought humanity profound disasters and painful lessons. And the pursuit of peace and opposition to war and hegemony have since been the theme of our time.

In step with scientific and technological innovations and economic globalization, lar-

ge-scale cross-border flows of such factors as goods, technology, human resources, capital and data have become reality, forming the macro market, macro circulation and macro equilibrium of global factors, interweaving countries’ interests and leaving them mutually dependent. Win-win cooperation has taken the place of zero-sum gaming, and rules-based international economic competition and cooperation have taken the place of war to become the main forms to balance countries’ interests. The existence of weapons of mass destruction, especially nuclear ones, has given rise to “nuclear deterrence” and facilitated checks and balances between major countries. Playing with fire will result in a destructive war with no winners, the outcomes would be unimaginable.

In order to meet common challenges and promote common progress, President Xi Jinping put forward the important proposal of building a community with a shared future for humanity. I believe this conforms to the characteristics and objective laws of the development of international relations. China and the U.S. should get rid of the zero-sum thinking of a rising power versus an incumbent one and jointly build a China-U.S. relationship featuring coordination, cooperation and stability.

***We have no reason to challenge and overthrow the present international order.***

**Third, China is a participant in and contributor to the current international order, rather than a challenger and saboteur.**

The existing international order, which was established after WWII, has by and large preserved peace, progress and prosperity for the world, and is thus a tremendous contribution to humanity. China has also



actively participated in it to jointly deal with various global problems and challenges. It is safe to say this period has been one in which the global economy saw its fastest and most steady growth, during which all countries, including China, benefited the most. We have no reason to challenge and overthrow the present international order.

Of course we are all aware that the present-day international order at some point can't adapt to changing conditions. But what China advocates is to reform and improve it, absolutely not to create a new one from scratch. China's idea of the Belt and Road Initiative, following the principle of "consultation, contribution and shared benefits" and its launch of the Asian Infrastructure Investment Bank are meant to explore and experiment on ways for more countries to achieve common development under the existing international order.

#### **Fourth, China's development brings the world opportunities, not threats.**

China is the largest developing country in the world, but its per capita GDP remains just one-sixth that of the U.S. With limited resources, we have allowed 1.4 billion people to bid farewell to poverty, ensuring that people can live and work in peace and contentment and that society can advance steadily. This in itself is a contribution, rather than threat, to the world.

China's development has been helped by its open cooperation with other countries. China will be well only when the world is well. Likewise, the world will be well only when China is. Since the inception of reform and opening-up, China, with an average annual growth of 9.4 percent, has become a main stabilizer and driver of global economic growth. China was the only major economy that saw positive growth in 2020 and remains the biggest engine for global growth.

From a China-U.S. perspective, bilateral trade has grown more than 250 times in the past 40 or more years since diplomatic relations were established, more than 2.6 million jobs in present-day America were created thereafter; two-way investment has climbed to nearly \$240 billion from almost zero; over 90 percent of U.S.-invested companies in China have seen profits. Tesla has witnessed its production capacity and sales expand dramatically since entering the Chinese market. Its local output is expected to

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surpass 500,000 electric vehicles this year, accounting for half its global total.

China is racing against time to build a new development pattern where domestic circulation plays the leading role while domestic and international circulations facilitate each other, and to engage in all-around opening-up on a larger scale, in a broader scope and at a deeper level. China is expected to import goods valued at over \$22 trillion in the next 10 years for a mammoth market of 1.4 billion consumers, the world's largest and most rapidly growing middle-income population. That is both where China's development potentials lie and where potential for global growth lies.

Ladies and gentlemen, President Biden was inaugurated on Jan. 20. Hopefully the U.S. side can avail itself of this opportunity to adjust its ways of thinking and doing things, meet China halfway to increase strategic mutual confidence and achieve a position

***Tesla's local output is expected to surpass 500,000 electric vehicles this year, accounting for half its global total.***

of no conflict, no confrontation, mutual respect and win-win cooperation.

**First is to accumulate mutual confidence via restarting and improving mechanisms of China-U.S. communication at multiple levels.**

The two sides should waste no time restoring strategic dialogue at high levels, and providing leadership for the development of bilateral ties; they should take advantage of all kinds of dialogue mechanisms established in the past; adhere to issue-ori-

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ted, constructive dialogue; and, on the basis of equality and mutual respect, take dialogue and consultation as the basic channels for resolving problems and bridging differences.

Friendly ties between countries have their roots in the people. The U.S. side should eliminate the practices of building walls and imposing restrictions in China-U.S. people-to-people exchanges, and rather create favorable conditions for the two countries' communication and cooperation in all areas. The two sides should actively conduct "Track II" dialogues between nongovernmental organizations, enterprises and think tanks, as well as exchanges in such fields as education, science, technology and culture, so as to increase mutual understanding and friendly feelings between the two peoples, and improve the public opinion foundation for bilateral ties.

**Second is to consolidate mutual confidence by reshaping China-U.S. economic and trade relations.**

China-U.S. economic and trade relations have always been a ballast and stabilizer for bilateral ties. But they have suffered dramatic damage over the past few years, harming both Chinese and U.S. interests, as well as the global economy. The essence of China-U.S. economic and trade ties is win-win cooperation.

Not long ago, China signed the RCEP with 14 other Asia-Pacific countries, finished negotiations with the EU on a bilateral investment agreement and declared it would actively consider joining the CPTPP. This fully showcased China's resolve to carry out structural reforms and promote institutional openness. China and the U.S. should take an attitude of active cooperation and engage in a new round of economic and trade negotiations on the basis of comprehensive, objective evaluation of their phase one economic and trade deal; cancel the high tariffs they have imposed on each other since the start of trade war; scrap unreasonable restrictions on investment; restart BIT negotiations as soon as possible; and push China-U.S. economic and trade relations back onto the right track.

### **Third is to deepen mutual confidence through global governance.**

Humanity is going through a stage of great development and great adjustment. It's also a time of mushrooming challenges and increasing risks. The traditional global public goods regime is no longer capable of meeting present-day needs. It brooks no delay to enhance global governance cooperation and build fairer and more just rules and institutions. Major countries have

significant influence in global governance. As the world's largest two economies, China and the U.S. must shoulder common responsibilities and share broad common interests in such fields as pandemic containment, world economic stability, climate change, poverty alleviation, grain safety, cyber security, anti-terrorism and nonproliferation. The two countries should strengthen coordination, build a framework for cooperation, and join hands with other nations to tackle pressing global issues and major challenges facing humanity.

Ladies and gentlemen, 50 years ago, Dr. Kissinger's China visit broke the ice and facilitated the establishment of China-U.S. diplomatic ties, which have exerted a profound and positive influence on both countries and laid solid groundwork for global prosperity and stability in the past half century. Today, we are again at a critical crossroads, which calls for similar courage and vision. Let's work together to open up a broad path forward for the healthy, steady progress of China-U.S. relations.

Thank you!



# Talking Along the Path Ahead



**Jean Chretien**

*Former Prime Minister of Canada*

“My view is that China will keep growing, America will keep growing, Europe will keep growing, Canada will keep growing — if only we don’t fall into the trap of bitterness and resentment.”

---

Hello everybody. Very pleased to be with you this morning. I’m in Canada, trapped in the snow, because the rule of the government is to stay home. So I did not have the time to go to a store to buy a tie. But you have to understand that I’m happy to be walking every day in the snow, and I’m enjoying life. It’s a great occasion to be with you, despite the fires we live in.

***If we don’t prevail in the war against COVID-19, we’ll go from what it is in the West — a recession — into a depression.***

We’re in a war against COVID-19, and it’s a problem that affects every one of us. We have to be united — and I think we are — to help each other find a final solution to this problem. I think we will make progress. But if we do not succeed in overcoming this problem, you know, the economy will not come back.

We’re in a kind of recession at this time. China is doing quite well — you’re still having growth. But I also see the rest of the world doing reasonably well under the circumstances. I’ve never expected that the governments would be so aggressive in maintaining a level of economic development despite the crisis. If

we don’t prevail in the war against COVID-19, we’ll go from what it is in the West — a recession — into a depression. But, for me, I tend to be an optimist, and I think we’ll get out of it.

A very big element now to get out of it is to make sure that there are very good relations between China and the United States — as we are discussing today. It is extremely important. I think we had some good news last week when we had a new president of the United States. Because the mood is changing. I’m in North America today, and people seem to be relieved. Why? Because dialogue is possible.

There will always be problems. When I became a parliament member in 1963, 58 years ago, we had problems. But at that time, China did not really play a big part in the global discussion. Today, you’re the second-biggest economy in the world. We’re all depending on China, and China is depending on the rest of the world.

What happened in the last 30 years? We’ve seen a lot of wealth coming into the world. You know what it was like in 1994, I visited China with Team Canada — 500 business people. You know, it was very unusual. And today, we turn around and China is always there. The United States is always there.



For us Canadians, the United States is extremely important, because it represents 80 percent of our trade. We do a lot of trade with China, despite some political difficulties that you have felt in the last two years. I'm very happy to realize that in 2020, the growth in trade has been more than 6.5 percent between China and Canada.

So I'm looking forward with some optimism. I tend to be an optimist. I think it will be good in the future if we have trust and dialogue. And that's why "the way forward" is part of this dialogue. How can we talk to each other? If we don't talk to each other, we will not solve the problems. There will always be difficulties.

I survived 40 years in public life, and I never got up in the morning, opened the newspaper and read "Canada is doing well today." Good news is not news; bad news is always news. But if we have dialogue between us, forget about the headlines.

The problem we had in the last four years is that we had somebody south of Canada who was just looking to tweet for headlines. Now, I think the Americans have a president who has a lot of experience, who has been around for a long time, who has traveled the world and has a lot of reasonable approaches. He is like all of us, facing the prospect of more protectionism. It might be a bit more difficult for him because there is more unemployment than there was before.

But at the end of the day, we recognize that

the only way to cure this problem is to increase wealth in the world. China has made a great contribution in the last 30 years. There is a lot of wealth that has been created around the globe, and China has been responsible for a big part of it. Of course one of the problems is redistribution of this wealth — at least in our part of the world. It has not unfolded as it should have.

My view is that China will keep growing, America will keep growing, Europe will keep growing, Canada will keep growing — if only we don't fall into the trap of bitterness and resentment. We have to be looking forward as the theme of this conference suggests. We have to work together.

There will always be problems, but we have to talk to each other. We have to know why one is doing that and why the other is reacting this way.

But if all of us keep talking to each other, we will see the progress that has been made in the past 30 years, and that there is no reason why there shouldn't be progress in the next 30 years. But we have to talk to each other. We have to be generous. Sometimes we have to forget about the ego and think about good. I'm sure that people, like all of you, will keep talking.

***There will always be problems,  
but we have to talk to each other.  
We have to know why one is  
doing that and why the other is  
reacting this way.***

I would like to thank Mr. Tung Chee-hwa for organizing this dialogue, as this is the way to make progress. And I hope you all get out of COVID quickly to enjoy life and help your countries to progress and bring more happiness in the world.

Thank you very much!

# Hopeful Return to Global Dialogue



**Romano Prodi**

*Former Prime Minister of Italy;  
Former President of the European Commission*

“My worries and deep apprehension for the future have given way to a ray of hope for new cooperation that will work toward environmental goals. We should find in this the beginning of global cooperation so that the time of confrontational bilateral relations will be over.”

---

Thank you so much for your kind introduction. And I have something to add to the CV. While I was teaching, at Brown University, as you remember, I’ve also been teaching for the same number of years in Shanghai, at the China-Europe International Business School.

So I’m very willing to exchange and to connect young Chinese and young Americans. And you may be surprised, but they are very similar, in the sense that I have never found such a sense of achievement on both sides. Both in this generation come with the feeling that in their lives they can achieve everything. And then, of course, it’s for me, a European to be surprised by the fact that you have the same type of dynamism on both sides. And, you know, it has been a great experience.

So I now have the experience of not being American, not being Chinese, but to have been a teacher of both sides, to express as a European my feelings on U.S.-China relations.

I am not, of course, an expert specifically on that. But I can express the European point of view. And in this moment, I think this is absolutely interesting.

Europe, of course, is in the middle of the two. And last year (and is quite interesting to underline last year), European trade with China surpassed European trade with the United States. And this is absolutely a great historic change, because for so many years trade with the United States has dominated.

But from the European point of view, I don’t think that there will be a major change in the relationship between China and the United States. Of course, there will be more dialogue. There will be more politeness. In the last year, this was not characteristic of the meetings between the Chinese and the Americans. Yet I have to say, for Europe many times it was the same situation we had in our relations with the United States. I share

***Last year, European trade with China surpassed European trade with the United States. And this is absolutely a great historic change, because for so many years trade with the United States has dominated.***

the positive sentiment that my friend expresses of the political change inside the United States.

But as I hinted, there will be no major change because the Chinese political framework will go on, in a similar way they have. Second, inside the United States, there are political tensions, but the feeling of competition with China is very similar among Republicans and Democrats. And so probably there is a necessity for deeper dialogue and deeper exchanges of views. At this moment, we need European perspectives.

Last year, in the last days, we had another major change in Europe. The European Union and China signed a very important agreement on investments and reciprocal trade. It's important, as I hinted before, for the relationship between Europe and China, because of the agreement's dimensions and depth. But it's also important from an economic point of view for relations between the United States and China, because there was, let's say, some nonpositive reaction on the American side. During the change of power of the United States, there was some sort of agreement between Europe and China. But this, of course, is important, because it was not a definitive agreement but a proposal including many aspects of trade integration that I do think must be discussed. These include the United States because they concern the rules of trade in the relationship. They establish a legal framework for trade and the relations between governments and companies — and so is very important.

I insist on the fact that is not definite. It is only, let's say, a framework and must be approved by the European Parliament. And the European Parliament will probably raise some political problems. There will be debates beyond economics that will include problems of politics and so

on. But it is a very important first step. As I hinted before, we'll have to have a general discussion, find a general necessity and reach a general agreement — not just Europe-China, China-U.S., Europe-U.S. but all three big areas together.

This is absolutely important because Europe now has strong autonomy in terms of trade and so there would be parity between China, the United States and Europe. And we have to discuss from the beginning this type of relationship. The importance of that, will be establishing some sort of equal playing field in new discussions about trade among the three big world players.

But this will happen through a deep change in the economy, not only because, as Chretien correctly stresses, China's progress has been remarkable.

But we are also trying to understand that world competition is changing deeply, that the pandemic and past years of ten-

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sions between the United States and China are changing world competition. We will not simply go back to the idea of global trade but will have a scenario of a different shape. Globalization will still go on, but with some sort of deep adaptation involving self-sufficiency. There must be quite a few global changes in all the three areas.

And it was so important, but it was impossible to achieve in a difficult moment, given the instruction to all governments that each of the big areas need to have some sort of presence in a value chain.

This will of course be even more important in all the technological areas of the economy. We will still have many, points of tension in the future, especially in technology related to military applications or related to the superiority of one technological system over another.

So, we are in this new moving world in which the necessity of dialogue has been correctly described by Canada's former prime minister. It will be easy for new types of competition to create tensions because of the competition for world primacy. Clearly I am putting my attention on the dangers of the changes that we have in front of us.

But there are also fields in which I foresee a strong rapprochement. The first one is that the environment will be a dominant topic in the future. Here, the perspective has totally changed. I remember when I was president of the European Commission that we insisted on signing the first agreement for the environment, the so called Kyoto Protocol. And we did it, but against China and the United States. And now to find Europe, China and the United States together working for the environment, I think that it is a great new perspective of cooperation, and the environment is so important and carries so



many consequences. I do think that will facilitate the dialogue of the three big economic entities.

***The environment is so important and carries so many consequences. I do think that will facilitate the dialogue of the three big economic entities.***

So, I end by saying that my worries and deep apprehension for the future have given way to a ray of hope for new cooperation that will work toward environmental goals. We should find in this the beginning of global cooperation so that the time of confrontational bilateral relations will be over, and we return instead to the dialogue that will include all the big players of the world.

Thank you for your patience. Let us hope this pandemic will end. I'm still isolated, in my home, and I don't know how or when I shall get away. Clearly, we have to meet again, looking into each other's eyes and talking together. Because, you know, to be so far away is not the best connection for dialogue.

Thank you so much.



# China Has Been Effective as World Struggles



**Yasuo Fukuda**  
*Former Prime Minister of Japan*

“I believe that all countries can grow together and thrive together. The CCIEE also has an important role to play in this process. I hope that in addition to old politicians like us, more young people will join our discussions.”

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Good morning, Mr. Tung Chee-hwa. I was pleased to receive your invitation to be here for this forum. One year has passed since the outbreak of the novel coronavirus, but it hasn't shown any signs of abating. Globally, it has led to more than 2.1 million deaths and nearly 100 million infections.

China has put in place effective anti-epidemic measures and sustained its economic growth. While the United States, Europe and Japan are slow to act, China has begun to increase its international influence around the world through mask diplomacy and vaccine diplomacy. There is no doubt that these initiatives have produced a very positive impact.

So how is Japan? By the end of 2020, the number of infections and deaths reached 230,000 and 3,000, respectively, both of which were small compared with many other countries. There was a general sense

of optimism in the country. But since then, the number of infections and deaths started to surge. As of yesterday, the figures hit 360,000 and 5,000, respectively, an increase of 150 percent in less than a month. Social problems, such as strained medical resources, are emerging. But unlike Europe, the United States and China, Japan has not enforced the lockdown of cities, and the government still urges the public to wear masks as much as possible, avoid close contact with others, work from home and avoid crowds as well. The people are suffering because they can't travel around, and their freedoms are curbed, and I fear that this situation is not sustainable.

The smooth transfer of power from Trump to Biden in the context of the pandemic is something the world is closely monitoring. This is not a domestic issue for people in Japan or China, but I believe many people have breathed a sigh of relief when President Biden took office. In fact,



the new president faces both internal and external problems that need to be addressed, and these problems have something in common: They require coordination and stability to avoid division. Of course, that is our shared expectation. Why? Around the world, there are many issues and risks that have to be addressed immediately. None of them can be solved without the cooperation of the United States.

Of course, the United States must, first of all, respond to the alarming spread of the virus at home. Currently, the country has more than 25 million infections and more than 400,000 deaths.

***Around the world, there are many issues and risks that have to be addressed immediately. None of them can be solved without the cooperation of the United States.***

I believe that for the time being the United States may not have the ability to help other countries or even contribute to the development of the whole world. It is undeniable, however, that it is a country that plays a leadership role in the world. It is also true that it should shoulder its due international responsibilities. When it comes to international trade and finance, its role is particularly prominent. In all countries, production and consumption have gradually shrunk in the midst of this pandemic, which rages on. All advanced countries, China excluded, record negative GDP growth, and the world economy is gradually shrinking. In addition, as countries have to invest heavily in pandemic control, their fiscal situations have not improved, and this may be a drag on their economic development in the days to come.

In addition, diplomacy is another sector that we can't afford to neglect, especially the relationship between China and the United States. How will President Biden and President Xi develop China-U.S. relations? And the world is focused on the impressive economic growth in China. According to several economic research institutes, in 2027, seven years from now, China's GDP is projected to be equivalent to that of the United States, and their combined GDP may exceed 40 percent of the global total.

By then, of course, both countries will have assumed enormous responsibilities on the world stage. What roles will they play by then? The world will have to wait and see.

Trade frictions between China and the United States need to be addressed as soon as possible. But, how? In addition to trade issues, many immediate issues, including diplomacy and security, need to be fixed. In fact, numerous issues need to be resolved or negotiated on by the two countries. As major countries in the world, China and the United States also account for a large share of the world economy. As a result, the resolution of their problems will produce a positive and far-reaching impact on both countries and, more important, on the entire world. Both countries need to call for other nations to join their efforts and play leadership roles.



What are other major issues that we face right now? Global warming, climate change, shortages of food and resources, exploration of social and economic development pathways, reduction of the wealth gap and elimination of discrimination. Also included are global market liquidity and nuclear disarmament. But, unfortunately, countries all over the world are too busy with pandemic control to address medium- and long-term problems and problems outside their borders. This is a reality that we have to face now.

At today's forum, the former prime minister of Canada, Mr. Chretien delivered a speech. For many years, he has been working on the global issues I mentioned just now. He is also an active member of the IAC, that is the InterAction Council, also known as the OB Summit. Of course, Mr. Tung Chee-hwa has also done much for the IAC. This organization brings together 20 to 30 former world leaders and holds a summit every year. Its founder is Takeo Fukuda, former Prime Minister of Japan. From 1983 to 2014, Takeo Fukuda and Helmut Schmidt, former chancellor of the Federal Republic of Germany, presided over the summit. And the outcomes of the summit were presented to global leaders.

Why did we establish this council? Back then [1983], the world faced many issues. The world economy had begun to slow down after the oil crisis, and the United States and the Soviet Union were locked in confrontation, resulting in a massive arms race. At the same time, the population explosion in countries around the world had a negative impact on the economy. What could be done to solve these problems? To find the answers, we discussed the problems in a thorough and effective manner at our annual summit.

Today, we also face many global challenges,

including how to achieve more balanced development across the world. The United Nations has set the Sustainable Development Goals. If these goals are achieved, I believe that all countries can grow together and thrive together. The CCIEE also has an important role to play in this process. I believe that the topics we discuss in the future will expand into more areas and that we can engage in more in-depth discussions. Also, I hope that in addition to old politicians like us, more young people will join our discussions.

That is all for my presentation. I am looking forward to your insights. Thank you, and thank you for your indulgence.

*According to several economic research institutes, in 2027, seven years from now, China's GDP is projected to be equivalent to that of the United States, and their combined GDP may exceed 40 percent of the global total.*

# Time to Renew Friendship



**Carlos Gutierrez**

*Former U.S. Secretary of Commerce*

“I think that was a phrase that was criticized here in the U.S. When you call someone an enemy, they become your enemy. We are not an enemy of China. And I don’t believe China is an enemy of the U.S. So words matter.”

Thank you very much. I’m glad you didn’t talk about some of the other tweets. Very kind. Chairman Zeng Peiyan, Vice Chairman Tung Chee-hwa, thank you so much for the invitation to be here. It’s always an honor. I’ve had a friendship with China since 1992, and it’s one of those friendships that I value. So it’s a great pleasure and privilege to have been invited to speak. A lot of things have been said, and perhaps everything has been said. I try not to repeat and I thought I would pick several items, as recommendations of things both sides should be thinking about. I have picked five items but five is not a good number. I stretch it to six, a number of good fortune, good luck and hopefully good for business.

***We are not an enemy of China. And I don’t believe China is an enemy of the U.S. So words matter. And I think we have to be careful of the words we use.***

The first thing I would like to emphasize is that the last four years are not the norm. The last four years have been an exception. The last four years should not be ta-

ken as a road to the future. And I’m talking about strategy. And I’m talking about tactics. Those are not the strategies and tactics that I grew up with. And I do not believe that those are the strategy and tactics that describe the future of the United States and China relationship.

I don’t believe that China is a strategic rival. And we will see what the Biden administration does in its first national security strategy. But I think that was a phrase that was criticized here in the U.S. When you call someone an enemy, they become your enemy. We are not an enemy of China. And I don’t believe China is an enemy of the U.S. So words matter. And I think we have to be careful of the words we use.

Many in the U.S. thought that decoupling from China was actually a viable strategy. Now, I remember having many discussions in Beijing, where we agreed that it’s almost an impossible strategy. You cannot decouple the two largest economies in the world, two economies that rely so much on each other, the two economies that have done so much for the world at large. We have never until recently talked about a strategy of containing China.

In fact, I will say, during the Bush administration, we always talked about welcoming the rise of China. The rise of China was good for the world. I remember in the private sector we used to say, when the market grows, everyone benefits. China has made the global economy grow. That should be welcomed. I hope that we return to an attitude that is reminiscent of President Bush's attitude and point of view regarding U.S. relations with China.

No. 2, we must think it's possible to not create a new technological cold war. In the same fashion as we said that the two economies cannot be decoupled, it is also impossible to decouple technology — something that we can't even see, something that is moving so fast that it will always be ahead of policies. It will always be ahead of government's abilities to stop it, change it, modify it. A technology decoupling would make China an island, it would isolate China; but it would also isolate the U.S. It would also make the U.S. an island. That is not good for anyone.

***China has made the global economy grow. That should be welcomed. I hope that we return to an attitude that is reminiscent of President Bush's attitude and point of view regarding U.S. relations with China.***

Our approaches are different. We know that China is putting a lot of investment into technology. And there has been talk of technological supremacy. Everyone has the right to have a big goal, a big target. I know that we in the U.S. would aspire to continuing to add great innovation and have technological supremacy. But that doesn't mean that it's supremacy at the expense of China. And I hope that China's goal is not at the expense of the U.S.



Eight of the largest technology companies in the world are American. I can't imagine any country living without those companies, living without those products, living without those technologies. If there is something that was done to motivate China to think that the only way forward was a decoupling of technology, then I think we both need to work together to avoid a new technological cold war.

Even during the Cold War, when there was a nuclear race, there were treaties, there were agreements, there were ways to be able to coexist and manage. And I believe that we can reach that stage of managing our progress without it being against one side or the other.

The third point I would make is that our relationship should not be transactional. We have come to a point where our trade agreements are simply an agreement to transact. But China and the U.S., I believe are more important, are bigger than just a transactional relationship. We can contribute more to China. China can contribute more to the U.S. if our relationship is strategic. And we should aspire to that, in everything we do —and in our relationship, and in the way we see each other — strategic in the sense that we cannot grow and achieve our goals, do for our people what we want to do, without China. And we don't believe that China can grow and do for the Chinese people what we know you want to do, without the United States. That is a strategic relationship.

The next point I will say is that we should not link commercial issues to issues of national security and to geopolitics. Commerce matters, investment matters, have always had their own track. And when we combine them with geopolitical issues, when we combine them with national security matters, it complicates things to no end. And it makes it more difficult to backtrack, and to fix all those interactions and all the mixing of separate issues.

The fifth point, I would say, is that we need to reinstate our mechanisms of dialogue. Over the last several years, we would normally have mechanisms, forums, and meetings — the JCCT, the SNED — we would get together and argue and not always agree, but we were discussing, we were having a dialogue. We disagreed, but we were respectful and try to understand each other, we have to get back to that. We cannot communicate by a press release or by a tweet. It's too important. It's too complicated. It's not simplistic. We need to get back to the table. And we have lost so much so much in our friendship and our understanding, because we have not been at the table.

***We should not link commercial issues to issues of national security and to geopolitics.***

And I would suggest, Mr. Chairman, Mr. Vice Chairman, colleagues, that one of the first things that we start discussing is how to backtrack and de-escalate the tariffs. Maybe we need to negotiate one tariff at a time. And maybe we need to agree to something in order to pull back. We have to start pulling back. We cannot continue or restore our friendship by having a gun to each other's head. So that should be number one.

In our joint agendas, I am going to take the liberty to paraphrase Zhou Enlai — and I

will not say what he said, which is we fight while we speak. But I do believe that we can compete fairly while we speak. We need to do both. And right now, we have not been speaking. There are too many friends of China and too many friends in China and in the U.S. who have invested decades of their lives to improve this relationship. There's too much at stake.

***We have to start pulling back. We cannot continue or restore our friendship by having a gun to each other's head. So that should be number one.***

If China and the U.S. continue to move down a path of antagonism it will hurt the U.S. It will hurt China. It will hurt our people and it will hurt the world. The pandemic is a terrible global situation. I believe that people around the world are waiting for that period of time that we call the post-pandemic period — when like Prime Minister Prodi I can finally leave my house. At that moment, consumers, companies are waiting, are just waiting to put in place the money that is circulated.

We have had a lot of stimulus programs; we have a lot of increase in money supplies. So has China. But that money has not been put into the economies; that money has not achieved velocity. But the moment we get to COVID — a post-pandemic period — I believe that we have the opportunity to see a golden era of growth and of prosperity. But that golden era can't happen without a solid, trusting relationship between China and the U.S. And, Mr. Chairman, I'm proud to be able to contribute to that relationship.

Thank you very much.



# Good News in United States



**Carla Hills**

*Former U.S. Trade Representative*

“Joe Biden was inaugurated as our 46th president. Unlike his predecessor, he is a multilateralist and comes to the office with a high level of experience. Key members of his foreign policy team also have substantial international experience. [But] he and his team will not want to appear to be soft on China.”

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Thank you. It is a great privilege to join the distinguished members on this panel to exchange thoughts on what we believe is the way forward with respect to the U.S.-China relations. I must say, I found inspiration in the remarks of all my fellow panelists. And it's been a really wonderful evening.

But there's no question that the world is experiencing unprecedented turbulence globally and domestically — that the pandemic and its damaging economic effects have adversely affected nations worldwide, and none more so than the United States.

Relations between the United States and China over the past four years have been marked by turbulence and uncertainty, both economically and politically. They sharply deteriorated in 2020, fueled in part by the economic havoc wreaked by COVID-19 but also by our president, by President Trump's unilateral protectionist trade policies and China's more assertive actions.

Last week, as mentioned, Joe Biden was inaugurated as our 46th, president. Unlike his predecessor, he is a multilateralist and comes to the office with a high level of experience. He spent 36 years in our Senate, served as chairman of the Senate Foreign Relations Committee and served as vice president for eight years in the Obama administration. Key members of his foreign policy team also have substantial international experience and know each other, having worked together in the past, including Antony Blinken, who was nominated as secretary of state and served as deputy national security adviser; Jake Sullivan, nominated as Biden's national security advisor, who served also as a deputy secretary of state; and Catherine Tai, who was nominated as the U.S. trade representative, who served as chief counsel for the Ways and Means Committee, which is the primary committee dealing with trade and economic issues in our country. She was chief counsel for China at the Office of the United States Trade Representative. She speaks Mandarin.



So as we move forward with a new president and a new team at the helm of our government, some ask whether we will return to the policies of the Obama administration. In light of the changes that have occurred politically and economically, I for one do not see that as a realistic prospect. Others asked whether we're likely to see a continuation of the policies that the United States has implemented with respect to China over the past four years. Since President Biden is a multilateralist who believes in open markets, I do not think that is a realistic prognosis.

I do believe there will be significant changes in how we deal with our international relationships. First and foremost, I believe the tone, in which we deal with all governments, including China, will be far more diplomatic and strategic. President Biden has made clear that his policy toward China will be multifaceted. He has stated that he will rely upon cooperation, where possible, competition, where that is inevitable, and confrontation, where there is a crossing of our red line.

With the respect to cooperation with China, I believe President Biden is likely to begin focusing on the areas where the two governments have similar objections.

He has mentioned climate, world health and denuclearization as areas where he believes our interests converge, enabling our two governments to work constructively together. He has stated that he believes no progress can be made in these key areas absent the collaboration of the world's two largest economies.

Following through, on the very first day he had in office, he took action to rejoin the Paris climate accord, the World Health Organization and COVAX. When he speaks of competition, he has made clear that he believes America must up its game, starting at home; he strongly believes that to

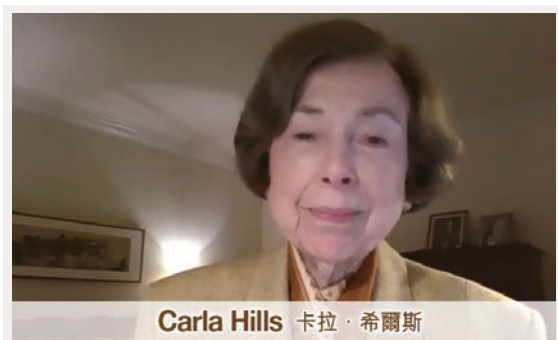
be competitive, whoever you are in today's global market, you need to take action to strengthen your own economy.

And we need to take action on what he perceives to be our nation's shortcoming, beginning with increasing investment in research and development, education and our infrastructure. He has specifically pointed to the need to upgrade our highways, broadband and our energy grid. And he said these investments must precede the negotiation of any major new trade agreement.

***We will not see a swift removal of tariffs that have been placed on China's goods.***

That doesn't mean that he will refrain from dealing with trade issues. I believe he would favor rejoining the Trans-Pacific Partnership. His challenge will be how to sell it politically, remembering that a number of congressional members, primarily in the Democratic Party, opposed it vigorously in 2009, when President Obama was still in office. To move it forward will probably require some changes, some additions, similar to what occurred with respect to the U.S.-Mexico-Canada agreement. I also believe that he will try to remove the steel and aluminum tariffs that his predecessor imposed upon our allies, which are adversely affecting our workers, farmers and businesses. These tariffs have not achieved their stated objectives.

However, I remind you, we will not see a swift removal of tariffs that have been placed on China's goods. Notwithstanding that economists have documented that they are harming the American economy, the political climate in the United States regarding China, both in Congress among the American public has darkened over the past year. He and his team will not want to appear to be soft on China.



And that is why conferences, like the one we're holding tonight (or the morning, depending on where you are) are so important. I believe that the process we face in dealing with these tariffs will be gradual. President Biden has stated that before removing them he will first consult and work with friends and allies who are adversely affected by the non-market policies, such as the restriction on foreign investment, discriminatory subsidies and forced transfers of technology. He, as well as Katherine Tai, who was nominated to serve as U.S. trade representative, have substantial experience in dealing with tough issues involving China.

President Biden has said that his aim will be to develop a strategy in concert with allies that focuses on issues where there is agreement that China has failed to meet its commitments and to begin negotiations in those areas where the changes could yield benefits to both sides.

Yang Jiechi, who served as ambassador to the United States, and currently serves as China's Foreign Minister [Chief of the General Office of the Central Foreign Affairs Commission], and is a member of the Politburo, is expected to be visiting officials in Washington DC this week, perhaps only virtually. But he has many contacts there. And a successful negotiation, whenever it occurs, would not only enable the complainant to resolve issues that discriminate against their companies' trade and investment in China but also provide China with greater certainty and its ability to continue

to attract inward investment, which would continue to benefit its overall economy. It will also create bonds that would help us deal with even more severe challenges, including deep concerns as to China's willingness to uphold the commitment to "One country, two systems" with respect to Hong Kong, the militarization in the South China Sea and several other issues. These differences won't be easy to resolve and will take time.

This year marks the 42nd anniversary of the normalization of U.S.-China relations. The gains made in the intervening four decades have been hugely beneficial to both sides. The goal on both sides must be to increase areas of collaboration and to reduce areas of friction. We should be inspired by our 41st president, George Herbert Walker Bush, who served as our envoy to China in the 70s and skillfully led our nation's response to the Tian'anmen crisis. In his Chinese diaries, published in 2007, he stated that one of his dreams for the world is that these two powerful giants will continue working together toward full partnership and friendship. That will bring peace and prosperity to people everywhere. Let's hope that we can begin to work together and achieve his dream. And I thank you for inviting me to participate.

*We should be inspired by our 41st president, George Herbert Walker Bush. He stated that one of his dreams for the world is that these two powerful giants will continue working together toward full partnership and friendship. That will bring peace and prosperity to people everywhere.*

# Time to Say Farewell to Negatives



**Tung Chee-hwa**

*Chairman of the China-United States Exchange Foundation;  
Vice Chairman of the 13th CPPCC National Committee;  
Former Chief Executive of Hong Kong Special Administrative  
Region*

“Now is the time to turn the page, to say farewell to the negatives in the past few years ... When alone, nations may lack this or that capacity. But leveraging each other’s comparative advantages, nations can complement one another, benefiting all.”

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Hearing the many distinguished speakers this morning has been most illuminating. I think we all agree that the world needs recuperation, not just from COVID and the economic havoc it brought, but also from untruths, irrationality and distrust.

In his inaugural address, U.S. President Joe Biden called upon Americans to return to truth, to respect, to stand in each other’s shoes, to agree to disagree. I think these are valid calls not just for America, but for the world.

Now is the time to turn the page, to say farewell to the negatives in the past few years and to start to work with one another again. There are so many challenges we face together. COVID could be the first alarm bell that mankind can be hit by unexpected blows from nature.

Both rich and developing economies alike realize that we are unprepared and ill-equipped for fighting calamities. Our economies are not that resilient. People

are not being treated equally and fairly. Unless we fix these, we can expect the same to happen again, not just when another pandemic hit us but with the quiet encroachment of climate change.

We need to work together to fix these.

I established the China-United States Exchange Foundation 12 years ago to promote understanding and cooperation between China and the United States. Being two nations, China and the United States have always had their disagreements, mostly in trade and economic policies. But we also saw significant cooperation — in education, sports, culture and people-to-people contacts and exchanges.

Most remarkably, there were three occasions where the two countries’ leadership came together to tackle global challenges:

In 2008, during the global financial crisis, President George W. Bush called

President Hu Jintao to pool resources to stimulate and stabilize the world financial market. The U.S. put up \$800 billion and asked China to put up whatever it could manage. Eventually China put up \$600 billion. This joint effort succeeded in turning the crisis around.

In 2013, there was an outbreak of Ebola disease in West Africa. China and the U.S. jointly provided medical relief supplies and personnel, and logistical and security coverage. Within six months, the epidemic was contained.

In 2016, in the face of climate change, President Barack Obama and President Xi Jinping came together. Their joint leadership brought 170 nations to sign on to the Paris climate accord.

Those were triumphs of humanity facing challenges together.

Regretfully, this cooperative spirit was lost in the past few years. It was replaced by anxiety, resentment and rejection, most of which, I'd say, emanated from the U.S. side. They arose from a lack of understanding of China: Why has China grown so fast? How could a communist, totalitarian system be so successful? What is China's intention? And what role will the U.S. play in the new world order?

These questions sowed fear, and with fear came distrust.

I think, in a more rational moment, we all know that nature and history shape each country differently. Each country is different in geography and culture, in resources, in paths of development, in human capital. When alone, nations may lack this or that capacity. But leveraging each other's comparative advantages, nations can complement one another, benefiting all.

China has the comparative advantages of a huge market, a more developed and integrated manufacturing and logistical infrastructure, a people who are hardworking, entrepreneurial and full of hope. China is ready to contribute these to the world economy.

China has benefited from globalization in the past 40 years. The way China capitalized on it was through reform and opening up. As it continues to strive toward its goal of "meeting its people's aspirations of a good life," it will continue to reform and open up.

### *China has no hegemonic ambition.*

China's history in the last two centuries has brought about its current governance system, led by the Chinese Communist Party. Many Americans have an inexplicable fear and rejection of a communist government. But if we ask Chinese people, the majority of them think the current government system is good for the country.

*From the research conducted by Harvard's Ash Center not too long ago, over 90 percent of the people in China agree with the government's direction and are hopeful about the country's future.*

From the research conducted by Harvard's Ash Center not too long ago, over 90 percent of the people in China agree with the government's direction and are hopeful about the country's future.

This percentage is far higher than any other country's. It would be difficult to argue that over a billion people are wrong.

I should also stress that China has no hegemonic ambition. Like every nation, China will protect its own interests. But we believe in living peacefully with all members of the community of nations. It has often been quoted that, even at the height of imperial power, the Han people never invaded another country.

***President Biden has said his four priorities are the pandemic, the economy, climate change and racial injustice. There is no question the two countries can work together on at least the first three priorities.***

We also understand that the world needs assurance that all nations will abide by a rule-based system. China shares the same belief and will work to improve and protect this rule-based system. President Xi says it well: China pledges to be the builder of world peace, contributor to global economic development and most important to building a community with a shared future for mankind.

Being the two largest economies, the U.S. and China can work together in many areas. President Biden has said his four priorities are the pandemic, the economy, climate change and racial injustice.



There is no question the two countries can work together on at least the first three priorities.

Let us join hands in accelerating the making and distribution of safe vaccines for the world's people and in addressing normal trading relationships. It will help with unemployment and the economic plight of businesses and families; in getting experts and institutions to have dialogue again and students to learn from one another; in finding peaceful solutions to the world's hot spots and conflicts; and in finding ways to prevent man from destroying his own planet.

Speaking yesterday at the WEF Davis Agenda 2021, Chinese President Xi Jinping urged the international community to stand united and work together, warning that history has shown countries that choose to go it alone will always fail. He called on people around the world to join hands and let multilateralism light our way forward as a community with a shared future for mankind.

There is a lot of work, and we can begin now.

Thank you.

# Don't Expect High-Speed Change



**Michael Spence**

*Nobel Laureate in Economics;  
Philip H. Knight Professor Emeritus of Management in the  
Graduate School of Business, Stanford University;  
Senior Fellow of the Hoover Institution, Stanford University*

“I tend to be an optimist, and I’m cautiously optimistic we’ll get there, but I think as a number of people said before we started we’re going to have to be patient before we get there.”

Thank you, Larry, and good evening friends and colleagues. Our time is limited and a lot of people have interesting things to say. So let me plunge into this.

***China, in fact, is the only major economy in the world with a near full recovery and a positive real growth rate in 2020.***

I just want to start with a few facts. As Larry just said, the pandemic economy is still running in most of the world. This is a recent graph produced by Bloomberg. It’s basically an index of economic activity. And you can see that the hope for recovery in the summer in virtually the entire developed world has not only stalled but we’ve actually started to go back down.

And so this is the dual challenge — controlling the pandemic for health and

humanitarian reasons on the one hand, but also I think the proposition that you cannot recover in economic terms without controlling the pandemic. The China experience and in a number of other Asian countries are certainly not inconsistent with that observation.

China, in fact, is the only major economy in the world with a near full recovery and a positive real growth rate in 2020. The rest of us have failed to control the virus using conventional tools. The vaccine rollout has begun, but it’s quite chaotic, at this point. I don’t think I have time to go into the reasons it will get better as time goes on, but I believe realistically a full recovery for most of the countries in Europe and in the Americas will take us well into 2022. And there are some outliers where it will take longer than that.

I think you all know that the pandemic economy has produced divergent patterns and divergent patterns in a num-



ber of dimensions, but probably the most important is that an already problematic situation with respect to distribution has been made dramatically worse by the pandemic economy. In other words, the hardest hit people are the ones in the lower part, or half of the income distribution, and the reason that's important is it conditions the formulation of political and policy agendas looking forward.

And this process has certainly accelerated a trend that was already underway, which is the shift of the center of mass of the global economy to Asia. I think that will continue. But I think Asia is now in a position of really prominent importance in the global economy.

Having said that, there is some light at the end of the tunnel. If this vaccine chaos that we're experiencing now gets taken care of by an essentially effective government, then we can expect fairly rapid recovery, including, or especially, in the depressed sectors where we've lost employment.

These are all generalizations, but in America, the hospitality sector — which is hotels, food, restaurants and so on — employs 17 million people. And most of them are unemployed or furloughed at the moment. So that aspect of the recovery, below the macro economic level is very important.

So everybody knows we have a new administration in the United States. They just took office. Their senior people are being approved, pretty successfully in the confirmation process in the Senate. They are experienced and balanced. And I think it's way too soon to have a very clear sense of, or at least evidence of, where they're going to go. What we've got now is words, statements. The Democrats control both houses of Congress, but barely, right? So this isn't a kind of clean sweep. Maybe they won't have total freedom of move-

ment with respect to budgetary and other matters.

I don't have any doubt that the policy focus of the Biden administration for the next little while will be domestic. It'll be vaccine rollout, virus control, economic recovery and a major attempt to try to arrest this adverse trend in inequality. And I'm saying that because they ran on it. And because these are pressing priorities. I think if they get diverted doing other stuff, they will lose political capital very fast and won't be able to do other things.

***This process has certainly accelerated a trend that was already underway, which is the shift of the center of mass of the global economy to Asia.***

At some point, we're going to have to address these very large increments in debt, including public debt. In general, we have a much more indebted set of economies, and there's a whole set of issues that are actively discussed having to do with monetary policy, the length of time we're going to have low interest rates. But I think — skipping to the bottom line — that we're going to have low interest rates for a long time, and that's going to cause potential problems with stability distortions and other things.



Foreign policy, in my view, will be conducted by adults. But it will be subordinated to domestic issues until we get into a fairly advanced part of the recovery. On the U.S.-China relationship, I think there is general agreement that it is characterized by strategic competition. The question is what does that mean? I think Kishore Mahbubani is in a much better position to answer that question. I read his book “Has China Won?” It’s a really excellent exposition of the transition to sensible adults. Pragmatic strategic competition — that is a transition we need to make. And I tend to be an optimist, and I’m cautiously optimistic we’ll get there, but I think as a number of people said before we started we’re going to have to be patient before we get there.

***The good news is, the United States is in the process of doing a very rapid 180-degree about-face on multilateralism.***

**On the U.S. side, the foreign policy will be more stable and predictable.** But as Bob Zoellick said in his recent book, it’s dramatically constrained by domestic political considerations. Right now, with the mood in the United States (I suspect you could make similar statements about China), people’s attitudes don’t leave a lot of room for maneuver.

I noticed this is a bit of color commentary but I’ve known Janet Yellen, who’s now the secretary of the treasury in the United States, for probably 40, 50 years. She is not someone who was well known for being aggressive at all. But in her confirmation hearing, she repeated most of the standard American complaints about China in agreeing with the Republican senator who was questioning her. And, by the way, the secretary of commerce is the chairman of the body called CFIUS that reviews foreign

*Pragmatic strategic competition — that is a transition we need to make. And I tend to be an optimist, and I’m cautiously optimistic we’ll get there, but we’re going to have to be patient before we get there.*

investment, and Treasury is the body that reports to Congress every year on currency manipulation. So just, you know, let’s be realistic about the degree of freedom of movement.

The good news is, the United States is in the process of doing a very rapid 180-degree about-face on multilateralism. So I think the thing we lost under the Trump administration is enormously important and positive. We’ve already announced the intention to rejoin the Paris accords and the WHO, and I think that’s all to the good, and we’ll see benefits from that later on, including in the U.S.-China relationship, which I believe will be conducted — if it’s done well in the future — in multilateral settings, at least in part.

**Areas of cooperation, disagreement and competition** — they probably were discussed yesterday and are sort of obvious: climate sustainability, arms control, health and biomedical science. We’re entering the golden age of health and biomedical science, and the tensions that we have in the digital area don’t — as far as I can see — spill over into this area. So it’s a natural area to look for opportunities for cooperation, and so on.

And I hope this is just me, but I think the lower-income developing countries are going to be shattered by the pandemic ex-

perience. And if there's any truth to the proposition that an open global economy really helps in terms of recovery, it's true in spades. For this group of countries and that group of countries need multilateral cooperation and leadership to maintain an accessible global economy in order to essentially ensure their future.

**Competition** — you know, we're going to have competition. The core of it is in technology, and the reason is it's driven mainly by a wide range of national security considerations. That's not going to go away; we're just going to have to be smart and clever about acknowledging it and working around it in the future.

***We're going to have competition. The core of it is in technology, and the reason is it's driven mainly by a wide range of national security considerations.***

There are lots of areas of tension and potential risks, looking forward, that are going to have to be addressed, and I hope the other speakers address some of them. There are territorial issues. There are differences in values and governance structures. There are questions about the openness of trade and investment and data, in the internet and technology, that are complex and don't have simple answers. It's not just a matter of going back where we were.

My prediction is that the Biden administration will sound more aggressive than they actually are, and they'll do that mainly for domestic reasons. But they'll be more pragmatic and quiet in the background so it doesn't muck things up in terms of the domestic agenda. They will actually look for opportunities to at least

remove destructive measures like trade barriers in agriculture which look to me to be, you know, lose-lose. I mean to put it in the bluntest possible terms. I've already talked about the Yellen thing. So this is the end of my brief remarks.

Looking forward, I think if you look at the near term, the focus will be on the pandemic and economic recovery. I don't think international relations with the new Biden administration and sensible people operating on their counterparts in China, I don't think it'll get a lot worse. But it probably won't get a whole lot better for a year or so — after a couple of years when both economies are functioning at close to full potential. Then I think we really can be somewhat optimistic that we can rebuild the relationships. In the United States, we'll probably start rebuilding the relationships with Europe and its neighbor, Canada. I'm pretty sure they've signaled that already. And so that'll be part of this sort of slightly longer-term process.

The one exception to this, I think, is climate change. There, I think, we can cooperate under the multilateral structures that we deal with immediately. And the reason is simple: It's just so urgent.

The bottom line is we've got a lot of challenging things to deal with, but I think we have governance on both sides of the aisle now that's capable of tackling the complexity and rebuilding of our relationship in a constructive way.

Thank you.

# Looking Ahead in 2021



**Zhang Xiaoqiang**

*Executive Vice Chairman and Chief Executive Officer of  
China Center for International Economic Exchanges (CCIEE)*

“I believe that the broader U.S. business community is ready to put bilateral economic and trade relations on the right track. As the world’s largest economies, China and the United States cannot turn back the wheel of history.”

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The year 2020 has been extremely remarkable one for the world. Unilateralism and protectionism produced a profound impact: The coronavirus spread around the world, and the global economy fell into a severe recession. Since President Biden took office last week, the direction of U.S. foreign policy has become a topic of huge interest. And at this critical moment, it is important for us to discuss China-U.S. relations. Here I would like to share my thoughts about bilateral trade and economic issues.

**First, in a world in which our economic interests are deeply intertwined, China and the United States can’t and won’t decouple from each other.**

***These figures illustrate that the trade war did not help reduce trade deficit.***

The trade war initiated by the Trump administration in 2018 has not only failed to bring manufacturing back to the United States but has resulted in huge losses for both countries. American consumers now see their interests undermined, and Chinese companies are also affected.

Statistics from Chinese customs authorities reveal that in 2020, two-way trade in goods was about \$587 billion, including Chinese exports worth \$452 billion and Chinese imports worth \$135 billion; and that the U.S. trade deficit with China was nearly \$317 billion. In particular, China’s exports of medical supplies to the U.S. surged after COVID-19 broke out in the country. These figures illustrate that the trade war did not help reduce trade deficit and that China-U.S. trade relations are unshakable, with neither side being able to decouple from the other.

**Second, there are many obstacles to China-U.S. cooperation in trade, investment and high technology, but rule-based and mutually beneficial cooperation remains mainstream and serves the interests of both sides.**

In the past two years, the U.S. government undertook a series of measures to crack down on Chinese companies. For example, it used its state power to place a large number of Chinese companies on its trade blacklist known as the Entity List, forcibly thwarted cooperation between Chinese and U.S. companies in the supply chain, tightened investment controls and increased restrictions on two-way technology exchanges and cooperation.

These moves were quite damaging to both sides. U.S. exports of high-technology products to China fell to \$33.91 billion in 2019, compared with \$39.14 billion in 2018; between January and November 2020, the figure fell to \$27.8 billion, down by 10.2 percent year-on-year. The self-defeating nature of the trade war is there for all to see. The Trump administration imposed severe restrictions on the exports of U.S.-made integrated circuits to China. This caused trouble for China, but also led to huge economic losses in a large number of U.S. semiconductor companies. Throughout 2020, China's IC imports reached \$350 billion, an increase of 14.6 percent over the previous year, and its domestic production reached 260 billion units, up by 16.2 percent year on year. Both short-term data and long-term projections indicate that semiconductor companies in Europe, Japan, South Korea and China are the real winners of the trade war.

In addition, as with U.S. companies hoping to invest in China, Chinese companies want more investment opportunities in the United States. Due to unreasonable restrictions under the Trump administration, however, Chinese investment in the country has plummeted. Between 2017 and 2019, Chinese direct investment in the U.S. nosedived from a peak of \$45 billion to \$5 billion, according to data from Rhodium Group. In addition, two-way investment recorded a year-on-year decrease of 16.2 percent to \$10.9 billion in the first half of 2020. While the decline is partly attributable to the pandemic, it is closely related to the U.S. crackdown on Chinese companies, which affects their confidence and expectations.

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By contrast, China has taken an open approach toward U.S. companies investing in China. In early 2020, the country rolled out the Foreign Investment Law and its implementing regulations, and in July issued the Special Administrative Measures for Foreign Investment Access (2020 National Negative List) and the Special Administrative Measures for Foreign Investment Access in Pilot Free Trade Zones (2020 FTZ Negative List). On Feb. 1 this year, China was to have put in place the Special Administrative Measures for Foreign Investment Access in the Hainan Free Trade Port, as part of its effort to relax market access.

Today, U.S. companies enjoy greater opportunities in China. For example, the first phase of Tesla's Shanghai plant has the capacity to produce 200,000 vehicles a year. Since it went into ope-

*Since Tesla's Shanghai plant went into operation, the company's global production capacity has increased significantly, surpassing 500,000 in 2020. In 2020 Tesla sold 147,000 vehicles in China, which accounted for nearly 30 percent of its global sales, and the figure is expected to exceed 40 percent.*

ration, the company's global production capacity has increased significantly, surpassing 500,000 in 2020. In addition, in 2020 Tesla sold 147,000 vehicles in China, which accounted for nearly 30 percent of its global sales, and the figure is expected to exceed 40 percent. In another instance, Goldman Sachs is applying to take full ownership of a mainland securities business.

In stark contrast, the New York Stock Exchange recently decided to delist three compliant Chinese telecom companies just to comply with an executive order signed by President Trump. While asking China to expand market access for U.S. companies, the United States impose unreasonable restrictions on the opening of the U.S. market to China for a variety of fabricated reasons. This unilateralist approach, which violates the principle of equality and mutual benefit, is completely contrary to the basic principles of fair competition, and Chinese and U.S. businesses have expressed their strong dissatisfaction.

In the United States, some preach the virtues of expanding market access and fair and reciprocal economic and trade cooperation, but they use double standards in what they do on the ground. China and the United States must move forward in the same direction and work together to improve the business environment and create development opportunities for enterprises in both countries.

Third, China and the United States need to work together to restore and develop their economic and trade relations, stabilize global supply and industrial chains and fulfill their responsibilities as major countries in global affairs.



China and the United States cannot turn back the wheel of history amid the global push for enhanced globalization. As they work together to overcome difficulties and strengthen cooperation, Chinese and U.S. businesses will definitely make notable contributions to the sound development of bilateral relations, the well-being of both peoples and win-win cooperation in a real sense.

Since the outbreak of the pandemic in early 2020, China has exported an enormous amount of anti-pandemic material while striving to bring the virus under control at home. From March to December last year, its exports of medical supplies reached \$63 billion, including 224 billion masks, thus making contributions to pandemic response in the world and in the United States.

As one of the world's most important manufacturing centers, China doesn't install barriers to impede the flow of goods and technology across borders. It believes that globalization is in the common interest of all parties and has taken practical action to boost the global economic recovery. In November, China signed the RCEP agreement with Japan, South Korea and ASEAN countries, and in December it completed negotiations with the European Union on a comprehensive investment agreement. These are important achievements that China has made in promoting an open world economy in partnership with other parties.

I believe that the broader U.S. business community is ready to put bilateral economic and trade relations on the right track. As the world's largest economies,

*In November, China signed the RCEP agreement with Japan, South Korea and ASEAN countries, and in December it completed negotiations with the European Union on a comprehensive investment agreement. These are important achievements that China has made in promoting an open world economy in partnership with other parties.*

# What To Do First



**Myron Brilliant**

*Executive Vice President and Head of International Affairs,  
U.S. Chamber of Commerce*

“We need to have a little bit of a pause, some time for reflection on where we are. But each side then has to take responsible actions to encourage confidence-building, because the lack of trust in this relationship is real.”

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Let me just say it's a pleasure to be here as part of this distinguished panel of guests. And I want to make a few points, but I don't want to repeat everything that's already been said this evening, and I'm sure said yesterday.

I start with the premise that the forum that Tung Chee-hwa and the China-U.S. Exchange Foundation put together is a good exchange of views on the state of play in the U.S.-China relationship, the importance of the role of the two countries in global affairs and the importance of finding a constructive, pragmatic approach to the relationship, with the rest of the world hedging their bets, both on China and the United States. And a dimension of that is important for us all to consider. I also want to recognize CCIEE, Mr. Zhang and Zeng Peiyan, the chairman.

And I will be in a dialogue later this week, two dialogues that will continue to go forward with CEOs from both countries. You mentioned, Larry, Madeleine Albright from our side, Steve Hadley, Tom Donilon and many others, Charlene Barshefsky — big figures in the U.S.-Chi-

na relationship who will participate in this dialogue because the U.S. Chamber is a sponsor of a better future in the U.S.-China relationship.

However, I also want to be clear-headed about where we are today. There are three defining words, in my view, about the relationship. One is about areas of collaboration because it's pragmatic for both China and the United States to collaborate. Two involves areas of competition where China in the United States will compete but we want to compete on a level playing field. And three involves areas of confrontation in the relationship that need to still be worked on to manage the downside risk of confrontation — a decoupling in some aspects of the relationship, which is something that all of us hope does not happen.

So let's talk about collaboration in the context of where we are today. Clearly, President Biden inherits a very complex domestic agenda. Mike Spence referenced this, I won't go through it all, but it's more than the pandemic. January 6 was another moment in the United States to reflect on some of the social divides that

exist in our country. Rising populism is certainly a consideration as we look at U.S. policy. It's also an issue in Europe. It's an issue in China. It's an issue around the world. I'm very concerned about rising populism, and I'm very concerned about the impact of that in policymaking in the United States.

I'm also going to say that nothing can be defined as simply a domestic agenda. This is where I probably would disagree with Mike. Everything in the domestic box also has an international component. The pandemic is not a U.S. pandemic. It's not a China pandemic. It's a global pandemic. The impact on the global economy is felt when China, the United States and Europe, obviously need to recover. China is setting the fastest pace to recovery, but the United States will have a recovery. We will have growth in the third or second quarter of this year. If the problem of our growth is it's a K recovery, not an inclusive recovery, that creates domestic challenges for us. But the pandemic is a global issue.

***January 6 was another moment in the United States to reflect on some of the social divides that exist in our country. Rising populism is certainly a consideration as we look at U.S. policy.***

A high priority on the incoming administration's agenda is climate and sustainability. One of the first executive orders, which Mike again referenced, is rejoining the Paris agreement. We agree with that. However, it is also not just a domestic issue in the United States; it's a global



issue. How do China and India respond to increasing pressures in this vein, particularly at a time when the United States is making rapid changes in the way we're addressing carbon emissions. So is Europe in its own way. Europe and the United States need to get aligned on policies that will continue to encourage innovation in the market without directing it through just mandates from the government. How do you get that balance right — that is, China and India join those conversations? Clearly, these are big overarching areas where there is room for maneuverability in the relationship between China and the United States. There is room for collaboration.

Now, just in the interest of time, let me talk about competition. Here we have many areas of competition. We have competition in technology, we have concerns about the self-reliance policies in China. And China has concerns about actions that have been undertaken, whether it's Huawei or TikTok or WeChat or other issues. These issues are not going away. The United States is going to continue to look at the nexus between commerce and national security. The Trump administration amplified that, but those issues are not going away under the Biden administration.

President Biden is someone I've known a long time. Secretary of State Tony Blinken and Jake Sullivan are people I'm engaging with as we speak, and they feel very strongly about these issues. And of course, the Defense Department and other parts of government will also be a part of this narrative. By the same token, there are actions being undertaken in China. Our past guest speaker, whom I've known for a long time, the executive vice chairman of CCIEE, references the U.S. entity list, the commerce list. Well, we could also talk about the Chinese entity list. So, each side is beginning to form a narrative around these issues, which is counterproductive to cooperation.

***Trade is an area where we can make progress. Each economy is very much dependent on the other.***

In the area of trade, we need to see phase one. The incoming administration is not talking about it as a phase one deal, but there are still outstanding questions about the phase one deal. And there are outstanding questions about whether the United States (perhaps engaging our allies in Europe and in Asia) will encourage China to move forward with badly needed structural reforms. Whether we're talking about SOE reform, whether we're talking about subsidy practices or whether we're talking about the area of IPR or other areas, there is still a desire with the current administration, with Congress and certainly with the business community to encourage and prod China for further reform.

***I do think we need to have a little bit of a pause, some time for reflection on where we are. But each side then has to take responsible actions to encourage confidence-building.***

Will China see that as entering its core economic model? Will it be prepared to do that — not in this current environment but at what point would China see that it's in their self-interest, and how will the United States be able to marshal its relationships its enhanced engagement with its allies in a way that would encourage China to look at this.

This is also going to be an area of potential competition when it comes to the WTO system. I certainly support the use of the WTO as a more effective safeguard of the international trading system; it's critical. But right now we have fault lines within the WTO that need to be resolved, not the least of which are some of the reform agenda put forward by the Walker Principles. So trade is an area where we can make progress. Each economy is very much dependent on the other.

We need to start to think about ways to reduce the tariff burdens. But there are challenges there. Now competition also bleeds into confrontation — confrontation on technology, confrontation on democratic values. The incoming administration is talking a lot about democratic values as a cornerstone of its foreign policy, which is where there could be some challenges on issues like Hong Kong and the National Security



Law or other areas of concern. Certainly, the Uyghur issue — if we're going to be candid and direct we need to recognize these are issues that are flashpoints in the relationship. Taiwan can also be a flashpoint in the relationship. And the South China Sea. So, as we think about the competition in the relationship, we also have to recognize the potential for confrontation.

Now I do believe that there needs to be a coherent strategic framework for the U.S.-China relationship. I'm an advocate for people like Yang Jiechi coming over to the United States to engage with the current administration — President Biden and his team. I do think we need to have a little bit of a pause, some time for reflection on where we are. But each side then has to take responsible actions to encourage confidence-building, because the lack of trust in this relationship is real.

What do I mean by confidence-building measures? The Chinese, for example, have expelled journalists. One easy step would be to invite journalists from the Wall Street Journal, New York Times, Washington Post, to come back into the country. The second issue, of course, is how do we manage the trade talks that have been undertaken during the Trump administration? I think it's critical that there be progress made on the trade agenda that could include purchases of aircraft and agricultural products. In the interest of time, I'll simply end on three points.

One, this is a very complex relationship, but there's no question that the U.S.-China relationship is the most important bilateral relationship in the world.

Two, countries are going to hedge their

bets; they're going to seek the United States comfort when it comes to security issues, but they're not going to ignore the Chinese market. The sooner that government leaders on both sides recognize that hedging is going on, the sooner we can address a number of challenges in the relationship and try to find some common ground.

And third, and most important, we need to manage the downside risk in this relationship and not assume that the world will not go forward. And there is risk in this relationship. So while I do agree there's a lot in the inbox with President Biden and his team, I don't think that we can ignore a path toward a more stable relationship with both China and the United States engaging each other on global and bilateral challenges that exist.

Thank you. Thank you very much.

*While I do agree there's a lot in the inbox with President Biden and his team, I don't think that we can ignore a path toward a more stable relationship with both China and the United States engaging each other on global and bilateral challenges that exist.*

# Press the Pause Button



**Kishore Mahbubani**

*Distinguished Fellow at the Asia Research Institute (ARI),  
National University of Singapore (NUS)*

“This is a message to both the U.S. and China: We understand why you may have to compete in some areas, but can you please press the pause button? Let’s stabilize the world and then see where we go from there.”

Thank you. And let me begin by saying, I completely agree with the analysis that Mike Spence has put across, Mr. Zhang has put across and of course Myron Brilliant has put across. And the question is, how can I add value to this discussion?

I’m just going to make, in a sense, one big point. The year 2020 has sent a message to humanity.

The simple message it is sending is that the world has changed fundamentally. Right? Clearly, this was a big shock that none of us expected. Now, in theory, humans are supposed to be the most intelligent adaptive species on planet Earth. So in theory, when the world changes fundamentally, what do you do? Do you make a U-turn, or do you keep going straight on autopilot?

To me, the reason, the fundamental reason, why we have problems in the world today is that we refuse to acknowledge that the world has changed, fundamentally, and we keep on in a sense using 19th century mental maps to handle 21st century problems.

I’ll give two examples of where we need to change our mental maps fundamentally, because I think if we don’t change our mental maps, they exist in the sense of going on autopilot, and you’re going to create turbulence. Let’s avoid the turbulence and understand where we have to make this U-turn.

***The fundamental reason, why we have problems in the world today is that we refuse to acknowledge that the world has changed, fundamentally, and we keep on in a sense using 19th century mental maps to handle 21st century problems.***

The first change we need to make in our mental map is that you’ve got to understand that in the past, when we lived in different countries, it was the story that we were living in different villages. So, let’s say the village is 10 kilometers away, or 100 kilometers away, and that village catches fire. You don’t worry because you are in a different village. So why worry?

But what is the big message COVID-19 is sending to us? That 7.3 billion people no longer live in separate villages. They live in one village. We live in separate houses in the same village.

***Many of the key policymakers in the Pentagon, they see this as a zero-sum game, a competition, when in fact we should be working together. So that's one fundamental change we've got to make.***

So when you find out that COVID-19 began in China, in Wuhan, the stupidest thing the Trump administration could do was to say, hey, that's a fire in another village; we don't have to worry about it. And we can see how that mental assumption that we are not in the same village caused this incredible impact of COVID-19 on the U.S. and Europe and the rest of the world. So COVID-19 is telling us, Hey! We are in a same village!

And what do you do when you're in the same village? The first thing you do when a fire breaks out anywhere in the village, is you cooperate. You come together, you come out of your house and say, this is going to burn out the whole village, let's cooperate. Right? And therefore, for example, on the U.S.-China competition, the most sensible thing to do is to press the pause button and say OK, OK! We'll carry on our fights later, but let's stop the fire. Let's stop the whole village from burning, and then we can carry on.

So this is the commonsense thing. And what is shocking is that something as simple and as commonsensical as the oc-

cupants of a village coming together and saying, Let's put out the fire first, and then we can carry on, is not happening. And that shows you how stupid the human species has become.

And similarly, if there's a message that global warming is sending to us, it's the same message. Now again, you know, if you're living in different villages, if a forest fire breaks out 10 kilometers away and the smoke is going to the next village and I say that's not my problem that's the other village's problem, what's happening? Global warming has created a fire. The smoke has entered every house in our village. You cannot escape global warming, whether you're the United States, China, Africa, South America. So what do you do? You cooperate to first put out that forest fire outside. That's what global warming is all about. Again, you've got to change your mental maps. But I can tell you that, unfortunately — I put this very bluntly — many of the key policymakers in the Pentagon (I would say the Ministry of Defense in most countries of the world), they see this as a zero-sum game, a competition, when in

***On the U.S.-China competition, the most sensible thing to do is to press the pause button and say OK, OK! We'll carry on our fights later, but let's stop the fire. Let's stop the whole village from burning, and then we can carry on.***

fact we should be working together. So that's one fundamental change we've got to make.

The second fundamental change — I don't have much time to explain it — but we also know that history has turned that corner that from the year 1820 to 2020, for 200 years, we had Western domination of world history. That era of Western domination is ending. And it's unusual for 12 percent of the world population that lives in the West, to make decisions that affect the rest of the world. So the West, therefore, should stop lecturing the rest of the world on what needs to be done and listen to the remaining 88 percent.

And that's very critical because I can see, Myron, that this is in some ways a response to the pressure to speak out on human rights issues and all that. And I agree we should push for human rights, but don't lecture other countries and say you can tell us how do better. Because, sadly, you know, the key point I emphasize, is that in the United States, the bottom 50 percent has not seen an improvement in their standard of living for 30 years.

And I will say the United States should focus on improving the bottom 50 percent and the rest of the world should help the United States. Take care of his bottom 50 percent. And the way you help the bottom 50 percent is by, in a sense, boosting global trade. So we should work together, and we will all benefit by requiring a spirit of cooperation.

So the final point I'm going to make in 30 seconds or one minute or whatever, is this: We should stop believing that we



can't do anything about all this, the competition will carry on, confrontation will carry on, we just can't stop it.

What do you mean you can't stop it? You can. You can do this. And this is where I believe if you have 330 million people in the United States, and 1.4 billion in China, that still leaves 6 billion people outside in the rest of the world. And I've seen things in mankind's history. I think the remaining 6 billion should speak with a united voice to both the U.S. and China.

And this is not by way of hedging. This is a message to both the U.S. and China: We understand why you may have to compete in some areas, but can you please press the pause button? Let's kill COVID-19. Let's take care of global warming and domestic and global challenges. Let's stabilize the world and then see where we go from there.

This is just common sense. And I hope that human beings improve once again. They are the most intelligent and adaptive species in the world.

Thank you.

# Perceptions Matter



**Xu Bu**

*President of China Institute of International Studies*

**“In my view, the problem of friction between China and the U.S., is not fundamentally about economics or trade or finance. It’s really a problem of strategic calculation and mental assumptions.”**

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Thank you, chairman. I’m so happy to be here. And it’s really true that the U.S.-China relationship is the most important bilateral relationship in the world. But it’s also true that the relationship is at a critical moment. How to deal with the U.S.-China relationship is not only related to the stability and development of the Asia-Pacific, but also of the world.

So actually, we all heard what Mr. Zhang Xiaohang has just talked about. The trade war between China and the U.S., obviously will not solve the problem. Then why was the Trump administration so interested in launching the trade war? Why will the Biden administration be slow to change what the Trump administration has already done?

In my view, the problem of friction between China and the U.S. is fundamentally not about economics or trade or finance. It’s really a problem of strategic calculations based on incorrect mental assumptions. Actually, Ambassador Mahubani also talked about mental assumptions. The U.S.-China relationship, you know, we got to be cautious. Yes, we got to be very patient. But we got to be very

clear: The friction is really coming from the mental perception, or conception, of the United States.

China does not pose any security challenge or threat to the U.S. China will never think about launching a sneak attack on Pearl Harbor in Hawaii, where I stayed for quite a long time to study. China will not have any interest doing offshore reconnaissance in North America. China will not have any interest in having a sphere of influence in Latin America.

***The problem of friction between China and the U.S., is not fundamentally about economics or trade or finance. It’s really a problem of strategic calculations based on incorrect mental assumptions.***

China does not pose any security challenge to the United States, nor does it pose any economic threat to the U.S. The per capita GDP of China is only one-sixth that of the United States. And the Chinese economy and U.S. economy are more





complimentary than they are competitive. China is a participant in the currently existing international trade order, international financial order and international economic order, including as a participant in the WTO, the World Bank and International Monetary Fund.

China does not even pose any kind of unique political or ideological threat to the United States, because China does not export our way of development. China is not interested in making or forcing any other country follow what we are practicing in China. So, how do we deal with the mental perception, which is making so much impact, so much negative impact, on the U.S.-China relationship? I would like to make three points.

First, we got to respect history. History tells us that the establishment of the bilateral relationship between China and the U.S. has been beneficial to both. It's not only beneficial to both but it's also beneficial for peace and development in the Asia-Pacific. It has been beneficial to world peace and stability.

Second, the notion of so-called "engagement with China by the U.S. has failed" is a kind of mental perception that goes against reality, the historical facts and figures.

Third, we got to abandon the Cold War mentality. I totally agree with what Ambassador Mahbubani has just talked about — the Cold War mentality. A clash of civilizations doesn't fit with the trend of history.

Nations are different in societies and cultures. We've got to respect each other. We got to try to have a kind of win-win cooperation based on mutual respect.

Any kind of Cold War mentality will only bring real clashes between countries. So China and the U.S. need to be engaged in trying to build a kind of a new model of major power relationship.

Many people in the world are talking about the decline of the U.S. Many of my colleagues in the U.S. also talk about the decline of the U.S. In my view, the United States is not declining. In my view, China's rise does not build on the basis of U.S. decline. Actually Chinese development and prosperity rely a lot on U.S. prosperity. Only both the U.S. and China can enjoy prosperity, then can the Asia-Pacific and the whole world enjoy prosperity.

***The United States is not declining.  
In my view, China's rise does not  
build on the basis of U.S. decline.  
Actually Chinese development and  
prosperity rely a lot on U.S.  
prosperity.***

So we got to change our mental conception to see, or to believe, that the rise of China can only be built on the basis of the decline of U.S. It's a wrong conception. If the policymakers in Washington are not going to change their mentality, it will be very difficult for us to solve the so called trade friction or technological problem or economic war. We got to be very clear; we got to be very cautious. And I do hope the new administration in DC will come up with these issues and join hand in hand with China to make sure we walk on the right path.

Thank you very much.

# A Good Time to Act



**Zhang Yuyan**

*Director of Institute of World Economics and Politics, and  
Chief Expert of National Institute for Global Strategy,  
Chinese Academy of Social Sciences (CASS)*

Trump's trade war has been ineffective, only harmful. With a new U.S. president in the White House, can both China and the United States begin to make a few minor changes to symbolize a new beginning toward an improved relationship?

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Today we gather here to talk about the China-U.S. relationship and trade and economic ties between the two countries. To begin with, I think it's important to take a look at some facts.

First, the Trump administration engaged in a trade war with China in the past few years, and the many measures taken now prove to be ineffective. In fact, this is a lose-lose game. In today's world, a trade war leads to only a dead end.

Second, the world is experiencing tremendous changes today. In addition to the impact of the pandemic on the world economy, there are many other urgent issues, such as climate change and species extinction, that require our cooperation.

In addition, there is strong mutual distrust between some of the world's major countries, such as between the United States and China. Many Americans see China as a threat to their country, while many Chinese believe that the United States is doing everything possible to contain China's development. As a result, lack of understanding and strategic trust is a big problem we face today.

*During the Cold War, peace was  
achieved through the notion of  
“mutually assured destruction.”  
Today's world is different.*

From an economic point of view, the world today is in urgent need of trade and investment cooperation, but such cooperation is in short supply. This is an important reason why we are here today to discuss China-U.S. relations, because they are the world's two largest economies. In a sense, the eyes of the whole world are fixed on their relations.

***We need to realize “actually assured interdependence.”***

During the Cold War, peace was achieved through the notion of “mutually assured destruction.” Today's world is different, however. In this context, what do we rely on for global peace and global development?

We need to realize “actually assured interdependence.” In other words, we can achieve development and prosperity through the interdependence of all countries and abandon beggar-thy-neighbor policies, because we are living in a global village and we are in the same boat.

There are many sectors in which China and the United States can work together. As two major countries on the world stage, they have a greater responsibility for global affairs and therefore need to take actions. With the Biden administration now in office, we can restart all dialogue mechanisms and look at how well we've done in the more than a year since the phase one trade agreement was signed. Particularly, given the impact of the pandemic, we need to discuss how we can use existing agreements to pro-



mote stability and economic and trade cooperation.

Meanwhile, both sides can consider making even minor changes in their tariffs, which are now at a high level of around 27 percent. Can each side symbolically lower tariffs, which will be welcome news for the entire world?

China and Europe have established a joint working group to explore avenues to WTO reform. Is it possible that China and the United States establish a similar group? Since climate change is an issue of great concern to both countries, can we work together to hold a climate change conference, at the corporate, then Track 1.5 and ultimately official levels?

# Key Areas in Macro Policy to Cooperate



**Zhu Min**

*Former Deputy Managing Director of IMF;  
Former Deputy Governor of the People's Bank of China*

“The macro policy cooperation between China and the U.S. is extremely important for both countries, and also particularly for the whole world, and also for the low-income countries, and the emerging market.”

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It's a great honor for me to join this very distinguished panel. Given the time limitation I'm going to cut my speech short. I'm going to focus on one thing, which is global macro-economic and financial policy cooperation between China and the U.S. I think it's the most important thing.

Year 2021 bring us hope, as Mike Spence said, because with the vaccine, we probably will be able to control COVID-19, and we expect to see the global economy have a rebound. But uncertainty is huge. And the recovery will be uneven, and also will be moderate. In that sense, I think the macro policy cooperation between China and the U.S. is extremely important for both countries, and also particularly for the whole world, and also for the low-income countries, and the emerging market.

I'd like to point out a few key areas I think we should start working on now.

The first issue, is stimulated policy and exit strategy. Given that growth is weak, many governments are considering putting further extra stimulus policy in year 2021. But how? For example, in U.S., President Joe Biden proposed a 1.9 trillion new stimulus package. It is huge. I understand the need, but we need to avoid the big bombast, the volatility, in the growth path in the future. We also have to avoid future debts crisis — the sovereign debts increasing dramatically may create debts crisis in the future. So we'll have to balance those two things. How China and U.S. coordinate the policies together on the further stimulus package is an important issue.

And with the uneven recovery, the exit strategy can be very different, which also will have a profound global impact. I think that China and the U.S. need a dialogue on exit strategy and provide the world a policy framework. The les-



sons we learned from the 2008 financial crisis is meaningful for today. We'll have to think about that. I'm not going into the details but I think it's important.

The second area is monetary policy cooperation. The dollar is the most important global reserve currency. FED zero interest rates bring the dollar capital outflow to the whole world. The years of QE monetary policy have had a profound global impact for the global capital flow and growth after 2008 global financial crisis. So I think that's also important for the monetary policy cooperation. China's monetary policies today have a big impact, particularly in the Asia region. So, when U.S. takes MMT, it is important for monetary policy cooperation to maintain exchange rate stability and capital flow stability. I think this is very important. Meanwhile, monetary policy to maintain sufficient credit line to support real economy but avoiding bubble in the capital market is also important.

The third area is supply chain stability, which is also important. We see the supply chain really under reconsideration globally, both technically and also politically. So I think that's very important for

both sides to sit down to talk about how we can stabilize the global supply chain to make sure this economic recovery is strong and sustainable.

The fourth, of course, is trade. Trade was weak last year and this year will recover but I don't think it will be very strong. Today U.S. tariffs are at their highest level since World War II. Also U.S.-China tariffs on each other are at their highest level ever. So both sides have a lot to work on trade. Particularly on WTO, both countries need to make sure WTO functions well — that's also an important issue.

The fifth area is to support emerging markets and low-income economies. We observed in the COVID-19 crisis the GDP gap between the advanced economies and emerging markets and low-income countries was even wider. We expect to see the uneven GDP gap become even bigger in the years to come. And, particularly, low-income countries become much weaker because they didn't have reserve currency status, so they were not able to do big stimulus. So supporting them is also important.

The last point, but not the least, is that I think China and the U.S. should work together to push reform of international economic governance, particularly the IMF but also the World Bank.

There are a great many things that can and should be done, we should seize this opportunity to work together to make sure the recovery is strong and sustainable.

Thank you very much.



# A New Historical Stage



**Bi Jingquan**

*Executive Vice Chairman of China Center for International Economic Exchanges (CCIEE);  
Vice Chairman of the Committee on Economic Affairs of  
the 13th CPPCC National Committee*

“Although the coronavirus pandemic has planted a major obstacle in the path of economic globalization, the defining trends of openness and cooperation remain intact.”

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Since early 2020, the coronavirus pandemic has spread around the world, transforming how we live and work. It has sent the world economy into a tailspin, held back international exchange activities and the global flow of people, and led to a significant drop-off in global trade and investment. As the pandemic dims the prospects for what is already sluggish globalization, unilateralism, protectionism and populism have raised their faces. At the same time, however, we have seen many positive developments, such as accelerated economic integration at the regional level, IT application at a faster rate and a more balanced approach to efficiency and security in global supply chains and industrial chains. In response to these challenges and opportunities, China and the United States — the world’s two largest economies — need to work together on many fronts. Here, I’d like to talk about globalization and China-U.S. trade and economic ties.

**First, globalization has delivered tremendous benefits to human society.**

Driven by economic globalization since

the 1970s, the world economy and global trade and investment have registered a significant increase, and the share of the population living in poverty has fallen sharply. In the past half-century, global GDP has more than quadrupled; global per capita GDP has more than doubled; the contribution of trade to the world economy has risen from 27 percent to 60 percent; and FDI net outflows have jumped from \$13 billion to more than \$1 trillion. Meanwhile, the global extreme poverty rate fell to 9.2 percent in 2017 from 42.3 percent in 1981.

Globalization has enabled countries, large and small, to participate in global resource allocation and have dramatically increased their economic efficiency. As part of the global division of labor, all economies share in the gains of trade, investment and innovation, although to varying degrees. Developed economies reap handsome profits from the global market, and developing economies benefit from technological advances, knowledge accumulation and participation in the restructuring and optimization of the global industrial system.

**Second, both China and the United States are beneficiaries of globalization.**

The two economies are highly dependent on international markets and are increasingly interdependent. Thanks to its abundant labor supply, China has grown into a global manufacturing center. As the world's most important advanced economy, the U.S. plays a dominant role in technological innovation, enjoys the financial advantage of a dollar-based monetary system and leads the way in economic globalization.

Between 2001 and 2019, China's GDP increased nearly fourfold, its foreign trade quadrupled and the amount of paid-in foreign investment received every year increased by 97 percent. U.S. figures over the same period were 40 percent, 90 percent and 40 percent, respectively. The statistics reveal that both China and the United States are beneficiaries of globalization and of their expanded economic relations.

**Third, China and the United States should take a long-term view of their frictions.**

Given the notable differences in their cultural and historical backgrounds, frictions will occur in bilateral relations and a variety of problems will appear in their trade and economic ties. But all these frictions and problems can be addressed, so long as the two sides act on the principles of mutual respect and equal-footed consultation and accommodate each other's major concerns. In fact, they did exactly so in the past four decades and the years since the launch of reform and opening-up in China, especially in the past two decades following China's accession to the WTO. Their tremendous economic and trade



ties have become the anchor and stabilizer of their relations.

**Fourth, China and the United States need to place their relations back on the right track.**

Over the past four years, bilateral relations experienced unprecedented challenges and nosedived to their lowest point in decades. We all understand that these frictions cannot be allowed to continue indefinitely and that it is necessary for the two countries to figure out solutions together.

Last week, a new administration took office in the United States, offering an important opportunity for China-U.S. relations to get back on the right track. I believe that the two countries need to resume high-level strategic dialogues and contacts, along with government-to-government dialogues on various fronts and at multiple levels. Meanwhile, they need to consider the elimination of extra tariffs imposed on each other, resume normal people-to-people exchanges and trade ties, consider the elimination of unreasonable restrictions on Chinese companies investing in the United States and restart negotiations on a bilateral investment treaty. These are all important initiatives that promise to bring benefits to the people of both countries

and are also crucial to responding to the pandemic and kick-starting the global economy.

**Fifth, China and the United States need to strengthen two-way cooperation within multilateral frameworks.**

Both countries shoulder heavy responsibilities for globalization and multilateral governance. President Biden has announced his country's return to the Paris agreement and the World Health Organization, which I think is a very important signal. We hope the U.S. will play an important role. For China and the United States, an urgent priority now is to cooperate on issues of climate change and global public health, coordinate their positions on the WTO reform agenda, promote and facilitate trade liberalization and reboot the global economy. They also need to strengthen communication and coordination within multilateral mechanisms, such as the United Nations, the G20 and APEC, and enhance cooperation in such areas as trade, finance, the digital economy, public health and global security.

**Sixth, China must continue on the path of reform and opening-up.**

The Communist Party of China defined the direction and tasks of China's economic and social development in the near future at the fifth plenary session of its 19th Central Committee in 2020.

In this new historical stage, China will continue on the path of reform and opening-up, and by opening wider to the rest of the world enhance domestic reform across the board and push for high-quality development of the economy. Now it has signed the RCEP agreement, reached a comprehensi-

ve investment agreement with the EU and announced its intention to readily consider joining the CPTPP. Moreover, it will be more focused on intellectual property protection, which is necessary to improve the business environment and achieve innovation-driven development.

Ladies and gentlemen, as President Xi Jinping said, "There is only one shared future for humanity. As we cope with the current crisis and endeavor to make a better day for everyone, we need to stand united and work together." Although the coronavirus pandemic has planted a major obstacle in the path of economic globalization, the defining trends of openness and cooperation remain intact. We hope that China and the United States will strengthen communication and cooperation, work together to address global challenges and unknown risks and push globalization toward greater openness, inclusiveness, shared benefits, balance and win-win results.

*Both countries shoulder heavy responsibilities for globalization and multilateral governance. President Biden has announced his country's return to the Paris agreement and the World Health Organization, which I think is a very important signal.*

# Pick the Low Fruit. But Then What?



**Stephen Roach**

*Senior Fellow at Jackson Institute of Global Affairs;  
Senior Lecturer at School of Management of Yale University*

“The best way, in my opinion, to address [the] structural agenda is not by tariffs, not by sanctions, not by a so-called entity list, but by moving to restart negotiations on a bilateral investment treaty.”

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Thank you very much, Victor. It’s really an honor and a pleasure to speak to all of you today and to be on such an illustrious panel with many of my friends whom I miss very much and hope to see again once we get through this pandemic.

I want to speak to you today about the U.S.-China conflict — clearly, I think, the most disruptive geopolitical event that has occurred in the world over the last four years, and a conflict that must be resolved.

The conventional wisdom right now in the United States, even with a new Biden administration, is that there’s going to be little change in the new administration’s policies toward China. There’s still a groundswell of bipartisan public opinion that is more negative toward China than ever before. And if there’s one thing that Republicans and Democrats agree on right now it’s to stay tough on China. But I think that view is going to be challenged and eventually change. I think we’re going to be moving from four years of bluster that was called “The Art of the Deal” by our former president, to a period of deeper thought, and hopefully to what I call the wisdom of the compromise.

I want to give you two specific thoughts on how this conflict can get resolved. They are: first, pick the low hanging fruit, and then, second, develop and implement a more strategic framework for engagement. Let me speak briefly to each of these two ideas.

The low hanging fruit: There are many very important global issues that both the United States and China have in common that they would like to resolve individually and collectively. I just pointed out two of them right off the bat — climate change and global health, especially in a COVID era. These are issues that deeply affect both nations and their leaders. And the key is to set up a mechanism by which the leadership in both nations can begin to exchange views and dialogue on them.

*I think we’re going to be moving from four years of bluster that was called “The Art of the Deal” by our former president, to a period of deeper thought, and hopefully to the wisdom of the compromise.*

***Once we get the ball rolling and start talking about big issues like climate change and global health, especially in this COVID era, then we've broken the ice, and we can begin to tackle tougher issues.***

America's new president, Joe Biden, our 46th president, has been in office now for seven days. He's already broken the ice. He has joined the World Health Organization again, which sets up the possibility of U.S. dialoguing with other members of the WHO. And in fact, our leading epidemiologist, the famous Anthony Fauci, has already initiated that dialogue in a very high level meeting of the WHO just a few days ago. President Biden has already indicated the U.S. is immediately rejoining the Paris agreement on climate change, something that is very important to China. And there is ample opportunity for the two leaders to speak together and focus their concerns, their attention and their policy apparatus on that critical objective that the world faces. President Biden has indicated this is one of the highest priorities of his new administration.

Once we get the ball rolling and start talking about big issues like climate change and global health, especially in this COVID era, then we've broken the ice, and we can begin to tackle tougher issues.

And that gets me to the second piece of my comments to you this morning, and that is a new framework of engagement. The old framework hasn't worked. The old framework was one in which we would have these periodic summits that we called the Strategic and Economic Dialogue. They met twice a year under the George W. Bush administration, once a year under the Obama administration. Many of us attended some of the sessions that were associated with those engagements. Both countries

sent massive delegations. I used to see my friend, former Vice Minister Zhu, at many of those meetings over the years. We felt like we were doing something, but ultimately we accomplished very little. And the trade war of the last three years indicated that this particular way of addressing our problems or issues was not workable.

So we need a new structure for dialogue. I am proposing that we set up a full-time office — I call it a permanent secretariat — that does nothing except work on all aspects of the U.S.-China relationship, from trade to economics and people-to-people issues as well. Staffed by senior professionals, operating in a neutral jurisdiction, involved in a multitude of tasks from building joint databases, conducting joint research and writing policy white papers, to proposing agendas for negotiating on key policy proposals by senior leaders of nations. And then overseeing implementation and monitoring progress is being done in terms of compliance. And there are disputes that will arise, certainly there will be, having a transparent dispute adjudication mechanism under the purview of the secretary. That's point one.

***We need a new structure for dialogue. I am proposing that we set up a full-time office — I call it a permanent secretariat.***

The second one is trade. The trade war between the U.S. and China has been destructive. It's hurt both nations. It has not accomplished anything other than to create more animosity. And the simple reason that a bilateral trade war doesn't work, is that you have a country like the United States, which has multilateral trade deficits with 102 countries. And so if you close down trade with one, as Trump attempted to do with his tariffs, you just push the deficit somewhere else, which is exactly what the data show has happened.



The multilateral trade deficit the U.S. has is a function of its savings shortfall. And so we need to address that if we want to reduce our trade deficits with China or anyone else. And so, on the trade front, I think we need to abandon the phase one trade deal and the tariffs that drive it. They didn't work. They're unproductive, and they will continue to do damage to both nations, and we need to be honest and focus on the U.S. saving more and China saving less to reduce your large collection of multilateral trade surplus.

And then finally my third piece, which is the most important one, is the so-called structural agenda. We need to shift the conflict away from bilateral trade, to the big structural issues that separate the United States and China. I give the Trump administration credit for one thing, and that is raising the debate on these structural issues, like innovation policy, intellectual property rights, forced technology transfers, cybersecurity, subsidies of state-owned enterprises. These are very important issues.

Unfortunately, the allegations they made under the auspices of the former U.S. trade representative, Robert Lighthizer, were based on extremely weak evidence. So the issues still need to be investigated very carefully. They're still important, weak evidence or not. And the best way, in my opinion, to address this structural agenda is not by tariffs, not by sanctions, not by a so-called entity list, but by moving to restart negotiations on a bilateral investment treaty.

We got very close to completing those negotiations under the Obama administration, and Trump of course abandoned it, just as he abandoned every policy that President Obama was in favor of. But the bilateral investment treaty, which both nations have long supported as a means to improving market access in countries around the world, is something that the U.S. right now has — over 40 bilateral investment treaties



in place. China has over 100 of them. Both nations favor this framework. And the recently enacted comprehensive agreement on investment, a bilateral investment treaty between China and the European Union, indicates, I think an important sign that China is open to this framework. And the U.S. should see that opening, and that opportunity.

***I think we need to abandon the phase one trade deal and the tariffs that drive it. They didn't work.***

So that concludes the points that I want to make today, again just to reiterate: There's low-hanging fruit — we've already started to pick it — with the U.S. rejoining the Paris agreement, and the WHO. And as we now begin reconnecting and reengaging in a spirit of mutual collaboration. We need to think about a deeper and more meaningful framework to build a stronger relationship. And by focusing on a new structure of dialogue, getting real on trade and really using a bilateral investment treaty to address the structural agenda, I think we can make a lot of progress and move away from this four-years of the so-called "Art of the Deal" to a much wiser solution, driven by meaningful compromise on both sides.

Thank you very much.

# Which Path to Choose?



**Craig Allen**

*President of the United States-China Business Council*

“Both China and the United States should consider joining the CPTPP. Now that will be difficult for China, and it will be difficult for the United States, but it makes sense, as both countries look at this as a very viable option going forward.”

Victor, first, thank you very much and many thanks to the China-U.S. Exchange Foundation and CCIEE. Very grateful to be here today.

So the United States experimented with populism for four years. And it was tinged with an angry nationalism, a little bit of anti-foreigner sentiment, anti-elite sentiment, anti-institution and anti-science sentiments. And this experiment is associated with the presidency of Donald Trump. But of course, the underlying problems are much deeper.

Populism is everywhere in the world, and it's fundamentally about dislocation and failure of the social contract and very rapid changes in technology in society. So with the election, some things have changed and some things have not. Both the White House and the Congress are in the hands of the Democratic Party, so that is a big change. But many things have not changed. Populism and polarization have not changed. COVID has not chan-

ged. Geopolitics have not changed. Technology competition with China has not changed. And China's policies toward the Biden administration have not changed — at least not yet. And as someone said, public perceptions in the United States about China are very low and, equally, public perceptions about the United States are low in China.

There are many reasons to be cautious here. The new administration will have to negotiate with the Congress, which is now still controlled by Democrats and is very skeptical of China. In addition, reminiscing about the Trump administration, Republicans will be waiting to criticize the Biden administration for any move on China.

The Biden administration has a very strong team of national security and foreign affairs and trade experts. And this entire team is very pragmatic in principle and deeply knowledgeable about China. On trade, however, the Democra-



tic party is very divided, President Biden has made it clear that the trade agreements are not going to be a high priority and his cabinet members have said they will keep the tariffs for the time being. So, while the Biden administration may not want to rush into talk about the trade agreement, I think the foreign leaders will want to talk to him about those same agreements, including our friends in China.

This new team is very realistic. They realize that the economic architecture of Asia has changed with the RCEP, with the EU-China agreement, and with the Belt and Road. And the new team recognizes that this relationship with China is going to remain competitive, but the amount of confrontation should really be toned down.

So I think that the business community in the United States would like to see a few things. Number one, I think that the bulk of the business community wants to keep the phase one agreement, and to implement it fully. It is valid for another year. Within the next year, the business community hopes that we can finalize the phase two agreement with China and leverage the EU agreement — the BIT negotiations that Stephen Roach referenced. And we believe that after phase two is reached, then the tariffs should come down.

Over the longer term, I think that both China and the United States should consider joining the CPTPP. Now that will be difficult for China, and it will be difficult for the United States, but it makes sense as both countries look at this as a very viable option going forward — to use the CPTPP vocabulary, structure, norms, regulations and agenda to move forward, our bilateral agenda, as well as the regional agenda. And I think if we have a virtuous discussion based around the CPTPP terms, that could also inform reform of the overall multilateral and WTO agenda, which of course is urgently needed.

So, what I would propose is a virtuous discussion between the United States and China, using CPTPP as a structure, and both enter the CPTPP and use that for the reform of global institutions.

Thank you very much.

*This new team is very realistic. They realize that the economic architecture of Asia has changed with the RCEP, with the EU-China agreement, and with the Belt and Road. And the new team recognizes that this relationship with China is going to remain competitive, but the amount of confrontation should really be toned down.*

# A Time to Heal



**Chen Wenling**

*Chief Economist of China Center for International Economic Exchanges (CCIEE)*

“The development of China-U.S. economic and trade relations in the past four decades answers the needs of both countries, and it is not the result of one country imposing on the other.”

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Unlike 2020, this year will be one of healing, one in which we heal the wounds of the pandemic, heal the world economy after a great recession, heal the damaged China-U.S. relationship and heal the broken world order. Whether we can heal all these wounds and return to normal is a critical issue and will determine the prospects of China-U.S. relations and the future of the world.

On repairing China-U.S. economic and trade relations, I think the goal is to reshape them to be an anchor and stabilizer.

**First, the development of China-U.S. economic and trade relations in the past four decades answers the needs of both countries, and it is not the result of one country imposing on the other.**

Two-way trade, which was only \$2.5 billion in 1979, surged to \$583.7 billion in 2017 and reached a peak of \$633.5 billion in 2018. It dropped by 15.3 percent in 2019, however, because of the trade war, a man-made malady. In 2020, the fi-

gure rose by 8.8 percent, in spite of the pandemic. These statistics reveal that the U.S. has an inelastic demand for Chinese goods. In other words, China doesn't hard-sell its goods to the U.S.; the U.S. must meet its domestic demand.

**Second, the development of China-U.S. economic and trade relations is in line with economic rules.**

The international industrial division of labor, industrial transfers and the re-allocation of production factors are all ongoing processes. The manufacturing industry currently accounts for 11 percent of the U.S. economy, as opposed to 70 percent during World War II. As Mr. Roach said, 102 countries export their goods and services to the United States, hence its trade deficit.

Before the dissolution of the Bretton Woods system, the United States exported more than it imported. But with the end of the system, the convertibility of the U.S. dollar to gold was terminated



and the country gradually saw deficits in its international trade. This was a historical turning point: First, the United States manufacturing sector began to relocate overseas; second, the country began to print more money, as it wanted to import global goods, because the link between the dollar and gold was severed. In the end, now it runs a trade deficit, and this is something consistent with economic rules.

**Third, China-U.S. economic and trade cooperation is an irresistible trend.**

To begin with, the fact that intermediate goods account for more than two-thirds of their trade means that Chinese and U.S. industrial chains are highly interconnected and mutually reinforcing. Therefore, two-way economic and trade cooperation are unlikely to be cut off. Then, it is an inevitable trend to achieve trade facilitation, investment liberalization, tax reductions or even zero tariffs.

The digital economy and digital trade are also expected to continue to march forward. Therefore, trade multilateralism and rule-making are mega trends. So are regional economic integration and economic globalization. The China-U.S. relationship not only affects the two countries but also carries global significance.

**Fourth, the Biden administration needs to return to multilateralism as soon as possible and play a role within multilateral frameworks.**

But that is not to say that Washington partners with its allies to impose pressure on China. Instead, it needs to work together with China, as well as its allies, to reshape the rules of global trade and the international trade order in ways that benefit all countries. It is an example of hegemonism and bullying when one country attempts to address current trade issues without respect for rules and places its own interests above globally recognized rules and the interests of the world.

*It is an example of hegemonism and bullying when one country attempts to address current trade issues without respect for rules and places its own interests above globally recognized rules and the interests of the world.*



# Notes from America's Heartland



**Bob Holden**

*Chairman and CEO of United States Heartland China Association;  
Former Governor of Missouri*

“If you look at the recent U.S. election results, you will see that our country is splintering into two worlds ... the communities that benefited greatly from global trade and those that were left behind.”

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I want to thank the organizers and Mr. Tung for the opportunity to share some thoughts concerning the U.S.-China relationship from the perspective of trade and economy.

When I was the governor of Missouri, I opened Missouri's first office in China, seeing the potential of working with China to improve the economy of my state.

As president of the Midwest Governors Association at that time, and now as the chairman and CEO of the United States Heartland China Association — a grassroots, bipartisan nonprofit representing 20 states from the Great Lakes to the Gulf of Mexico — I speak for the Heartland region of the United States. We very much value our trade relationships with China and hope to find a path on which we can prosper together.

Along with my friend Steve Orlins at the national committee, I recently met with a group of eight former governors from across the U.S. We all agree that trade with China, student exchanges with China, investments from and into China and tourists from China are essential to our states' economies. These are foundations that we can rebuild a stable U.S.-China relationship on.

Beyond the former governors' circle and throughout our partner network, we hear the same message. It is about the economy. It is about jobs.

Our Heartland region is important for what we produce, the leadership we have, our central location and our commitment to work with everyone whose values we share. Our Heartland economy is built around agriculture, manufacturing, transportation and education. We have over 400 Fortune 1000 corporation headquarters in our Heartland region.

In agriculture, nine of the top 10 highest-ranking states are located in our Heartland. In manufacturing, eight of the top 10 states are located in our Heartland region. Five of the top 10 states that are recognized as “Best States” are in the Heartland region.

What is surprising to many people is the influence our Heartland region has in our country. Since World War II, eight of 14 presidents have come from the Heartland region, and a number of vice presidents, cabinet secretaries, ambassadors and key officials as well have ties to the Heartland region.

President Biden has made several announ-

cements of people for his cabinet. Here are three of many:

- Secretary of Agriculture: Tom Vilsack, Iowa
- Secretary of Energy: Jennifer Granholm, Michigan
- Secretary of Transportation: Pete Buttigieg, Indiana

But if you look at the recent U.S. election results, you will see that our country is splintering into two worlds — the coastal regions and the Heartland region, the communities that benefited greatly from global trade and those that were left behind.

Despite the influence we have, the Heartland region has many communities that need better jobs, safer infrastructure and more economic opportunities. I believe these are where a rebalancing of U.S.-China trade and using the power of the economy to create goodwill can help, to rebuild a stable U.S.-China relationship.

Here are some suggestions I have:

- **Broader collaboration on agriculture.** Agriculture is becoming a very significant tie and beneficial to both China and the U.S. It is imperative that we strengthen our ties and support continued dialogue and collaboration in order to strengthen a mutually beneficial relationship in agriculture and beyond.
- **More foreign direct investment into the Heartland.** Just like Fuyao Glass's \$700 million investment in Ohio that created 2,300 jobs changed the perception of China in Ohio, more world-class Chinese companies coming to the Heartland will be good for the U.S. Heartland and good for the global ambition of leading Chinese enterprises.
- **Infrastructure investment.** Across the



Heartland region, along our rivers, there is a huge need to rebuild our waterways, bridges and highways. This could be a win-win for people and cultures in our Heartland, and for China.

- **Climate change and renewable energy.** If COVID-19 has taught us anything, it is that our world has got to figure out how we can rally around shared challenges. We need to figure out how countries around the world can do a better job of protecting all of us.
- **Last but not least, investment in education.** We should continue to look for areas in education where we can collaborate. There is much we can learn from each other and benefit the world, especially for our younger generations.

Our Heartland region is the crossroads of our country and the world. We are closely tied to the world through the corporations located in our region, the agriculture and manufacturing base that comes from our region and the higher-education institutions that train the workforces of the future. We are in an excellent position if we can create new trade and economic partnerships for shared success.

Our success will be judged by our ability to find common ground where we can work together in a more peaceful world. In doing so, we all can win.

# Hope, But Not Haste



**Wang Yiming**

*Former Vice President of Development Research  
Center of the State Council, China*

“Complex competition and rivalry between China and the United States are still unavoidable today, and the improvement of their economic and trade relations remains an uphill battle.”

The fact that a new administration has taken office in the United States may be welcome news in terms of improving China-U.S. economic and trade relations. It also makes our dialogue today more meaningful. For the time being, the new administration gives priority to domestic issues, such as pandemic control, economic revival and the healing of divisions; consequently, it has little energy to spare on repairing relations with China. We can hardly expect the new administration to substantially reverse the previous administration's policy toward China because — as a result of certain domestic factors — it doesn't want to be seen as soft on China. But the arrival of the new administration still gives us hope as we try to improve China-U.S. relations.

***The trade war hasn't significantly reduced the U.S. trade deficit with China; in fact, the figure has increased.***

The Trump administration provoked the trade war with China and politicized bilateral trade issues, but the issues on its agenda were not addressed by the war as expected — including its huge trade deficit and hindrance of China's technologi-

cal progress. The trade war hasn't significantly reduced the U.S. trade deficit with China; in fact, the figure has increased. In addition to dealing a blow to Chinese high-tech firms, restrictions on U.S. technology exports have undermined the interests of U.S. high-tech companies. Facts prove that a trade war is not an effective solution to trade issues.

The rebuilding of China-U.S. economic and trade relations must be based on a sound positioning of bilateral relations. While the U.S. sees China as its strategic competitor, the two countries are not each other's enemy. Their competition should be manageable as long as they respect each other's core interests and don't challenge each other's red lines. Their competition should also be fair, equitable

*While the U.S. sees China as its strategic competitor, the two countries are not each other's enemy.*



and based on rules. Competition does not mean that there is no room for cooperation; instead, they need to pursue cooperation through communication and dialogue, which will place their competition on a sound footing.

At present, China and the United States need to work together on the most urgent issues to restore and rebuild the trust that bilateral cooperation demands.

#### **First, boosting pandemic control.**

When Ebola broke out in West Africa in 2014, both the United States and China dispatched medical teams and provided medical supplies to the region — which means that they can also work together on pandemic control today. They can cooperate within the framework of the World Health Organization and enhance coordination on global vaccine distribution. This is critical to their efforts to rebuild trust.

#### **Second, addressing climate change.**

Cooperation of the two countries in 2015 paved the way for the signing of the Paris agreement. President Biden has signed an executive order to rejoin the agreement, and President Xi Jinping has announced that China aims to reach peak carbon dioxide emissions by 2030 and carbon neutrality by 2060. Therefore, there is tremendous room for cooperation in addressing climate change.

#### **Third, placing China-U.S. trade on the right track.**

In light of the impact of the pandemic, the two countries can establish a grace period through consultations on implementing the phase one trade agreement and at the same time start to remove extra tariffs imposed on each other. Based on the assessment of the phase one agreement, they can launch a new round of negotiations on deeper structural issues. And these negotiations can be combined with efforts to resume negotiations on a bilateral investment treaty.

#### **Fourth, strengthening macroeconomic policy coordination.**

Through policy coordination and cooperation, China and the United States played an important role in helping the global economy out of the 2008 international financial crisis. At present, because of the impact of the coronavirus pandemic, global economic recovery faces many uncertainties. In response, China and the United States can carry out dialogues and coordination within the G20 framework and work together to boost global economic recovery and stabilize global industrial and supply chains and the global financial system.

In the final analysis, compared with the past four years, complex competition and rivalry between China and the United States are still unavoidable today, and the improvement of their economic and trade relations remains an uphill battle. However, we have good reasons to believe that as long as both sides stand ready to work together, they can build more stable and constructive economic and trade ties for the benefit of both peoples.

## Support for a Good Idea



**Zhu Guangyao**

*Former Vice Minister, Ministry of Finance, China*

“I saw that Stephen’s proposal is hugely important. And 24-hour communication — that’s really necessary. Understand, we must have some designing and a step-by-step approach.”

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Dr. Fung, I will follow your suggestion directly, making some comments on Professor Stephen Roach’s proposals:

First, I think that Stephen made a very important proposal, about full-time communication, or a full-time office

to be established. Maybe his suggestion that the office be placed in a neutral jurisdiction or some details need more discussion. But that proposal is a very strategic view — that we will have China and the U.S. back to a normal track with 24-hour communication every





day. And it's so important for the U.S. and China, as the largest economies, which have a geopolitical strategic impact on global peace and development. The last four years have been too bad, with their negative impact not only on China and the U.S. but also on the globe.

So that's how people in China, people in the U.S., and the people of the world can watch how the behavior of China and the U.S. returns to normal channels. I think that Stephen's proposal is very important. And 24-hour communication — that's really necessary. We must design this carefully with a step-by-step approach.

And two points are very important. Number one, the importance of the leadership role of the two presidents, and their great vision and direction should always be based on reality.

Less communication, less trust. We need trust, and the immediate thing is to recall some communications and gradually reach out with trust. Now that will take time. But we must do it now, immediately. And that's why we say such kinds of communicati-

on today are so important: It's people-to-people also. So I think that both sides' officials must be involved. And the binary channel situation needs a real programmatic path for both sides to take.

And, the second thing about Stephen's proposal is re-establishing BIT negotiation, which is also mentioned in Mr. Bi's keynote speech and other addresses. That's important. Indeed, during the Obama administration, both the U.S. and China have had very professional negotiation on BIT. Great progress has been made but still, some key issues including data flow across borders still need legalization. Those are structural issues that both sides should give very serious consideration and find ways to solve, because the digital economy is so important for the global future, including artificial intelligence and the quantum information industry. They are so important. I also paid close attention to Ambassador Allen's points; he would like to resume the phase one deal and keep phase two under discussion.

Those remind us of important communications. Even with the alliance and the U.S., there has not been enough talk. We must deepen our communication. So that's why today's meeting is very important, and we hope for more. Thank you.

# Standards for Science Cooperation



**Steven Chu**

*Nobel Laureate in Physics;  
William R. Kenan Jr. Professor and Professor of Molecular and  
Cellular Physiology at Stanford University;  
Former U.S. Secretary of Energy*

“It’s very important for all countries, and all academies within the countries, and all universities, to stress how important it is that there is a set of scientific ethics.”

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Thank you very much. Pleasure to be here, and I hope you all can hear me. In the brief plan that I have, I want to talk about several things. We just heard Mr. Zhang talk about cooperation as one need — the challenges the world faces that mostly definitely include scientific cooperation and the importance of that.

But I also want to address some of the other things, and there have been, as we all know, tension over the last four and a half years, even more. And these tensions will not all go away, or have not all gone away as President Biden assumed office. I want to talk a little bit about that, as well.

But let’s first talk about scientific cooperation. As was mentioned in the introduction, there is crucial scientific cooperation needed for many of the challenges that the world is facing. The pandemic is one example, with its rapid communication among countries. And if acted on in a timely manner, more lives could have been saved. But still, rapid communication is going to be very important — the dissemination of vaccines — these things are going to be very important. Also, the

lessons over the last year have told us that, when countries or leaders choose to ignore scientific advice and scientific facts, it is at the peril of each country and each state in the United States. And so many of the things we thought were worst-case scenarios, it turned out, at least in the United States, to be even worse case scenarios.

But this is a small glimpse of what is going to happen. I think the biggest challenge the world faces is climate change. And my friend and colleague Xie Zhenhua and I worked on this when I was secretary of energy and he was minister and the chief climate negotiator. In terms of climate change, international cooperation is crucial. And in particular, U.S. and Chinese

***The lessons over the last year have told us that, when countries or leaders choose to ignore scientific advice and scientific facts, it is at the peril of each country and each state in the United States.***

cooperation is crucial for many reasons. The most important is that by sharing knowledge and best practices, and things like that, we can begin to make the transition — a much less costly transition — to carbon-free sources.

I see China has constructed the best high-voltage transmission lines, AC and DC lines. You have mostly hydropower and pump storage. But I also see the United States helping China integrate those resources together. We in the United States, don't have the luxury of essentially a single unified, for example, state grid. But certainly many ideas and how you integrate more and more renewables, especially, becomes less expensive because it becomes a challenge to go from 30 percent to 40 to 50, 60, 70 percent renewable energy. And this will require a lot of new technology ways of putting all the pieces together. I don't consider China is responsible for what happens in their country, and the U.S. is responsible for what happens in our country; they should cooperate — so, definitely something that we will call a win-win situation.

***In science and especially in fundamental science, the more people come together and talk and help each other, the more rapidly it advances.***

In a larger sense, China-U.S. collaboration in science — a much larger sense of international collaboration — is also some of the lifeblood of science. Very rarely do scientists work alone. They work in small teams or, in certain projects, even in larger teams. And if someone makes a discovery in a lab somewhere in the world and publishes it, all are free to

read. We then read what that person has done, or that group has done, and learn from it. And that oftentimes spurs us, other scientists, to learn from that and it's going to affect our research. And it's this idea of open publication when you're ready to announce your results that is truly the lifeblood of science.

Unlike competition among companies — international companies within each country, where there is intense competition. In science and especially in fundamental science — it's exactly the opposite, the more people come together and talk and help each other, the more rapidly it advances.

So, in the past year or several years, I've been trying to encourage the continued collaboration. I'm part of a group of American physicists, working with counterparts, a small team of maybe eight or 10 of us in the U.S., including the leadership of the American Physical Society. I am there, I suppose, because I'm the chair of the board of the American Association of Advancement of Science. For those of you who don't know, this represents all of science, not only in the United States but internationally. We publish Science magazine, and its family of journals. And we also try to advocate for science. They try to put legislators and lawmakers in touch with scientists, so they can use scientists as a resource, informing policy.

And so in these discussions of Chinese physicists and American physicists, we certainly want to see if it's possible to restart deep collaboration. In the past four years, many international corporations within China and the U.S. have been put on hold or stop. If you're a member of the Department of Energy, it's very difficult to collaborate with laboratories in China, including the use of facilities



— arguably the world’s best free electron laser, hard X-ray free electron laser — being built at Shanghai Tech, as a user of facility with the highest intensity pulsed laser light. The scientists in the Department of Energy have essentially been told, No you can’t work there; the same as if China tells its scientists, No, you cannot work at CERN, as this relates to transfers. So these are things we are trying to face, and see if we can change the mood in Congress. It is not going to automatically switch. And let me, in the remaining three or four minutes, tell you what the issues are.

The major issue is that, in response to competition, economic competition, people have conflated that with competition in academia. Now, there is competition in academia. Every scientist working in whatever laboratory they work in of course wants to be able to work on good things, to announce it, publish it, to get credit for it. But once published, then other people can have that work.

What is worrisome to all of us practicing scientists is that if people begin to learn about what we do in our laboratory before we publish it — while we’re in the act of doing the work — this is not good. And this is not constrained to one country or another.

I think in laboratories around the world, there could be a small fraction of scientists who want to know what other people are doing in a fundamentally unethical way — that is, before they’re ready to announce it — and not within a scientific collaboration where, of course, you share everything. And so these are some of the concerns. This is not unique to China, the United States or anything. I, as a scientist, have had instances where ideas I’ve talked about before publication have been stolen, and people rushing and trying to get credit either before or at the same time. This has happened to many, many scientists.

***What I see is mostly personal ambitions, quite candidly.***

So, what I’m saying is that it’s very important for all countries, and all academies within the countries, and all universities, to re-stress how important it is that there is a set of scientific ethics. And by re-stress I mean the following: The United States National Academy of Sciences has to put out several reports reminding people, what it means to maintain integrity in science. Science, fundamentally, is a very trusting enterprise. And while we flourish on collaboration, we also expect that people deal with these things very openly and honestly. Now when there is scientific misconduct in an American university, this can be very very bad for those scientists. They can be censured, they can actually lose their position, lose tenure. And so it’s very important that both the United States and every country around the world, including China say these are the things we share; this is the value we share. What I see is most-

ly personal ambitions, quite candidly. I don't see international efforts, but I see personal ambitions – in universities for example, or wherever this is occurring.

Let me give you a good example. I think there was a case where a scientist in China, in Hong Kong, had used manipulated germ lines for DNA, and without authorization — things of that nature. And the Chinese government actually came down very strongly against this person. And essentially said no, this is very bad. And really, as I understand it, at least currently, he's ruined as a scientist. And so these are examples of instances where, when you see the wrongdoing, it's very important to stop it.

Why am I telling this to this group? Because as I work as hard as I can to re-engage and to help the United States Congress and the Biden administration understand that it's very important that we engage in collaboration — in international cooperation — whether it be in fundamental research or to assist people in climate change. We also need help from every country. There are standards and principles that we all abide by. And I just want to say that this is something that is very important as I try to do my best to, for example, open up the allowance of Chinese graduates, the postdocs, to come to the United States to study.

I think it's very good for Chinese, very good for Americans. Many people stay and contribute to the American economy. People go back, that's OK. Because spending time working in the U.S., living in the U.S., is a form of foreign diplomacy. So, right now, this is in peril, as you all know. Visas are being approved, they are not being disallowed, they are just being set aside, so these graduate students, postdocs, cannot enter.

These are very serious things. I'm doing my best. But I hope you take it to heart when I say that restarting cooperation is very important and we are all agreed that there is a common sense that we can recognize. We want to do this in the U.S. and we encourage China to do as much as possible in China.

With that, I will stop and thank you for your attention.

*I work as hard as I can to re-engage and to help the United States Congress and the Biden administration understand that it's very important that we engage in collaboration — in international cooperation — whether it be in fundamental research or to assist people in climate change. We also need help from every country.*



# Converting Rivalry into Win-Win Cooperation



**Xie Zhenhua**

*Special Adviser on Climate Change Affairs, Ministry of Ecology and Environment of China;  
President of the Institute of Climate Change and Sustainable Development, Tsinghua University*

“For the time being, as a result of the strains on bilateral relations and U.S. domestic politics, many challenges stand in the way of restarting bilateral cooperation. We need to be calm, patient and rational.”

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We welcome President Biden’s announcement on his inauguration day that the United States will return to the Paris agreement, and we look forward to U.S. leadership in the multilateral process of global climate governance. We also stand ready to restart cooperation with the United States on climate change. There are four reasons:

**First, the coronavirus pandemic and climate change are the most pressing global challenges today.**

The futures of all countries are interwoven, and no one is immune from the impact of these challenges. China and the United States are, respectively, the world’s largest developing country and largest developed country; they are also the largest economies and major emitters of greenhouse gases. Combined, they account for more than 40 percent of global emissions. Therefore, they need to work

together and adopt long-termism while focusing on immediate issues.

So they need to strengthen cooperation on pandemic control and climate change, and partner with other countries to protect the common future of humanity. During the pandemic, I have maintained communication with my American colleagues and some organizations through dozens of dialogues to discuss the possibility of resuming climate cooperation. And I came away from some virtual meetings with a strong sense of hopeful expectations on the part of the international community.

**Second, China and the United States can build on their past cooperation on climate change.**

In 2020, President Xi Jinping announced China’s goal of peak carbon dioxide emissions by 2030 and achieving carbon

neutrality by 2060, along with an updated version of its Intended Nationally Determined Contribution for 2030. In China, governments at the central and local levels are incorporating climate targets into their 14th Five-Year Plans and even into their medium- and long-term development visions for 2035.

In the United States, President Biden has announced his country's return to the Paris agreement and yesterday signed a series of executive orders designed to address the climate crisis at home and abroad. In the near future, the new administration is expected to announce its INDC for 2030 and policy measures designed to achieve carbon neutrality by 2050. Moreover, it intends to take climate change as one of the four top priorities on its agenda.

We understand that on climate change the two countries have similar approaches, pathways and policies, and both are fine-tuning their measures and actions. It can be said that the leaders of both countries attach great importance to climate change and sustainable development, and are already moving forward in the same direction. This is the political basis for restarting China-U.S. cooperation on climate change.

***The leaders of both countries attach great importance to climate change and sustainable development, and are already moving forward in the same direction. This is the political basis for restarting China-U.S. cooperation on climate change.***



**Third, China and the United States need to engage in results-oriented cooperation on their goals, pathways and policy actions for INDC and ultimately carbon neutrality.**

One of the main forms of cooperation is policy dialogue. The China-U.S. Climate Change Policy Dialogue, which had continued for many years, needs to be restarted, including intergovernmental dialogues, the Track 1.5 Dialogue between the governments and think tanks, and the Track 2 Dialogue between think tanks.

All things are difficult before they are easy, but we can start by engaging in dialogues to increase communication, understanding and trust, and then share our best practices to access our respective strengths and achieve results-oriented cooperation. At the same time, dialogues, exchange activities and cooperation programs between local governments, between enterprises, between research institutions and between organizations in civil society need to continue, and partnership at all levels needs to be restored and expanded to increase project cooperation.

In the past four years, intergovernmental

*In 2021, the biggest test for China and the United States lies in their readiness to work together to ensure the success of the 15th meeting of the Conference of the Parties to the Convention on Biological Diversity (COP 15) and the 26th session of the Conference of the Parties (COP 26) to the UNFCCC, and to ultimately prove the effectiveness of multilateralism.*

cooperation was discontinued, but dialogue and cooperation at the community and civil society levels have never been interrupted. Therefore, it is important to strengthen the social foundation of China-U.S. climate cooperation and enhance bilateral cooperation through exchange and cooperation at the community and civil society levels.

China-U.S. climate cooperation needs to be pragmatic and extensive. As was discussed by the experts, the two countries have a basis for climate cooperation on many fronts. Those include improving energy efficiency; developing a circular economy; improving resource efficiency; developing renewable energy and green hydrogen; building smart grids and upgrading energy storage; enhancing carbon capture, utilization and storage (CCUS) technologies; developing green and low-carbon smart transportation; producing electric and hydrogen-fueled vehicles; developing green and energy-efficient buildings and low-car-

bon infrastructure; building low-carbon smart cities; promoting climate-friendly agriculture; finding nature-based solutions to the protection of biodiversity and the environment; increasing carbon sinks and developing green finance and carbon markets.

In our discussions two months ago, our American colleagues suggested that both sides could cooperate in priority areas, such as zero-carbon electricity, zero-carbon transportation, zero-emission vehicles, zero-emission buildings, and zero-waste manufacturing. In fact, our two sides share the same position and need to work together on many fronts.

**Fourth, carbon neutrality can be the starting point for China and the United States to remove obstacles in bilateral relations and promote cooperation on climate change.**

For the time being, as a result of the strains on bilateral relations and U.S. domestic politics, many challenges stand in the way of restarting bilateral cooperation. We need to be calm, patient and rational, and we can always find the solution.

In the United States, some people are suspicious and even critical of China-U.S. climate cooperation because they fear that climate cooperation will lessen the significance of sensitive issues and that consequently their country will have to make compromises on these issues. But we believe that beating the pandemic, achieving green recovery and addressing climate change relate to the existence and development of humanity and the well-being of our future generations. Therefore, China and the U.S. need to act as responsible major countries, rather than politicizing issues that are relevant to the future of humanity.

In dealing with their divisions, they need to seek inspiration from their common understanding reached in the past on climate change, inform each other of their true intentions and respect each other's core interests and major concerns. They also need to avoid finger-pointing and seek solutions acceptable to both sides.

In dealing with multilateral issues, it is important to accommodate both national and global interests, to maximize the convergence of interests and satisfy the widest possible range of interests. In 2021, the biggest test for China and the United States lies in their readiness to work together to ensure the success of the 15th meeting of the Conference of the Parties to the Convention on Biological Diversity (COP 15) and the 26th session of the Conference of the Parties (COP 26) to the UNFCCC, and to ultimately prove the effectiveness of multilateralism.

In responding to climate change, any party adopting a "zero-sum game" strategy will end up in failure; only a win-win approach will lead to success.

Two months ago, I joined John Kerry (the U.S. Special Presidential Envoy for Climate), former governor of California Jerry Brown and Mr. Ban Ki-moon in the Trans-Pacific Climate Partnership Dialogue. As someone who promoted China-U.S. cooperation on climate change and who pushed for the success of negotiations on the Paris agreement, we have fond memories of the days that we spent together. In the dialogue, both Kerry and I expressed our willingness to advance climate cooperation to improve the overall China-U.S. relationship and advance multilateralism.

We have no illusions about a return to the past, but we sincerely hope that by drawing on the practices and experiences of past cooperation the two sides can steadily revive cooperation on climate change. I believe that as long as both sides engage in communication and dialogue, enhance mutual trust and seek common ground while reserving differences, they will begin to translate containment and rivalry into win-win cooperation in the realm of climate change.

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# Dealing With High-Tech Global Challenges



**He Yafei**

*Distinguished Professor of Yenching Academy of Peking University;*

*Former Vice Minister of Foreign Affairs, China*

“Technology cooperation is the way out of the abyss of challenges — not decoupling, as advocated by some major powers. Every country should be equal before the tech revolution, but in reality some are more equal than others.”

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This is the age of technology revolutions, and mankind is again on the brink of another industrial revolution, marked by giant leaps in AI, network of things, explorations of outer space and deep seabeds, bioscience and information technology. Technology advances are the driving force of the global economy, as well as disruptive factors in human life and societies. And in that sense, they represent great challenges to humankind as people grapple with catching the upside benefits while reducing its downsides. It is more so today as they are intertwined with geopolitical entanglements and ideological conflicts between major powers.

Global challenges need global solutions, and no country can handle it alone. Climate change and nuclear proliferation

are two typical examples. It is universally accepted that climate change poses an existential challenge to all mankind; therefore, concerted and timely measures are absolutely necessary to mitigate and roll back the damage done to mankind so we can have a future of peace and prosperity. With China persisting on the path mapped by Paris accord and the U.S. returning to the accord a week ago, hope is rising that international society can finally face up to the challenge and may possibly turn the accord into a binding international treaty.

***Global challenges need global solutions, and no country can handle it alone.***



Nuclear nonproliferation is also a matter of life and death for humankind, with the U.S. and Russia holding warheads that can destroy mankind thousands of times over. Meanwhile, nuclear proliferation is worsening, and a few countries are determined to develop and possess nuclear weapons under deteriorating security environments they believe they face. Better and urgent measures are in order for the international community to reverse such a downslide.

COVID-19 is another case in point. For a whole year now, countries have taken wildly different paths in dealing with the unprecedented global health crisis, with totally different results. What if, from the very beginning, countries had taken coordinated and concerted actions and paths to cope with the crisis? The end result would certainly have been different now. So many lives could have been saved.

Second, technology cooperation is the way out of the abyss of challenges — not decoupling, as advocated by some major powers. Every country should be equal before the tech revolution, but in reality some are more equal than others. With sweeping changes brought about by globalization, tech advances are daily occurrences. In the past, they almost always took place in developed economies, but nowadays some developing countries, such as China, India and Brazil, are catching up quickly.

Unfortunately, through geopolitical twists and turns, China has been singled out by the U.S. and a few others as harboring “revisionist intentions,” and its tech progress, they wrongly believe, will be used to challenge the dominant position in science and technology held for many decades by the U.S. and its allies. Given that, the U.S. for many years tried to keep core technologies in its own hands and barred for export to China those that could be used militarily.

***Technology cooperation is the way out of the abyss of challenges — not decoupling.***

A few years back, things started to get worse, and the U.S. began to decouple itself from China in the high-tech arena, trying (hopefully, together with its allies) to block China from accessing tech products, including chips that are considered of dual use and strangle China in its advance toward proficiency in high technology. It is very doubtful that the Biden administration will reverse course on this key point as it takes on the strategic competition posture left by Trump administration.

Third, the key question is what to do now with existing geopolitical difficulties and huge gaps in high-tech between developing and developed countries. How can we make sure

the tech revolution benefits all and not a select few?

1. It is essential to address the fundamental issue of the widening gap between rich and poor that has given rise to increasing inequality both within a country and between countries. With rising tides of identity politics and the radicalization of politics in the U.S., it is clear that the root problem in almost all troubles is the worsening poverty gap. Those votes for Trump in the 2020 election represent people who got shortchanged by the elites running the country, and placed their anger against elites domestically and externally — especially China — which benefitted from globalization.

2. Technology, in principle, should be shared by the community of nations, as all have a shared future. The global supply chains and value chains represent the commonality shared by upstream and downstream countries in the production of goods and services. All countries with different economic advantages need to contribute to global prosperity. As in the case of climate change, green technology should be shared by all to promote green development — a concept yet to be accepted by advanced economies.

3. The first test in 2021 is the continued fight against COVID-19. United we stand, divided we fall. And 2020 proved this point, with huge losses of life and property. In 2021 we must not repeat the same mistake. Global efforts and coordinated actions are called for to arrest, as soon as possible, the spread and worsening of the virus with fast and equitable distribution of vaccines.

4. Geopolitics need to be discarded to



make room for major power cooperation as benefits from the tech revolution take effect. Nontraditional global challenges such as pandemics and climate change now seemingly go hand-in-hand with traditional security challenges like wars and other geopolitical conflicts. New thinking, new road maps and new architectures are urgently needed to reshape global governance and its functioning systems.

# Much to Gain Through Small Moves



**Miao Wei**

*Vice Chairman of the Committee on Economic Affairs of the  
13th CPPCC National Committee, China*

“While Chinese and U.S. companies compete, they have to more to offer each other... While delivering tangible benefits to the people and the business community in both countries, practical cooperation can pave the way for greater stability and development of bilateral relations.”

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This meeting comes just one week after the inauguration of President Biden, and this demonstrates the eagerness of all social sectors in China and the United States to improve bilateral relations. The theme of the panel discussion is “China-U.S. Relations: The Way Forward.” Now I’d like to talk you through the following three points:

**First, China-U.S. relations have reached their lowest point since the establishment of diplomatic relations between the two countries, and it is imperative that both sides take decisive measures to prevent further deterioration.**

In the past few years, the China-U.S. relationship entered a difficult period and was in a downward spiral. As it continued to worsen, the relationship reached its lowest point. The turbulence in the relationship as well as its decline has been a major hindrance to the two-way flow of people and caused more obsta-

cles to business and technological cooperation, resulting in heavy losses on the part of both countries.

After the ups and downs in the past few years, many have realized that the China-U.S. relationship is the most consequential relationship between the world’s major countries, and that both countries stand to gain from cooperation and stand to lose from confrontation. They hope that the new U.S. administration under President Biden will work together with China to stabilize their relations.

**Second, China and the United States need to build a multi-level dialogue mechanism to increase communication and rebuild mutual trust.**

China and the United States have the largest economies in the world, and they have significantly different historical and cultural backgrounds, social systems, ideologies and development models. As a result, differences are ine-

vitable in their interactions. But as an old Chinese saying goes, “A gentleman seeks harmony but not uniformity.” It means that both sides can work together in spite of their different viewpoints.

Here is an example. Under President Obama, the two countries engaged in active cooperation at the Nuclear Security Summit, and China’s National Atomic Energy Authority and the U.S. Department of Energy jointly established the Nuclear Security Center, building a model of cooperation on nuclear security for the world. The facts show that the two countries can engage in intense cooperation based on their shared interests.

Similarly, there are examples that illustrate the lose-lose nature of confrontation. In 2012, the United States imposed heavy anti-dumping and countervailing duties on Chinese photovoltaic products, and repeated the tactic in 2014. For the United States, the duties could help protect the interests of domestic companies. In 2019, however, imported PV modules accounted for more than 90 percent of its domestic market. In other words, the duties and similar trade restrictions failed to boost the competitiveness of the U.S. photovoltaic manufacturing industry. If the two countries had leveraged their comparative advantages and engaged in cooperation instead of rivalry, in the United States the costs of PV modules would have been significantly reduced and the transition toward green energy would have been accelerated. In addition, greater business opportunities and jobs would have been created for upstream and downstream sectors in the country.

At present, both China and the United States have some major concerns, with tremendous differences on certain issues, but these differences shouldn’t be allowed to define their relationship. It is

*Under President Obama, the two countries engaged in active cooperation at the Nuclear Security Summit, and China’s National Atomic Energy Authority and the U.S. Department of Energy jointly established the Nuclear Security Center, building a model of cooperation on nuclear security for the world. The facts show that the two countries can engage in intense cooperation based on their shared interests.*

advisable to find more common understanding and opportunities and space for cooperation. To this end, they need to strengthen dialogues and exchanges while stabilizing their relationship. It is also necessary to include the voices of all stakeholders, establish a multilevel dialogue mechanism and, in the spirit of mutual respect and win-win cooperation, engage in candid in-depth dialogues. That is how they can rebuild and expand mutual trust, effectively manage their differences and identify opportunities for cooperation.

**Third, China and the United States need to find areas of convergence of their interests and promote pragmatic cooperation by seeking the low-hanging fruit before cracking tougher problems as they seek to produce win-win results and ultimately a win for all.**

While Chinese and U.S. companies compete against each other, they have to



more to offer each other. The two countries need to find areas of convergence of their interests, and start to work together in areas that are not in dispute. While delivering tangible benefits to the people and the business community in both countries, practical cooperation can pave the way for greater stability and development of bilateral relations.

Now I want to say a few words on climate change. Climate change is one of the issues over which the United States and China are not in dispute. They are the largest developed country and the largest developing country, respectively — and the world's largest carbon emitters as well. Therefore, both countries have an important responsibility in the global response to climate change.

On Dec. 12, Chinese President Xi Jinping announced at the Climate Ambition Summit that China will adopt stronger policies and measures to reach peak carbon dioxide emissions by 2030 and achieve carbon neutrality by 2060. On Jan 20, U.S. President Biden announced that the United States will return to the Paris agreement. The statements made by the leaders on the issue of climate change are quite encouraging. They not only demonstrate the solidarity of the international community in addressing climate change but also underscore the possibility that China and the United States can reach consensus and cooperate on many global issues, including climate change.

Addressing climate change is a systematic undertaking that promises to bring many business opportunities and technological advances. Given the huge market demand in China and advanced technology in the U.S., the two countries are well positioned to cooperate in many areas, including the development of clean energy, promotion of electric vehicles, research and development of fuel cells, production of green hydrogen and technology research for energy storage and carbon capture. They can harness their respective expertise for complementary cooperation. In doing so, they can promote new industries and sustain economic growth while contributing to the green and low-carbon development of both countries and the world at large.

As we know, President Biden has appointed Mr. John Kerry, former secretary of state, as special presidential envoy for climate, and we stand ready to reach out to him to discuss cooperation opportunities.

*Climate change is one of the issues over which the United States and China are not in dispute. They are the largest developed country and the largest developing country, respectively — and the world's largest carbon emitters as well. Therefore, both countries have an important responsibility in the global response to climate change.*



# A Time for Trust



**Bill Owens**

*Co-founder and Executive Chairman of Red Bison;  
Former Vice Chairman of the U.S. Joint Chiefs of Staff*

“I think the China-U.S. relationship is the most important relationship, but I think the more important thing is the future for our children. We have to think about them and how we build this trust in each other.”

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Well, thank you, Mr. Chairman, and I want to thank CUSEF for sponsoring this and for the leadership of Mr. Tung. And it's great to see you all, on the screen at least. This is the first time I've had a tie on in years, so I'm celebrating this special occasion.

I want to just emphasize a few things. I think the China-U.S. relationship, as many have said, is the most important relationship, but I think the more important thing is the future for our children. We have to think about them and we have to think about the long-term, and how we build this trust in each other, and the trust in technology partnerships that will matter. Because this is about our kids. This is about our families. And this is about the next 20 years.

I won't bore you, but I wrote a book called “China-U.S. 2039: The End Game”. It talks about how we, as two countries,

build trust over future decades, not just this year, not just China-U.S. cultures, not just people-to-people, not just the climate change, but in every way. And I feel strongly about that.

I want to tell you that I believe more than ever that words matter. And the United States is certainly responsible for more than half of this issue. We need to start using some words that talk about trust between our two countries. I think it's terribly important — words like the United States refers to China as a com-

***The China-U.S. relationship is the most important relationship, but I think the more important thing is the future for our children.***

munist country. We used a lot of words in U.S. Defense about China's intentions. And in China, there are a lot of words used about the United States — containment of China, etc. We need to use words that really will bring us together. I think this is possible.

I'll just tell you briefly, over the last 10 years with some sponsorship from Mr. Tung, and others on the U.S. side, we've had 10 retired four-star generals get together to talk about trust and partnership in the military-to-military relationship and that frequently comes down to technology. Technology is terribly much in the center of all of that. And I can tell you that over 10 years we have built a lot of trust between Chinese generals and American generals. We should emphasize these level-two dialogues as we go forward. They're terribly important on both sides. There is a lot of distrust and the question is, how do we build trust?

***We need to use words that really will bring us together.***

On the Chinese side, there is a lot of emphasis on asymmetric warfare, and on the U.S. side as well. The U.S. military has been right in the center of technology for all the years that I can remember. We talked about the revolution in military affairs, which was built on technology, and now we face the future of technology — cyber, outer space, quantum sciences, AI, etc. The military has known a lot about this ... and try to make a difference in our military capability. And now [our branches] need to work together to figure out how we can do that together.



I would just say to you that one of the things I fear in the next 20 years — and we need to continually remind ourselves, this is about the next 20 years — is a new Mutual Assured Deterrence strategy on both sides. No one talks about this, but it's terribly important. The United States believes, I think that we can see a very large battlefield in great detail, and that detail allows you then to target in a very efficient way. And I think the Chinese military is building that same form of asymmetric warfare. It's all about the technologies that everyone has talked about. And when we can both see the battlefield — precisely — there is a tendency for decision-makers to make a difference, and open a war. So we need to be aware of that.

This is a time for trust. This is a time for togetherness, people-to-people in the military and in technology and in every other area that other speakers have mentioned — and how we build trust over future decades. Thank you, Mr. Chairman.

# A Nuclear Power Project Holds Answers



**Wang Binghua**

*Former President of State Power Investment Corporation Limited, China*

“During the 10-year construction process, there was no accident involving personal injury or equipment damage on site, and the excellent project management left a deep impression on both the Chinese and foreign teams.”

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I think it is fitting that we have a strategic dialogue today to seek cooperation on technology innovation. I would like to share with you my experience in a China-U.S. high-tech cooperation project, as well as my advice for continued cooperation between the two sides.

Through international bidding, China in 2003 introduced the AP1000, the third-generation nuclear reactor from Westinghouse. In accordance with the contract, in the following years Westinghouse and other foreign partner companies transferred to their Chinese counterparts all technologies and expertise related to the AP1000's design, manufacturing of some modules, project management and operation and maintenance. In doing so, they reaped handsome economic benefits and extremely important feedback from the world's first AP1000 nuclear power plants in terms of construction and operation.

In the construction stage, Chinese and U.S. partners worked together to solve numerous design issues on the U.S. side, and to address challenges posed by extremely strict standards in the manufacturing of main equipment. They also joined hands to deal with the enormous challenges of ma-

nufacturing and installing supersized modules and installing main pumps and explosively-opened valves, as well as enormous pressure from project delays. In the end, Westinghouse's conceptual design for the AP1000 was brought to life with the completion of four units at Sanmen Nuclear Power Station and Haiyang Nuclear Power Plant. In October 2018, all four units were connected to the grid.

Since starting commercial operations, many operational indicators of the units have set world-class standards and their safety record surpasses those of other third-generation nuclear power plants, thus presenting strong economic viability and a competitive edge.

The success of the cooperation is attributable to many factors.

First, the U.S. government and the Chinese government honored their promises and lent strong support to the project. Thanks to active negotiations between relevant government agencies, the U.S. government presented a letter of guarantee to the Chinese government, which was signed by the U.S. secretary of energy and secretary of commerce before Westinghouse took part

in the bidding process. The letter confirmed the U.S. government's support for technical cooperation on the AP1000, reflected the two governments' commitment to cooperation and provided legal support for long-term cooperation between the partner companies.

Second, Chinese companies have ensured compliance with the laws and regulations that apply to their operations. Since technology transfers began in 2007, these companies have acted in strict accordance with the laws and regulations while staying true to the letter and spirit of the contract. The Technology Licensing Department and Intellectual Property Management Department have been established, and are specialized in protecting intellectual property rights of both Chinese and U.S. companies. Moreover, they conform to rules on the licensing, use, improvement and innovation of U.S. technical patents. In the past decade or more, no business disputes or legal disputes have arisen in the project over intellectual property rights, and through their compliant practices Chinese companies have won the respect and recognition of the technology transferors.

Third, all parties formed a community of shared interest in the process of construction. In fulfilling the contract, all sides worked to seek common ground while reserving differences, adopted a give-and-take attitude and lent support to each other, because their shared goal was to push forward the construction of the plants despite all the obstacles.

In addition, Chinese companies provided good living and working conditions for U.S. workers and their families, who were grateful. Because of numerous design changes, the construction schedule was delayed, and engineers and technicians from both sides had to work overtime, but no one complained. The Chinese and U.S. workers are colleagues, but they are also good friends. During the 10-year construction process, there was no accident involving personal

injury or equipment damage on site, and the excellent project management left a deep impression on both the Chinese and foreign teams.

Therefore, I suggest that competent authorities in China and the United States need to work on the following fronts:

First, support the expansion of long-term business cooperation with technology originators. In fact, both Chinese and U.S. companies have a strong aspiration for such cooperation. Since the AP1000 project was put into commercial operation, technical exchanges and cooperation between the two sides have not been discontinued. Despite the many obstacles raised by the raging pandemic, U.S. technicians continue to provide on-site technical services and support at Sanmen and Haiyang.

Second, encourage business cooperation to expand the presence of Chinese and U.S. companies in third countries. This type of cooperation can deliver a strong competitive edge as these firms participate in the bidding of nuclear power projects in other countries, and also can leverage the respective strengths of the two countries and their companies. This is what the business community in China and the United States are eager for, and they have what it takes to achieve success in such cooperation.

Third, together with the partner companies, identify both the success stories and problems in terms of technology transfers and project management in Chinese AP1000 power plants. Building on these success stories and problems, China and the United States can expand their common understanding, address differences and form more consensus on cooperation. As they find the convergence of interests in cooperation, the two countries can eliminate some fixed modes of understanding on certain bilateral issues.

# Who Are Today's Ping-Pong Diplomats?



**Stephen Orlins**

*President of the National Committee on United States-China Relations*

“At a time when there is too much fear of China’s rise, in part because China can be so different from America, this one image conveyed, better than thousands of words ever could — better than I ever could — that we are all the same.”

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Let me talk about the beginnings of NCUSCR and Ping-Pong diplomacy because it is relevant to today, and then talk about what we as NGOs and our governments can do to strengthen people-to-people ties between our two countries because everyone in this room knows that people-to-people relationships are the foundation for our political relationships, and ultimately it is the people of the United States and the people of China who will determine how and whether those relationships create a more secure and prosperous world.

NCUSCR was established in 1966. At that time, the United States was involved in the Vietnam War and China was entering the Cultural Revolution. Despite America’s public denunciation of China as “Red China” and China’s denunciation of Americans as “decadent imperialists,” Chairman Mao and Premier Zhou and President Nixon and Secretary Kissinger had decided that the Soviet Union posed a common threat. The years of no diplomatic relations had to be ended. But 22 years of silence and hostility had created deep mutual mistrust. This was true for officials and for ordinary people in both countries, who needed to be convin-

ced that the resumption of relations was a good thing.

What made this happen? In large part it was a sport — Ping-Pong — that changed attitudes on both sides. It was Ping-Pong that created the first person-to-person ties between the People’s Republic of China and the United States. And because dramatic political events were taking place at the same time, that period is now referred to as the time of “Ping-Pong diplomacy.”

This happened almost precisely 50 years ago. At that point, China had been cut off from diplomatic relations with most of the rest of the world for over two decades. Then, seemingly out of the blue, the U.S. Ping-Pong team, which had been visiting Japan for the World Table Tennis Championship, was invited to visit China. The story goes that the invitation came about because an American player happened to get on a bus with some Chinese players. They started talking.

You can probably imagine the conversation and how at some point someone said, “Well, you should come over and we can



have a match.” That’s the story. Records now show that in actuality Chairman Mao and Premier Zhou Enlai had been discussing the possibility for a while. The story goes that when the Ministry of Foreign Affairs received the request, they denied it. Subsequently Mao read the story in Can Kao Xiao Xi (Reference News) and approved the visit.

It’s hard to imagine now just how dramatic and exciting this was. All kinds of formal permissions were required, but the U.S. team’s visit took place only a few days later. Time magazine called it the “ping heard round the world.” There was a huge amount of press coverage. Over the course of that tour, the young American and Chinese table tennis players, many of them teenagers, changed the way ordinary people in their countries thought about so-called Red or Communist China and the decadent, imperialistic United States.

And there were major political results, too. The people-to-people exchange provided President Nixon with a backdrop for the major diplomatic shift that was in progress. During the U.S. team’s visit to China, the United States announced the end of a 20-year trade embargo against the People’s Republic. In July 1971, Nixon announced that Secretary Kissinger had secretly visited China, and then he himself went to Beijing from Feb. 20 to 27, 1972, the first visit by an American president to China.

The American Ping-Pong team reciprocated by inviting their Chinese opponents to visit the United States, which they did in April of 1972. This is when the National Committee on U.S.-China Relations (NCUSCR) stepped in to organize what became a huge media event, broadcast by every major news outlet and publicized in magazines. The two teams traveled on one charter plane and another plane was needed for all the reporters and camera people.

The Chinese players completely dominated the matches, but the U.S. players managed

to win surprise victories especially when the tour landed in their hometowns, in the spirit of “friendship first, competition second”.

*In the last 50 years, besides Ping-Pong, the greatest positive image of China was the 2008 Olympics.*

I tell this story for two reasons. First, I recently wrote an op-ed for HK SCMP suggesting ways that the U.S. and Chinese governments could enter into a virtuous cycle of actions and reactions. I was pleased six days later to discover that Reference News has reprinted the article and distributed it to China’s Party elites. I was then disappointed to learn that the criticisms of Chinese government policies had been deleted. I wondered what would have happened if the article in Reference News that led to the invitation to the American Ping-Pong team had been similarly censored.

Second, I tell this story and ask, Who are the Ping-Pong players of 2021? Who among us can change the narrative about U.S.-China relations?

In the last 50 years, besides Ping-Pong, the greatest positive image of China was the 2008 Olympics. There were certain images that I won’t forget, images I think still mean something to Americans.

The first was Yao Ming walking in front of the Chinese team at the opening ceremony holding the hand of a 9-year-old survivor of the Sichuan earthquake. The human emotion conveyed through that image was unforgettable and shared around the world. The second, totally unplanned, was Liu Xiang, the hurdler, having to succumb to his injury and his coach coming to tears describing his hard work and disappointment. Americans thought, “I feel his pain. That’s just how I would feel.”

So at a time when there is too much fear of China's rise, in part because China can be so different from America, this one image conveyed, better than thousands of words ever could — better than I ever could — that we are all the same. That the threat of climate change, terrorism, economic crisis and pandemic knows no boundaries.

***At a time when there is too much fear of China's rise, in part because China can be so different from America, this one image conveyed, better than thousands of words ever could that we are all the same.***

To get there let me make a few simple suggestions and leave it to the panel to put flesh on the bones of my suggestions.

- Both countries need to revise their visa policies to allow for the free flow of people. China needs to allow critics of China to visit China and America needs to stop restricting visits of Chinese scholars.
- Closing the Houston and Chengdu consulates undermines people-to-people contact. Both should be reopened ASAP.
- Journalists educate and lay the foundation for people-to-people contacts. America should stop limiting Chinese state media in the U.S. and China should invite expelled American journalists back to China and allow even more to come.
- China should end its limits on English language media and social media in China.
- America should reinstate the Fulbright-Hays program and make clear to all that Chinese students have a welcoming home in American universities. China needs to stop limiting what research American academics can do in China.



- The Hong Kong national security law potentially penalizes speech in the United States when the individual visits China, which discourages Americans from traveling there. China should clarify that it does not intend to implement the law in that manner.

- Finally, now that America has rejoined the WHO and is science driven, the U.S. and China need to immediately convene a virtual gathering of scientists to share best practices in dealing with COVID-19. Jointly defeating this plague will do more than anything to strengthen people-to-people exchanges and allow me to see all of you in person again.

Fifty years ago, Ping-Pong helped us achieve “small ball diplomacy”. Fifty years later today, we also have many “small balls” that we can play.

Every suggestion I just gave can be a “small ball.” Together let’s get these “small balls” going, and through various people-to-people exchanges help restore U.S.-China relations.

Thank you!

***Fifty years ago, Ping-Pong helped us achieve “small ball diplomacy”. Fifty years later today, we also have many “small balls” that we can play.***

# The Power of the People



**Wang Chao**

*President of the Chinese People's Institute of Foreign Affairs*

“The China-U.S. relationship encountered serious difficulties over the past four years, but the foundation of this relationship remains strong, and the aspirations of the two peoples for stronger China-U.S. relations remain unchanged.”

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I was pleased to receive your invitation to be part of the virtual seminar: “China-U.S. Relations: The Way Forward,” which is co-organized by the China Center for International Economic Exchanges and China-United States Exchange Foundation. Just now, Mr. Stephen Orlins, president of the National Committee on United States-China Relations, made a speech on people-to-people exchanges between the two countries. Now, I would like to follow up his remarks and make three points on the issue.

**First, people-to-people exchange is an important component of China-U.S. relations and plays a very important role in enhancing mutual understanding and friendship and in shaping a stronger social foundation for bilateral relations.**

As President Xi Jinping pointed out, “State-to-state relations are ultimately relations between the people” and “State-to-state relations ultimately re-

quire the support of the people.” Since China and the United States have tremendous differences in social systems, ideologies, cultural traditions, historical backgrounds and national circumstances, people-to-people exchange is particularly important to the development of their relations. Such interaction helps forge the strongest bond between the two countries. It is through close interaction that Chinese and U.S. citizens deepen mutual understanding and enhance their friendship, so that the two countries find more shared interests in a wide range of areas and greater need for exchange and cooperation.

An examination of the history of China-U.S. relations indicates that people-to-people exchanges have given a strong boost to bilateral relations, which in turn creates favorable conditions for the expansion of people-to-people exchanges, thus forming a virtuous circle. Closer people-to-people exchanges lead to a stronger social foundation for bilateral relations, which are in a stronger

position to respond to risks and challenges. We need to promote people-to-people exchanges in good times, but more importantly, leverage their important role in promoting bilateral relations in bad times.

**Second, as China-U.S. relations have expanded over the past 40 years, people-to-people exchanges have witnessed impressive development.**

Under President Trump, however, these exchanges suffered serious setbacks and even regressions in some aspects. Why? The administration demonized and politicized people-to-people exchanges and as part of its China policy suppressed two-way exchange activities.

Since 2017, there has emerged in the U.S. a backlash against people-to-people exchanges. For example, Congress proposed and adopted a number of bills that regulate and restrict them. In 2018, the U.S. government began to introduce a series of restrictions, censoring, monitoring and restricting the activities of Chinese students and scholars in the U.S., along with exchange activities and cooperation programs between universities and the operation of the Confucius Institutes and Chinese media outlets in the country. It also canceled many exchange programs, many of which had been around for decades and were popular with participants from both countries.

The U.S. readily describes some exchange programs as “United Front programs” designed to facilitate China’s infiltration of U.S. society. This is a totally unfounded accusation and a good example of snap judgments. Last month, the U.S. ended five cultural exchange programs with China, all of which were funded under the auspices of the Mutual Educa-

tional and Cultural Exchange Act. These programs are open and transparent, and used to be supported by successive administrations. The schedules of U.S. delegations to China were based on U.S. proposals and developed through mutual consultation. And this is a fact known to the U.S. government. Generally, the U.S. participants — mainly members of Congress and their aides — made positive comments on these programs. All these examples indicate that these cancelled programs are normal bilateral exchange programs, rather than something designed for a “United Front.”

When it comes to the “United Front,” the U.S. needs to exhibit confidence in themselves. Exchange programs organized by Chinese and U.S. organizations are two-way programs, with Chinese and U.S. participants visiting each other’s country. It doesn’t make sense to label normal exchanges as political programs.

In launching a massive, irrational crackdown on people-to-people exchanges, the United States has undermined bilateral relations and damaged its own interests. That is why this crackdown is met with opposition by individuals of great insight in the country.



**Third, there is now an important window of opportunity for the improvement and development of China-U.S. relations, and both sides need to seize the opportunity to restart and expand people-to-people exchanges.**

The U.S. government needs to reverse the Trump administration's wrong moves that obstructed people-to-people exchanges by making it easier for Chinese students, visiting scholars, business people and media workers to visit the country and study and work there, and by restarting people-to-people exchange programs.

Under the Obama administration, the two sides established a high-level consultation mechanism on people-to-people exchanges, which played an important role in promoting exchange programs between the two countries. They also held the China-U.S. Social and Cultural Dialogue, the China-U.S. Provincial and State Education Leaders Dialogue and established a high-level dialogue mechanism on tourism.

Going forward, the two countries need to engage in friendly consultations for the purpose of restarting these mechanisms and activities, and make plans together for the long-term development of people-to-people exchanges.

In China and the United States, there are many institutions and nongovernmental organizations dedicated to advancing friendship and cooperation between the two countries, including the Chinese People's Institute of Foreign Affairs; the National Committee on U.S.-China Relations, led by Mr. Steve Orlins; the China Center for International Economic Exchanges; and the Hong Kong-based China-United States Exchange Foundation — as well as the organizations re-

presented by many of our guests here. In everything we do, we aim to promote mutual understanding and friendship between Chinese and U.S. citizens and advance China-U.S. relations. Therefore, both governments need to continue to encourage these institutions to play their part in bilateral relations.

The China-U.S. relationship encountered serious difficulties over the past four years, but the foundation of this relationship, which is a result of the joint efforts of both sides, remains strong, and the aspirations of the two peoples for stronger China-U.S. relations remain unchanged. I am optimistic about the prospects of our people-to-people exchanges and the future of China-U.S. relations.

As one of the earliest Chinese institutions engaged in people-to-people diplomacy, the Institute of Foreign Affairs will continue to promote exchanges between people in China and the United States, to enhance mutual understanding and trust and to do our part for the development of this important bilateral relationship.



# Actions Speak Louder Than Words



**Max Baucus**

*Former U.S. Ambassador to China;  
Former U.S. Senator from Montana*

“What are China’s intentions? What does China want to be, if not a world hegemon? Does China want to be a hegemon in the Indo-Pacific? The Americans just don’t know. They’re afraid.”

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Thank you, Fred. I think we all agree that, ultimately, much better people-to-people exchanges at all levels is the foundation of a very sound bilateral relationship. The more we travel back and forth, where we visit each other, the more we’re going to start to keep the politicians honest — keep them on their toes. Frankly, my judgment of politicians is that government officials in both countries often get in the way, kind of stir things up, stir up nationalism. It makes it difficult for people to want to come to you, or to want to go visit the other.

Now to be fair, the world has changed a lot in the last several years. China has become so large — 1.4 billion people. Its military budget expanded at a rapid rate. And I think that somewhat frightens Americans. Americans are wondering where is China going? What are China’s intentions and the consequences? It’s become somewhat politically correct in the United States to be fearful

of China or critical of China. And today about 73 percent of Americans, according to a Pew survey of adults, have an unfavorable view of China.

So the question is, what can we do about all that? I think all the exchanges that have been suggested are helpful. Some of us have participated in many of them and all the government-level exchanges. There have been lots of strictly people-to-people exchanges — students visit each other’s country, although that category is mostly one way. There are 300,000 Chinese students who go to the U.S. and 20,000 come to China. It’s just about the same thing with tourists. When I was in the embassy, 3 million Chinese tourists visited the U.S. and various states.

Frankly, I think all these ideas of exchanges are good, but to be honest about it, it’s going to be difficult for Americans to want to visit China (I’m talking about tourists and even academics) and may-

be even vice versa, until both countries indicate to the other that they in fact want to work with the other — and not just by words but by deeds. The United States is going to have to show to China by action that it does not want to put China down, that it is not trying to stop China's rise, but rather that it wants to work with China. That's a lot of actions the United States government would have to undertake.

The same thing goes back to China. You know a lot of Americans are frightened of China. What are China's intentions? What does China want to be, if not a world hegemon? Does China want to be a hegemon in the Indo-Pacific? The Americans just don't know. They're afraid. And part of that is complicated with the system and national security technologies — and advances in other technologies, where one country could perhaps gain advantage over the other. It makes it much more complicated.

So in my judgment, China must show — not by words but by deeds — to the United States and the world that it does not want to be a world hegemon. It does not intend to be Indo-Pacific hegemon. Rather it wants to just be working with U.S. on certain global issues like COVID, climate change and others we can think of, and compete on a so-called level playing field with the United States and other countries.

Now there's a concern in the United States that China does a lot of talking but not much doing — I say I'll do something but then don't. So that's why I focus so much on actions and deeds, as opposed to words. And the more China shows, not just says, it shows that it does, in fact, really want to work with the Uni-



ted States — by actions — whether on security, trade, global health or what-not. That's going to go a long long way. It's going to start to reduce some of the fear that exists in the United States with respect to China. It's going to undermine some of the statements that very conservative senators make about China. It's going to make it more difficult for them, because China will show that those claims are not valid.

So I've made this point many times in many forums, but I still think it's very, very true. Until I see it's not true, until I see actions that indicate China wants to work with the rest, I'll just keep on with it, with that message, because I think it's a key, so long as United States also shows that it does not want to stop China's rise, and would rather work with China to find the respect we all talk about.

# People-to-People Engagement Is Powerful



**Neil Bush**

*Founder and Chairman of the George H.W. Bush  
Foundation for U.S.-China Relations*

“Person-to-person engagement is a powerful dynamic for gaining better understanding and developing mutual respect — cornerstones to building closer, more constructive bilateral ties.”

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Thank you for that kind introduction.

As chairman of the George H.W. Bush Foundation for U.S.-China Relations, it is my purpose today to introduce our CEO, who is far more qualified than I to speak on this topic. But before I do, just a few comments.

I know my father would agree that person-to-person engagement is a powerful dynamic for gaining better understanding and developing mutual respect — cornerstones to building closer, more constructive bilateral ties.

Throughout his professional life — to get deals done in business, passing legislation or in shaping bilateral relations — my father was determined to put himself in the other guy’s shoes. He knew that to create a win-win outcome, it was critical to understand the other side, their culture, their struggles and their true intentions.

My father’s core beliefs about the U.S.-China relationship, which are reflected in the work of our foundation, were established from his firsthand experience living in China in 1975, from his frequent meetings with Chinese and in consultation with people who had their own working knowledge of China. In other words, it was the frequency of his own person-to-person communications that led him to understand that China is not our enemy, and in fact the U.S.-China relationship is the most important bilateral relationship in the world. By the way, one of George Bush’s most trusted sources was our host, C.H. Tung.

C.H., thanks for bringing us together for this people-to-people exchange, where we can openly share ideas on the critical topic of U.S.-China Relations.

# Build Back Better



**David Firestein**

*President and CEO of the George H. W. Bush Foundation  
for U.S.-China Relations*

“Perhaps most worrisome number is actually the smallest. And that is the 26 percent of Americans, according to that same Pew poll, who stated that they regard China as the enemy of our nation. [T]hat is a high watermark in the modern era and something that’s very disturbing.”

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I want to thank CUSEF and in particular Mr. C.H. Tung and CCIEE and also Fred for the opportunity to be involved in this really significant event. It’s an honor to be among such a distinguished group of folks who care so passionately about the United States-China relationship.

The topic, as we understand, is people-to-people exchanges, and this topic hits very close to home for me personally, because in my nearly 20-year career as a U.S. diplomat, including time at the U.S. embassy in Beijing, I worked on public diplomacy and I worked on people-to-people exchanges, and I saw firsthand the extraordinary value of those exchanges in building friendship and understanding, and ultimately some modicum of trust, between the United States and China.

The relationship today between the United States and China is obviously not

very good. It’s a modern-era low point or low watermark, subsequent to normalization 42 years ago this month. In one area in which the depth of the drop, or the deterioration in U.S.-China relations has really been manifested, as has been noted by a number of speakers, is in the people-to-people engagement area. In framing China as essentially the enemy of America, the Trump administration took some unprecedented steps, not only to curb official dialogue but also to really impede people-to-people interaction, in ways that we have never seen subsequent to normalization in 1979.

A number of these things have been mentioned by other speakers. But let me just very briefly go through some of the most egregious examples of actions that the United States has taken under the Trump administration:

Greater restrictions on students from

China; the revocation of over 1,000 existing Chinese student visas; termination of the Fulbright Program and others as has been referenced; termination of the U.S. Peace Corps presence in China, something that had been there since 1993; pressure on the Chinese Confucius Institutes here in the United States; and limitations on Chinese media, on numbers of Chinese media personnel in the United States, again, as have been referenced, and a host of other things as well.

***73 percent of Americans now state that they have unfavorable views of China, according to a recent Pew Research Center poll.***

At the same time, we have seen, specifically from President Trump and other senior members of the Trump administration, a really cynical effort to (if I can use a political term) go negative on China in a major league way, and really create negative associations willfully, and consciously to create negative associations in the minds of the American people, by cynically employing terms like “the China virus,” and “the China plague.” These types of terms and many others have been designed to sully China’s image among the American people, where historically there has been some reservoir of goodwill. And it’s really something that has disappointed and saddened and angered me, as someone who cares, as all of us do, about the health of the U.S.-China relationship.

Over the last three years, and particularly over the last year, in the last 12 months, we have seen an incredible deterioration in U.S. public sentiment toward China,

the likes of which we haven’t seen in well over three decades. As Ambassador Baukus noted, 73 percent of Americans now state that they have unfavorable views of China, according to a recent Pew Research Center poll. In addition, 64 percent of Americans hold negative views or unfavorable views of China’s handling, or early response to COVID-19. But perhaps most worrisome number is actually the smallest number. And that is the 26 percent of Americans, according to that same Pew poll, who stated that they regard China as the enemy of our nation. And while that number suggests that 74 percent of Americans do not feel that way, nevertheless that is a high watermark in the modern era and something that’s very disturbing. At the same time, China has seen similar deterioration in Chinese public sentiment toward the United States, we have to recognize that as well.

***26 percent of Americans state that they regard China as the enemy of our nation.***

What can we do about the state of affairs, frankly the deplorable state of affairs, in terms of the U.S.-China relationship today? Let me just say, first of all, that I want to fully endorse the really good comments that Steve made right at the outset. I agree with every suggestion that he made, I think, probably all of us do — certainly on the U.S. side. And perhaps all of us do generally, and I endorse those views.

Number of the points that I was going to mention. Let me just mention a couple of things, as well. I have endorsed Steve’s really good comments.





Number one, absolutely, we should reopen the two consulates general in Houston and in Chengdu. The United States started that one. I think, and I certainly hope, that the Biden administration will take a fresh look at that and get the Houston consulate back up and running, and that meanwhile China will take the reciprocal step of getting our U.S. consulate in Chengdu back up and running. Both nations are hurt by having anything other than full diplomatic representation in the other country.

Number two, restore the Fulbright program. That's a no brainer.

Number three, restore the U.S. Peace Corps presence in China, assuming it's still welcome. It's a very important people-to-people program. It has involved well over 1,000 Americans over these last nearly three decades. Let's get that back in operation, again.

I think the United States — and I'll say something that some of us would find controversial — but I think the United States federal government should cease and desist from its efforts to shut down Confucius Institutes. Yes, it's true that Confucius institutes are cultural outposts of China, and oftentimes they'll host speakers whose views align with the views of

China. There is nothing wrong with that. That is part of cultural exchange. We need to know what Chinese think, just as Chinese need to know what we think, and we shouldn't be scared to hear those ideas or somehow worried about propagandistic effects. We should welcome all views being expressed on our university campuses. And I think it's wrongheaded for the United States to push for the ouster or the shutting down of these institutes, just as it would be wrong for China to do the same thing, relative to American foreigners and American centers in China.

***Both the United States and China need to be more open.***

I think we should restore, as has been noted and suggested, a posture of openness to qualified Chinese students and scholars and media professionals, just as, I hope, China would do the same thing. And we should also really take a look at what we in the United States have done over the last several years to pour gasoline on the fire of the deterioration of the U.S.-China relationship — particularly in terms of the incredibly juvenile and crass rhetoric President Trump used during the entirety of his time in office, as well as other members of the Trump administration. We have got to speak like diplomats and presidents and senators and so on again, and get away from trying to mimic a heckler at a late night comedy show. It's just not a good look for the United States. We've certainly done our part to add gasoline.

Briefly on the Chinese side, before I conclude, I would respectfully suggest

and recommend to our friends in China to embrace people-to-people exchanges with the same openness — and with a greater openness, perhaps, even than before — as we seek to look at these exchanges from a U.S. perspective. In other words, to be open to the exchanges. I think if we're being honest, we have to recognize that historically, sometimes China has not been as open to some of the exchanges, and has been wary of those exchanges. And I think on both sides, both the United States and China need to be more open.

And I think China needs to recognize that there is a need for greater reciprocity. As Ambassador Baucus noted, the need to level the playing field in a variety of areas — trade and investment, but also in the people-to-people exchange area. China has at times, limited exchanges in ways that the United States didn't. Now we've come full-circle, and the United States is limiting exchanges. And I think both countries need to move back to a more open posture.

***We need to take bold steps to stop the hemorrhaging in this relationship.***

One specific idea I would suggest and hasn't been mentioned, is that China think about creating an international visitor leadership program similar to the one that the United States has, or even more ambitiously to create what is sometimes called in the United States a Billington Program — named for James Billington, the former and late librarian of Congress — to actually see the exchange of not hundreds, but thousands and thousands of Americans and Chinese in

both directions. We need to take bold steps to stop the hemorrhaging in this relationship, and I think that would be a bold way to do it.

***I would suggest that China think about creating an international visitor leadership program similar to the one called in the United States a Billington Program.***

Finally, I know my time is up. Joe Biden's slogan, as a presidential candidate for president, was "Build Back Better." The U.S.-China relationship has been torn down over the last several years and we need to build it back better, together. There is room for improvement on both sides. The United States and China bear significant responsibility for the deterioration we've seen; therefore, we both bear responsibility for putting this relationship back on track. People-to-people — it's so important.

Let me just conclude by saying the George H.W. Bush Foundation for U.S.-China Relations, looks forward to playing a positive and constructive role in building this relationship back and getting it back in the right direction.

Thank you so much.

# The Old Path or the New?



**Lin Songtian**

*President of the Chinese People's Association for  
Friendship with Foreign Countries*

“What is the future of China-U.S. relations? The United States has two strategic choices: It can continue down the old path of the zero-sum game, or it can choose to follow a new path of win-win cooperation for common development — and the results will be completely different.”

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The relationship between China and the United States seems to be very complex and challenging, but the biggest issue is about perception. The only way out is to make the right strategic choice.

Should a stable, open and strong China be viewed as an opportunity or a challenge for the United States and the rest of the world? This is an issue of perception. The problem on the U.S. side results from its insistence on outdated geopolitical theories, the Cold War mentality, a zero-sum game approach in dealing with China-U.S. relations and international relations. Seeing China as a major strategic competitor instead of a strategic partner, the U.S. has created many sources of confrontation with China. In addition, it has imposed maxi-

mum pressure on China and rolled out a strategy of containment against the country. But what are the results of these moves?

China has achieved two miracles over the past 40-plus years, namely sustained rapid economic growth and social stability. It has also achieved its target of poverty alleviation as scheduled, lifting one-fifth of the world's population out of absolute poverty. In 2020, China was the first country to bring the pandemic under control; its GDP grew by 2.3 percent, and international trade by 1.9 percent. Since 2008, China has contributed about 30 percent of global economic growth every year, and that is higher than the combined level of all developed countries, including the Uni-

ted States, Europe and Japan. Without reform and opening-up and rapid development in China, many factories in the developed world would have been closed and more people would have lost their jobs.

Some people worry that a stronger China will seek hegemony. This argument finds no basis in history or in reality. China used to be the most powerful country in the world. In 1820, it accounted for nearly one-third of the world's economy. Unfortunately, however, in the 100 years after 1840, China fell behind many other countries and became a victim of foreign aggression, which brought untold suffering to its people. A top priority back then was to achieve national rejuvenation and deliver a better life to the people, and then it became the choice of the Chinese people and the mission of the Communist Party of China. This is something that will not be changed.

The 5,000-year Chinese civilization has made remarkable contributions to the progress of mankind, and its essence is best described as “valuing peace and striving for the wider public good.” Over the past four decades, China has achieved rapid development, and the key to success is its commitment to peaceful development instead of foreign aggression or colonial plunder. It has neither a history of colonization nor plunder nor the DNA of hegemony.

Since the beginning of the 21st century, the United States has adopted a series of measures designed to incite color revolutions in China and contain its development. It has never ceased its

efforts, yet has never succeeded. In the past two years, the Trump administration breached the bottom line of morality and played with no rules when exerting extreme pressure on China, starting a trade war and trying to discontinue bilateral technological, financial and people-to-people exchanges. In the end, ASEAN and the European Union have replaced the United States as China's largest and second-largest trading partners respectively.

Former U.S. Secretary of State Mike Pompeo did his utmost to force U.S. allies to contain China. But what we have seen is that 140 countries and more than 30 international organizations have signed Belt and Road Initiative cooperation documents with China. Not long ago, 15 Asian countries signed the Regional Comprehensive Economic Partnership (RCEP) agreement, and the China-EU Investment Agreement negotiation was concluded. Many U.S. allies are involved in those partnerships, and it is only a pity that the United States did not participate. In 2020, inbound FDI into China reached \$163 billion, the largest in the world, and this represents a vote of confidence in China's development prospects. Notably, British investment



in China increased by more than 30 percent year-on-year.

This is the response from countries around the world to the U.S. attempts to contain China. Governments around the world understand that politics and economy are two sides of the same coin. Only by realizing economic development can livelihoods be improved and consequently can the authorities win votes and stay in power.

Therefore, the difficulty and predicament in China-U.S. relations are attributable to incorrect perceptions. It is rooted in an outdated international relations theory that has failed to keep pace with the times. And to break the deadlock and get out of the dilemma, it is imperative for the United States to make the right strategic choice and meet China halfway.

Based on a simple but great belief that “There is no reason for China and the United States to be each other’s enemy,” in 1972 U.S. President Nixon and his Chinese colleagues moved to normalize the bilateral relationship with a handshake across the Pacific Ocean. This has brought enormous benefits to people in China, the United States and the world at large. Bilateral trade has increased by a factor of more than 250 since the early days of diploma-

tic ties. The annual output of U.S. enterprises in China has exceeded \$600 billion, and bilateral economic and trade ties have supported 2.6 million jobs in the United States.

On many occasions, President Xi Jinping has explained China’s perception and strategic approach to China-U.S. relations. Simply put, there are a thousand reasons to make the China-U.S. relationship a success, and not a single reason to break it. Win-win cooperation is the best choice for both sides. China is ready to work with the United States to develop a new type of major country relationship featuring no conflict, no confrontation, mutual respect and win-win cooperation.

What is the future of China-U.S. relations? Now the United States has two strategic choices: It can continue down the old path of the zero-sum game, or it can choose to follow a new path of win-win cooperation for common development — and the results will be completely different. The old path will cause endless conflict and hurt both sides, while the new path will lead to win-win cooperation for common development. I believe that farsighted American people from all walks of life will change their perception on China and make the right strategic choice.



# The Economic Magic of Tourism



**Shao Qiwei**

*Chairman of the former China National Tourism Administration*

“Starting in the tourism sector, the two sides can promote cooperation across a whole industry, including the flow of people, financial cooperation, equipment manufacturing and smart tourism.”

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The sudden outbreak and spread of the coronavirus worldwide starting in early 2020 has caused a sharp drop in international tourism. Today, the global tourism industry remains in a cold winter.

In the fourth quarter of last year, the United Nations World Tourism Organization (UNWTO) predicted a 70 percent decline in international tourism for 2020 and foresaw a rebound mostly in the third quarter of 2021, or even in 2022. According to the World Travel and Tourism Council, up to 75 million jobs are at immediate risk in global tourism because of the pandemic, and the tourism GDP loss to the world economy could reach up to \$2.1 trillion in 2020. In addition, the Asia-Pacific is expected to see up to 49 million jobs at risk throughout the region, representing a loss of nearly \$800 billion in tourism GDP. According to the U.S. Travel Association, the United States has suffered a \$519 billion decline in direct travel spending, with approximately 8 million jobs lost.

In China (excluding Hong Kong, Macau

and Taiwan), domestic tourism revenue could fall by more than 60 percent in 2020, according to the China Tourism Academy. Statistics from research institutes reveal that the income of at least 70 percent of Chinese companies and employees in the tourism sector is less than 20 percent of what it was in 2020. Throughout 2020, more than 5,000 travel agencies were closed; today, many small and medium-sized firms face difficulties in business operation and transformation and struggle with business stagnation and the risk of bankruptcy. Moreover, many workers face the risk of unemployment and hidden unemployment, or they struggle to find new jobs. A new wave of infections in the winter of 2020-21 will cause greater losses to the global tourism industry and related sectors, and when the industry will rebound remains unknown.

China and the United States are the two largest economies in the world and also the largest tourism markets in the world. They need to assume their important responsibility and play an important role

in mitigating the impact of the pandemic, and especially in boosting the recovery and development of the global tourism market in the post-pandemic era. This means much to the development of their relations, to their economic recovery and development, to the creation of tens of millions of jobs and to the recovery and development of the world economy.

China-U.S. relations need to be examined from multiple angles and at multiple levels. But either way, bilateral relations cannot expand without the participation and support of people in both countries, including people-to-people exchanges and tourism cooperation. There is a global consensus that for countries with different cultures, languages, histories, faiths and social systems, tourism is one of the best ways for them — especially for their people — to interact and develop friendship and a close affinity with each other.

It has been proved that tourism cooperation is a sector in which China and the United States have the most extensive consensus and the fewest divisions. So it can produce the biggest impact with the smallest amount of investment. In addition to strengthening the social foundation for the sound development of bilateral relations, tourism cooperation promises to give a strong boost to two-way economic cooperation and contribute to enhanced relations between the world's two major economies.

Since the beginning of the 21st century, China-U.S. exchange and cooperation in the tourism sector has entered a period of healthy development. In 2008, the United States was approved by China as a destination for package tours by Chinese citizens. In 2016, more than 5 million

people traveled between the two countries, including 2.25 million U.S. visitors to China and 3.1 million Chinese visitors to the U.S. On average, about 17,000 people traveled between the two countries on a daily basis, with a flight every 17 minutes.

In the following years, both countries continued the momentum of frequent people-to-people exchanges. For example, with the support of the Chinese and U.S. governments, several working mechanisms were established, including the China-U.S. Joint Commission on Commerce and Trade (JCCT) meetings, the China-U.S. Tourism Leadership Summit, the China-U.S. Tourism Cooperation Forum and the China-U.S. Tourism Year. According to U.S. statistics, Chinese tourists spent an average of \$6,000 per trip and every 65 Chinese tourists created one job in the United States.

These days, however, Chinese citizens are less ready to travel to the country, either for education or leisure, because of the pandemic and U.S. visa restrictions on China. This is something both countries need to focus on.

To better harness the important role of tourism cooperation in the development of China-U.S. relations, I'd like to take this opportunity to offer the following advice.

**First, China and the United States need to stay committed to the consolidation and expansion of people-to-people exchanges.**

Both sides should encourage and expand exchanges, create more channels of exchange for think tanks, the media, youth, tourism and other sectors to consolidate

the social foundation and a positive public opinion of relations.

**Second, in light of the progress of the global pandemic response, China and the United States need to engage in people-to-people exchanges and tourism cooperation in a gradual fashion and with full consultation.**

In the near future, exchange activities can be launched in the form of online meetings, videoconferences and events based on new media. In this way, tourism authorities, travel associations, tourism companies and think tanks in both countries can leverage their roles to develop long-term cooperation plans and make preparations for cooperation programs.

When the pandemic comes to an end and if conditions permit, the two countries can rapidly expand their people-to-people exchanges and launch activities in the tourism sector. In this regard, group travel can be seen as a priority, because it is easy to control and manage. In fact, both countries have a great deal of experience in this area.

**Third, China and the United States need to restore old working mechanisms and establish new ones. Original mechanisms, such as the China-U.S. Tourism High-Level Dialogue, can be resumed in due course to promote direct dialogue between tourism authorities and to better respond to issues of common concern.**

The two sides can also discuss topics of mutual concern within multilateral frameworks, such as the G20 Tourism Ministers' Meeting and the APEC Tourism Working Group Meeting. In addition, in light of the conditions on the ground, they can establish new mechanisms for tourism

exchanges and cooperation to spur even more practical cooperation.

**Fourth, China and the United States need to promote cooperation across the whole industry chain.**

As the world's two largest economies, China and the United States have a wide range of industrial categories, long industrial chains and sophisticated technologies, all of which present a broad basis and space for cooperation. Starting in the tourism sector, the two sides can promote cooperation across a whole industry, including the flow of people, financial cooperation, equipment manufacturing and smart tourism.

Meanwhile, they need to open wider to tourism investment, consider building hotels and restaurants, tourist attractions and other infrastructure together, and work together with academic institutions specialized in tourism development. In both countries, I hope that the central and local governments can continue to support tourism as a pillar of the national economy.

As long as both sides engage in candid dialogues and pursue win-win cooperation, I believe that the future of their tourism industry will be promising and that the friendship between the two peoples will last well into the future.



# Exerting Influence and Being Influenced



**John Zhao**

*Founder and Chairman of Hony Capital*

“Political leaders, people who love peace and are responsible for guiding our nations [should use social media] to provide facts. The facts matter. Truth matters. And they should speak constructive words, because words matter.”

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Good morning. I'm very pleased to see many old friends and to be able to make a few new ones through this digital media.

The China-U.S. relationship has always had an element of people-to-people support. I wanted to focus on people and friendship, and build a thesis to illustrate that rebuilding trust, starts from people, and the government needs to follow people's will.

And since the opening-up of China in the last few decades, the U.S.-China relationship has experienced a period of accelerating cooperation. The U.S. benefited, China benefited, the world benefited. In the last four years, we've also witnessed an accelerating deterioration of the relationship. Now, in the aftermath, I think we have a lot of common views.

Number one, the U.S.-China relationship is still the most important bilateral relationship. If these two powers collaborate, we will all benefit. The world will remain peaceful. Today, thanks to the last four years of fighting and conflict, we're now facing the differences, focusing on

the differences. And that's very realistic. We need to face them to work them out. The question is how? I will just assert that the governments on both sides will have many, many mutual learning discussions to work out. It's very tough work because the two peoples are coming from different histories, are under different management systems and we're dealing with some common, — and many separate — issues.

***We witnessed how good it could be when people connected, developed friendship and built trust.***

Now, let's do a bit of storytelling, you know, Mr. Orlins started with Ping-Pong Diplomacy, which is a fabulous example of how people-to-people connectivity has always played a role in the China-U.S. relationship. As a matter of fact, the U.S. government and the Chinese government fought two World Wars on the same side. And after 22 years of attempts, Ping-Pong diplomacy opened up the dialogue. And

we witnessed how good it could be when people connected, developed friendship and built trust.

I want to share a story that I'm participating in, experiencing a bigger ball. It's a basketball. I have the fortune, on behalf of our organization, of investing in NBA China, which is the NBA extension into the Chinese market, which started in 2003. I'm still serving on the board.

In 2019, we experienced a little incident where a manager of a very well-respected U.S. team tweeted some supportive comments about what's going on in Hong Kong. Little did he know, little did the NBA know, little did the American public know, that this would cause a very quick and massive reaction, not by the Chinese government initially but by the Chinese people, by the fans who love to watch the NBA. By the way, there are more than 640 million Chinese viewers of NBA games, so far.

***But with globalization and digital media, people's views, their sentiments, are both influential and easily influenced.***

And so, this incident demonstrated the fundamental fact that people-to-people connections have always played an important role. And they will continue to play an important role. But with globalization and digital media, people's views, their sentiments, are both influential and easily influenced.

So to conclude my remarks, I want to make three suggestions:

- As the two countries have so many differences that we're focusing on, that we need to work out, let's allow peo-



ple-to-people connections and encourage that. Because friendship matters. Friendships, viewed one at a time, individually, serve as the bedrock for building trust between nations, especially when we have many, many differences to work out.

- Social media provides a platform for people to be connected. People through this connectivity are very influential as a group, but we should be wary because they're also easily influenced.
- Political leaders, people who love peace and are responsible for guiding our nations to betterment, should utilize this platform and provide facts. The facts matter. Truth matters. And they should speak constructive words because words matter.

So I hope through encouraging more people-to-people connectivity, especially during this difficult time, we will be able to build friendship, develop trust that will help us to solve the differences.

Thank you.





## About China-US Focus

China-US Focus is a platform where Chinese and American thought leaders can openly express their views on the myriad issues that face the two nations.

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#### ABOUT JAMES CHAU

James has earned a special reputation for his interviews with world leaders in politics, science and health. Amongst them, Nobel Peace Prize winners Jimmy Carter, Kofi Annan, Muhammad Yunus and Aung Sang Suu Kyi, and also Winnie Mandela, Arianna Huffington and Christine Lagarde. He serves as World Health Organization Goodwill Ambassador and UNAIDS Goodwill Ambassador.

