



WASHINGTON IDEAS FORUM

OCTOBER 4-6, 2011 | WASHINGTON, D.C.

FOREIGN AFFAIRS: THE CHINA QUESTION WORKING SUMMIT OVERVIEW

Prepared By: Helen Gao, *The Atlantic*

THE CONVERSATION

The panel on future United States-China relations opened up with a discussion on the China currency bill currently going through the senate, which, if passed, would pose unilateral sanctions against exports from China to punish its government for undervaluing its currency. The panelists agreed that the bill does not target the fundamental flaws of America's economy, but they were divided on whether it would be a necessary first-step toward a long-term solution. The supporters of the bill brought up the general domestic perception of China as the cause of the prolonged job loss in the United States and emphasized the need to address this sentiment.

Ed Case, United States House of Representatives, (D-Hawaii, 2002-07), said, "[Drafting the bill is] a reaction to fear at home, to jobs, to the fundamental concerns about fairness...I think as we think about the China issues over the next couple of years and how to address them in congress, we've got to always think about the expectations and understandings and the relative level knowledge of the citizens of this country."

Those critical of the bill (among whom were businessmen with decades of experience of doing business in Asia), noted the public misunderstanding of the degree to which the U.S. economy is tied to Chinese exports. They pointed to the weak impact Renminbi appreciation had on the import price of Chinese goods in the past, and argued that the key to alleviating America's economic recession lay domestically.

"If they were magically tomorrow to put their trade imbalance to the United States, they we would run much bigger deficits with the rest of the world, because we are a net dissever." said Paul Wolfowitz, Former United States Ambassador to Indonesia, and Former President, World Bank. "How about educating our constituents to the fact that we've got to find some better ways to bring China into line on a whole range of issues, and also to bring our own savings rate to a point that we are not so trade-dependent."

Another contentious aspect in United States-China economic relations concerned China's loose enforcement of intellectual property law. Chinese companies routinely require technology transfer from foreign corporations intending to invest in China, and initiate cyber-attacks to steal innovations from abroad. The biggest difficulties in fending off the intellectual property loss, according to participants, lay in detecting the pirating acts and cyber penetrations from the Chinese side as well as the lack of resources in the United States dedicated to the defense of intellectual property and negotiations with the Chinese. The participants also added that America's businesses, while unwilling to swallow up the loss on the intellectual property front, could not easily give up the rapidly growing Chinese market.



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“Whether or not we cannot run faster than the Chinese might not be the issue...if you are in corporate America, you can’t run away. You got to be there. And doing that comes with a price,” said Kai Ryssdal, Host, Marketplace.

A consensus emerged from participants that to smooth trade and investment processes with China, the United States should start by pushing for universal standards in the world that promote free trade, encouraging all states to set up institutions that facilitate Chinese investments, all in the hope that an open and fair atmosphere will help China play by the rules.

The group also discussed China’s increasingly aggressive military behavior fueled by its economic success. The reasons for those behaviors, participants explained, were both domestic and international: on one hand, the military expansion signals China’s pursuit of strategic and natural resources around the world, which inevitably clashes against its surrounding geopolitical reality. On the other hand, it helps the government reign in domestic instability. Sometimes the two purposes intersect, such as in the incident of the Chinese fishing boat’s collision against the Japanese coastguard vessel last year, when the Chinese government hyped up the conflict to distract its citizens’ attention from domestic grievances.

Some participants pointed out that it was wrong to still regard China as a monolithic presence in the world. Its government, military, business groups are now each pursuing their own interests on the world stage and launching actions that are not always coordinated. For this reason, participants agreed that an important goal for the United States is to understand China from a multifaceted point of view and to further integrate it into the global economy.

5 BIG IDEAS

1. The United States government should dedicate more human and financial resources to the investigation of economic loss resulting from intellectual property theft and cyber-attacks from China.
2. The United States should create positive incentives for China to abide by the intellectual property law by providing a more favorable investment environment at home.
3. When analyzing the behaviors of Chinese military, it is important to keep in mind the international as well domestic drives behind them.
4. Instead of blocking China, strengthening ties with Europe and integrating China into a structured and rule-binding world economy may better serve the United States.



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5. In order to overcome the language and cultural barriers that add friction to United States-China relations in many aspects, the United States should pull China, especially the Chinese youth into the world dialogue through social networks and education.

ATTENDEE LIST

Moderator: Bruce Stokes *Senior Transatlantic Fellow* **German Marshall Fund**
Host: Peter Goldstone *President* **Government Executive Media Group**
Alan Capps *Principal Analyst* **The Homeland Security Institute**
Ed Case **United States House of Representatives (D-Hawaii, 2002-07)**
Heng Chee Chan *Ambassador to the United States* **Embassy of Singapore**
Cortez A. Cooper *Senior International Policy Analyst* **RAND Corporation**
John Frisbie *President* **US - China Business Council**
Cindy Fornelli *Executive Director* **Center for Audit Quality**
John Hillen, Ph.D. *President and Chief Executive Officer* **Sotera Defense Solutions**
John Holden *Senior Counsellor* **Hill & Knowlton China**
Stuart W. Holliday *President and Chief Executive Officer* **Meridian International Center**
Frank Lavin *Chairman* **Export Now**
Norman Mineta *Former Secretary* **United States Department of Transportation**
Kin Moy *Deputy Assistant Secretary* **United States Department of State**
Kai Ryssdal *Host* **Marketplace**
Lisa Schroeter *Director, International Policy* **Dow Chemical**
Anne Marie Slaughter, Ph. D. *Professor, Politics and International Affairs* **Princeton University**
Paul Smyke *Senior Director and Special Advisor to the Chairman* **World Economic Forum**
Paul Sullivan *Professor of Economics* **Georgetown University**
Henry S. Tang *Managing Partner* **Carnegie Towers Strategic Investment Advisory**
Sheldon Whitehouse **United States Senate**
Shirley Young *President* **Shirley Young Associates, LLC**
Rich Wilhelm *Executive Vice President* **Booz Allen Hamilton**
Paul Wolfowitz *Chairman* **U.S.-Taiwan Business Council**