



# FOX BUSINESS

**Mornings with Maria (Maria Bartiromo)**

**US-China Tariffs - US-China Trade War**

**Robert Lawrence Kuhn, August 23, 2018**

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## Will tariffs change China's behavior on intellectual property theft?

Aug. 23, 2018 - 5:26 - 'Closer to China with R.L. Kuhn' host Robert Kuhn on the impact of mounting trade tensions with China.

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**Host / Maria: A new rift with China to talk about. Beijing is responding to President Trump's latest 25% tariff on \$16 billion worth of Chinese goods by placing equal fresh tariffs on US imports, from crude oil to steel, cars, medical equipment- all of the above getting taxed.**

**Joining me now to discuss all this is Robert Kuhn; he's the host of "Closer to China with R.L. Kuhn" on CGTN; he's the author of "How China's Leaders Think." Good to see you, Robert.**

**RLK: Hi Maria.**

**Maria: Thank you so much for joining us. What's your take on this latest [tarif] news out of the US, and how China is retaliating?**



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**RLK: The latest news is not as important as the overall structure. We expect to see these tariffs; this is nothing unexpected. But what we have to do is to look at the total picture. People talk about trade war and that's why we have these tariffs, but trade war in terms of the trade deficit is really very complex and not the most important issue. The trade deficit has to do with intermediary products that get charged into that account, that have components coming from, say, South Korea & Japan. A great deal of [Chinese] payment for services — money China pays for its students and travel in the US — is not counted. Trade deficits are complicated. And Americans benefit from the trade deficit because we get cheaper products at better quality, financed by other people—the Chinese in this case. But it has to be solved.**



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**NEWS ALERT** Robert Kuhn  
 "CLOSER TO CHINA WITH R.L. KUHN" HOST @MorningsMaria

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**Will tariffs change China's behavior on intellectual property theft?**

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**RLK: Moreover, there are 5 big issues that sophisticated people are really concerned about. They're concerned about opening markets in China; they're concerned about intellectual property protection; they're concerned about industrial espionage and cyber security; they're concerned about forced technology transfer in joint ventures; and finally they're concerned about the subsidies of the Chinese government for technologies of the future.**

**Maria: Is tariffs gonna change any of that?**

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**RLK: Tariffs at least will get people's attention; everybody's focused on this. But tariffs themselves are a significant sub-optimization — companies are now making decisions regarding their supply chains, etc., that will have long-term implications, that will cause the entire world to be less efficient in delivering the prosperity that we need in the future.**



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**Maria: Mm**

**RLK: But we have to look at these five [5] issues — and China is making progress on some of them.**

**Maria: Correct**

**RLK: They're opening up markets. And that's the big opportunity for American companies**

**Maria: They are opening up markets, that's true.**

**RLK: That's the key, we have to keep focusing on opening markets, because that's good for the Chinese economy as well.**



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**RLK: Chinese economists tell me privately that opening markets is good for China, because China needs more competitions in its own markets in order to make Chinese enterprises more competitive.**

**Maria: Interesting, very interesting.**

**RLK: And so the combination of what US companies want in opening the China market is also good for China.**

**Co-Host / Male: Ok so this is really hopeful news here, because I know earlier discussions with the administration – there were times that the Chinese government would not even acknowledge the problems related to intellectual property theft etc. Now you think this is a regime that understands that it needs to change the terms of trade?**



**RLK: It's not that I think — I have first hand knowledge. I've been talking to people. Take intellectual property protection, I've been investigating that in China. They've set up special intellectual property courts. Limited now; they're pilots, Shanghai for example is very strong in this area. And they are really focused on this, and this is good, again, for China, because China's enterprises want to be innovative. Innovation is the Number 1 priority of President Xi Jinping in terms of the economy. So in order to achieve innovation, they have to have intellectual property protection. So many of these things that America wants to force, which is good for American companies, is now also good for China. That's the hope of the future.**



**Maria: By the way, Alibaba just reported earnings. The earnings missed expectations, but the revenue was a beat and actually the stock is moving. It is up 4% on Alibaba right now.**

**My issue with all of this Robert is that I don't know if tariffs are actually going to change the behavior of China in terms of their theft of America's IP. Is tariffs going to be the thing that actually gets China to say "ok let's stop stealing." They won't even admit they're doing it!**

**RLK: You've put a lot of comments into that one sentence**

**Co-Host/Female: Because she's efficient!**



**RLK: We have to tease it apart and look at each of the pieces. First of all, intellectual property rights is recognized as an issue. Tariffs get everyone's attention, although they're terribly sub-optimized and all economists think they're bad. But it's getting everybody's attention. We're talking about it here! China, when it was admitted to the WTO in 2001, was truly a developing country. And some of those same ways of thinking and rules, China has maintained for almost 20 years now! And so what that means is that China has to have a new way of thinking about itself, and this attention is forcing that. So in each of these [five] categories of concern – for example, we talked about intellectual properties, China has made great progress, but still has a long way to go. It's uneven in China to be sure. But it is making progress.**



**RLK:** In industrial theft, 3 years ago in 2015, it was a much more serious issue. China and the US faced it, they dealt with it privately, and it was substantially reduced. It's not completely eliminated and it's an area of focus. But I want to focus on the positive, which is the first — opening markets.

**Maria:** I agree, that's, yeah.

**RLK:** China will be opening more of its markets, that's the key to solving the problem for both countries.

**Maria:** Certainly within 5 years, right? You will be allowed to own an auto company out and out in China within 5 years.

**RLK:** Right

**Maria:** Robert, great insights from you. We really appreciate you joining us. Thanks so much, Robert Kuhn.

