



# **CNN – Quest Means Business**

## **U.S. and China Agree to Pause Trade War**

**Robert Lawrence Kuhn, December 3, 2018**





**Host**  
**Richard Quest:**

**Robert Lawrence Kuhn is a long-time advisor to Chinese leaders and the author of *How China's Leaders Think*. How will they be interpreting the deal that was done on Friday?**





**Robert Lawrence Kuhn / RLK:** Everybody is pleased that there is the pause; 90 days is very short, of course. We have to look at the short-term, mid-term, and long-term. Let's look at the background to understand where China is today. This is the 40<sup>th</sup> year, the anniversary, of China's reform and opening up. On December 18<sup>th</sup>, 1978, Deng Xiaoping made his famous speech, which transformed China from ideologically driven class struggle into economic development. It's a big deal in China; there's a big celebration coming up.

**RLK:** President Xi Jinping has said that the first big goal for China, in 2020, is to have a moderately prosperous society, specifically to eliminate all extreme poverty in China. That means they will have taken 800 million people out of poverty. So that's their overview, and so they look at the status quo that they've had with America as something that's good for both sides.







**RLK:** As for America, we have critical issues that we have to deal with: Open markets, IP protection, forced technology transfer, cyber security / cyber theft — there are a lot of issues on the table.



**Quest:** The two sides are seeing Friday's deal in very different ways.

**RLK:** That always happens —

**Quest:** But the Chinese —

**RLK:** That's diplomacy. That's the definition — we saw that in the spy plane collision in 2001; we saw that in the bombing of the Yugoslavian embassy in 1999.





**RLK: Both sides had different interpretations to suit their domestic markets.**

**Quest: But they're not even admitting, or at least acknowledging, a 90 days. Let alone all this business of, "we're going to buy more cars."**

**RLK: Well, look. In China, there is a debate among Chinese economists, what's good for China? Many economists tell me privately, personally, one-on-one, like I'm talking to you right now, that China needs to open its markets, it needs to have IP protection, it shouldn't support state-owned enterprises as much. But they have internal debate.**





**RLK: Those Chinese economists are pleased to see this pressure going on, but China cannot admit that publicly, because that undermines the rejuvenation of China, the strength of the government, the national pride.**

**RLK: We have to understand both sides are speaking to their domestic audiences, but hopefully, when they get together privately, they'll talk business.**







**Quest:** Do you believe that they can and or will make the structural changes necessary to get a long-term deal, because it seems as if President Trump is not going to be satisfied long-term with agreeing to buy a few extra bits of this or that of agriculture.

**RLK:** I totally agree with that, and I think that's right. We're going to have to see. I mean, it's easy to predict 10 years in the future, but not 10 days. So we'll see where we go.



**RLK: But the people in China whom I talk with say they recognize that this time is different. And what they're going to do is they're going to focus on the changes that they believe are good for China. You actually saw that in some of the announcements today. We're going to do the kinds of things that help our domestic economy as well. That sounds like it's a play for their own domestic audiences — to show they're not conceding — but in fact it is really the case.**







**Quest:** The U.S. president talked about selling large amounts of agriculture to the Chinese, and tariffs on automobiles down from 40% maybe to 0%. This is mercantilist stuff. This isn't "trade deal."

**RLK:** Totally agree with that. And those are superficial things, they make headlines, they're easy to understand, but they're not the substance of what's happening here.





**Quest:** Do you believe that there's a shift in perspective in this, this dinner shifted things?

**RLK:** I believe there has been a shift; I wouldn't tell you the dinner did it, but over time, there is recognition that this time is different.

**Quest:** Thank you, sir. Next time, when it's different, you'll come back and tell us.

**RLK:** Absolutely.

**Quest:** Okay, good. Good to see you; thank you.

