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G20, China-US, Trade War

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Host: Can escalating tensions between the US and China, be diffused? It's certainly something the leaders at the G20 meeting, which opens in Japan, will be hoping for. They've gathered in Osaka for deliberations, which will also include the global economy, trade, and climate change. Between them, the heads of the 19 most powerful countries in the world, represent more than 80% of global GDP. Robert Kuhn is the host of the show Closer To China on the Chinese state TV channel, CGTN, and author of "How China's Leaders Think." Robert, good to have you on the program. First of all, US-China trade deal, it'll dominate the agenda, how likely is it to happen?

RLK: Well, it should dominate the agenda because the stakes are very high. It's not just for China and the US; it's for the whole world. Tariffs are a terrible drag on the world economy, they're terribly inefficient. And we have an escalating tariff war, among other things, between China and the US. What it looks like will happen — the best case, and probably the realistic case — is an agreement not to make things worse. Kind of stopping the mutual escalations, which is not only in tariffs, but in technology — and probably the worst thing is the media and officials in both countries are becoming strident and almost intransigent in terms of their approach to the other. And what we have is the potential for a self-fulfilling prophecy where each side imagines the worst in the other and then when the other side reacts, what you have is a vicious cycle of escalation. And that needs to be stopped. And fortunately, President Xi is strong enough, and President Trump is mercurial enough, to agree to make that happen, to give their negotiators another shot at it.

RLK: The double irony here is that what the US wants to impose on China in the long run is better for China than it is for the US. And the second irony is that the deal was virtually 90% done before it collapsed. And that's what Secretary of the Treasury



Mnuchin said, maybe less than that, but it was largely done in terms of the substance — intellectual property protection, open markets, etc. But what it came down to was the enforcement, where the US insisted on a very tight program of nonreciprocal tariffs and passing laws that were just too much for Chinese dignity and pride to be able to accept. So that's where we are. We'll probably see a ceasefire, but the long future is unclear. Probably for the rest of our sentient lives, we'll be seeing increased competition between the US and China.

Host: And the situation that we've got at the moment, how much of that is down to the character of the individuals as opposed to just policy decisions?

RLK: Unfortunately, there are a whole host of issues. We can make out a long list, intellectual property rights protection, forced technology transfer and joint ventures, cybertheft, open markets, subsidies for state-owned enterprises, currency manipulation. And I haven't even mentioned the trade deficit, which most economists would discount. And then technology competition, which is coming to the fore, is probably the most serious one. So we have a whole panoply of issues.

RLK: Now China has made serious progress in some of these, certainly in intellectual property rights. I've been at the Shanghai intellectual property court. They are taking it very seriously, imposing large fines on those found guilty; and China is opening its markets, perhaps not as fast as it should. All of these issues are solvable. But we have to start with the ways of not making it worse and then gradually building trust, to get to a point where there is the potential to trust.

RLK: It's going to take many years. But we have to start by not making things worse and each side recognizing why the other side thinks the way it does. Why does China feel the US has started the fight? Why does the US feel that it's about time we fought back? If you analyze it historically from when China joined the WTO in 2001, you can see a dramatic change in China. So, China went from truly a developing country to a country now that is partially first-world developed and partially still undeveloped. And so China's ways of doing business, which was appropriate in 2001, is not appropriate today. So China does need to make changes and people in China recognize that it does for China's own sake, but it can't be done in a way that's looking to hold China's feet to the fire and doing it in a way that's undignified and what China would say insults its dignity and sovereignty.

Host: Yeah. Robert, thank you. Robert Kuhn, the host of the show Closer To China.