VIEWS

Robert Lawrence Kuhn

Xi's message to US side is clear and positive

President Xi Jinping's recent meeting with US business leaders and academics rightly caught the attention of the international media. Among the factors on which the peace and prosperity of the world depends, two of the biggest are the state of US-China relations and the prospects for China's economic development — both of which were the primary themes of Xi's carefully planned message to the US side.

Global Lens

The setting counts. It was right after the annual China Development Forum, where the CEOs of foreign corporations come to engage with China's policymakers. China's top leader, who met with the CEOs, thereby elevated the meeting's importance with the highest authority. In the new era, with the Communist Party of China directly responsible for leading all sectors of the country, the fact that the general secretary of the CPC Central Committee himself held the meeting is itself the first important message to the US side.

The readout of the meeting, as reported in China's media, is a fascinating probe of the current way of thinking of China's leaders. Although the top leader is always well prepared for his meetings and speeches, he seemed extraordinarily well prepared for this timely meeting. The structure and specificity of his remarks combined to form the clearest, most incisive, most direct and in-depth expression of his views on China-US relations, and on China's economy.

One can infer two big themes from the meeting: China is committed to seeking improved relations with the US, and China is determined to more comprehensively reform and open up its economy. Although the two themes are hardly new, there was something about the top leader's remarks this time that seemed different, something that signaled intensified commitment.

On US-China relations, his message was unambiguous. The fact that he chose to meet with the China experts and CEOs from the US is a neon-flashing sign that China seeks to stop the cascading slide in relations, stabilize relations, and carefully build relations back up. The top leader placed his trust in the people in general and in people-to-people exchanges in particular, which is a long-standing foundation of his approach to foreign policy, broadly speaking.

Referring to China-US relations, he said: "The future will of course be created by the people." And he expressed the hope that "people from all sectors of Chinese and American societies will have more mutual visits and exchanges".

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What I found striking was that while calling for cooperation, not confrontation, and mutual respect and win-win results, he acknowledged that "the relationship cannot go back to the old days", a powerful and realistic recognition, which counter-intuitively gives credence to his follow-on exhortation, "but it (China-US relations) can embrace a brighter future". Only an honest assessment of the present can enable a hopeful vision of the future.

What was no surprise was that Xi was optimistic about China's economy — which is the No 1 topic on everyone's mind — by reminding his listeners that China's growth rate in 2023 was among the highest of the major economies and accounted for more than 30 percent of global growth, much as in previous years. What was somewhat of a surprise was that he told the story of China's economy in the context of two negative "theories": the "China collapse theory" of the past, which of course did not happen, and the "peak China theory" of the present, which he said will not happen.

China, he said, "will continue to advance high-quality development and Chinese modernization, enable the Chinese people to live a better life, and contribute more to sustainable development in the world". These words were not crafted as smooth talk for the foreign visitors but are the overarching strategic policy of Chinese leaders and the day-to-day operational guidelines of Chinese officials. The new mantra for China's economic growth is "high-quality development", which is driven by "new quality productive forces". Everyone who counts in China gets the message.

On reform and opening-up, his words were weighed judiciously, as they always are. There has been concern among foreign businesses, and even among some domestic entrepreneurs, that reform and opening-up have stalled. In response, the top leader said "reform and opening-up hold the key to contemporary China's catching up with the times in great strides", and "China's reform will not pause, and its opening-up will not stop", but he has made similar remarks in the past.

That's why I focused on what he said next: "China is planning and implementing a series of major steps for comprehensively deepening reform, and steadily fostering a market-oriented, law-based and world-class business environment." The operative word here is "planning", which means there are new structures, new regulations and/or new measures on the horizon that will be sufficiently different from the present ones, to justify the phrase "major steps for comprehensively deepening reform".

Had he stated only the general principles, his words might not have instilled high confidence. But by putting the world on notice and creating widespread expectations, he has given credence from the top that China is serious about a new round of economic reforms. This is why I expect, and most foreign analysts do not, significant economic reforms, the most in a decade or so.

The proof, of course, will be in the specifics of the plan, and then its real-world implementation. For example, in recent days, the government has been shortening the negative list for foreign investment, and lifting restrictions on market access for foreign investment in manufacturing, while opening up the medical and telecommunications sectors.

Moreover, China's cybersecurity regulator has relaxed restrictions on outbound data flow so foreign businesses operating in China can feel more secure in conducting their normal business.

To me, a major motivating factor for President Xi is that to truly achieve his grand vision for China — "the great rejuvenation of the Chinese nation" — the country must become a world-class business center, and to become that, the country must develop a "market-oriented, law-based and world-class business environment".

Who can deny the world would benefit from stable US-China relations? Who can deny the world would benefit from China's economic growth and development? Both sit on the global center stage in these tense mid-years of the third decade of the 21st century.

The author is chairman of The Kuhn Foundation, and is a winner of the China Reform Friendship Medal. The views don't necessarily reflect those of China Daily.

Ma Yingying

US-EU suppressions of China's EVs defy free-market rules

China's auto industry has developed by leaps and bounds in recent years — in particular, the export of new energy vehicles has shown rapid growth. China exported more than 2 million and 3 million vehicles in 2021 and 2022, up 95.4 percent and 56.7 percent respectively.

In 2023, China even surpassed Japan to become the world's largest automobile exporter, with exports reaching 5.22 million vehicles, a 57.2 percent increase, and the export revenue reaching $101.61 billion, a 68.9 percent increase. And in the first two months of this year, China's auto exports reached 831,000 vehicles, up 21.8 percent year-on-year.

However, to prevent China from dominating Western markets, the United States and the European Union are trying to restrict China's auto exports by imposing trade protectionist measures. After launching a trade war against China in 2018, the US has imposed high tariffs on Chinese automobiles, restricted government procurements, and introduced discriminatory subsidy policies to suppress and/or weaken China's auto industry.

Now, using national security as a pretext, the US seems intent on building non-tariff barriers to restrict the import of "smart vehicles" and related components from China, and expand the scope to include all third-party Chinese electric vehicles (EVs) and parts.

Moreover, the European Commission, to protect the European Union's EV industry, launched an anti-subsidy investigation into pure EVs imported from China in October 2023 and is considering raising import tariffs.

Behind the continued growth of China's auto exports are multiple factors including advanced technologies, costs, markets and government support. First, China's auto industry continues to improve in technology and production efficiency, with advancements in electrification and intelligence which will transform into unique advantages. The technological advancements in new energy vehicles, the advantages of industry and supply chains, and innovations and applications in intelligence have strengthened the position of China's auto industry in the global market.

Second, China's auto-manufacturing industry enjoys significant cost advantages. Compared with developed countries, China has relatively low labor and production costs, which allows Chinese auto-makers to sell their products at much lower prices than their Western competitors. The Glory edition of BYD Seagull, for instance, was officially launched with a price of about $9,700, which is $5,000 less than the average price of a US-made EV.

Given the increasing frequency of climate change-related disasters such as extreme weather events, rising sea levels, and biodiversity loss, countries across the world have reached a broad consensus of pursuing green and low-carbon development, which has led to an explosive growth in the new energy vehicle market. China's affordable new energy vehicles are selling well not only in the domestic market but also have been welcomed in overseas markets.

Additionally, the Chinese government has been promoting the development of the auto industry, issuing favorable policies, and supporting automakers, thereby promoting the auto exports.

The efforts of the US and the EU to check the growth of China's auto-manufacturing industry are both unreasonable and counterproductive for their own industrial development. Such US efforts will harm the welfare of their consumers. Chinese-made EVs have become popular in global markets due to their cost-effectiveness. Imposing tariffs on and building non-tariff barriers against Chinese-made vehicles will limit consumer choice and increase prices, without addressing the major challenges facing their auto industries.

The US and EU efforts will also disrupt and distort the global auto industry supply chains, damaging the economic interests of various countries. The auto industry is highly globalized, with a long supply chain covering multiple countries and regions. So by resorting to protectionist measures, the US and the EU will disrupt the efficient supply chains, which will raise production costs for domestic automakers and lower the demand for products from China and its upstream countries.

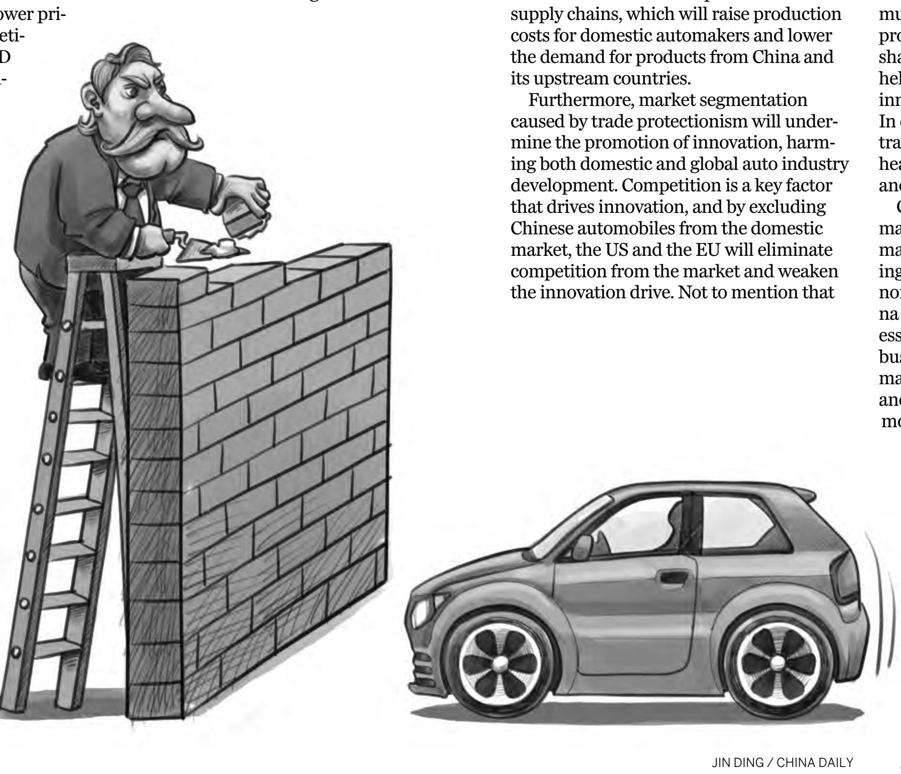
Furthermore, market segmentation caused by trade protectionism will undermine the promotion of innovation, harming both domestic and global auto industry development. Competition is a key factor that drives innovation, and by excluding Chinese automobiles from the domestic market, the US and the EU will eliminate competition from the market and weaken the innovation drive. Not to mention that exclusive and closed markets hinder technology exchange, cross-border cooperation and lower the efficiency levels.

In addition, protectionism goes against the principles of free trade and market economy. In short, it is detrimental to the stability and development of the international trade system.

Faced with the rapid development of China's automotive industry, the US and the EU should adopt an open and cooperative attitude and address the challenges using mutually beneficial means. Cooperation promotes technology exchanges, market sharing and resource integration, and can help enhance the competitiveness and innovation capability of the auto industry. In contrast, protectionism exacerbates trade frictions and is detrimental to the healthy development of the auto industry and the stability of the global economy.

China is one of the world's largest auto markets, and crucial for US and EU automakers. If the US and Europe persist in taking measures that violate market economy norms and fair competition principles, China will take strong countermeasures, if necessary, which will negatively impact the business and profits of US and EU automakers, as well as the research, innovation and development of the US and EU automotive industries.

Through open cooperation, the auto industries of the US, the EU and China can jointly explore new technologies, develop markets, achieve mutual benefit, and propel the global automotive industry toward a more sustainable and innovation-driven direction.



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