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# China insight





Chinese President Xi Jinping poses for a group photo with other leaders attending the 14th Group of 20 (G20) Summit held in Osaka, Japan, on June 28

# Working out the Kinks

The G20 Osaka Summit explores answers to the world's problems By Yuan Yuan

**W**ith growing uncertainties in world trade, the economy, climate change and many other issues, the leaders of 19 countries and the European Union as members of the Group of 20 (G20), as well as 17 guest countries and international organizations met in Osaka, Japan, for two days to seek possible solutions.

The G20 Summit 2019, held on June 28-29, is the 14th of its kind covering themes such as the world economic situation, trade, investment, innovation, climate change, World Trade Organization (WTO) reform, an aging society, health, women's empowerment and the digital economy.

Many leaders expressed their concerns over serious hazards brought about by unilateralism and protectionism, and agreed that all sides should strengthen communication and dialogue, and maintain unity and cooperation.

## China's stance

Chinese President Xi Jinping attended the summit, his seventh and his first trip to Japan

since taking office in 2013.

While addressing the summit on June 28, Xi called on the G20 major economies to explore driving forces for growth, improve global governance, remove development bottlenecks and properly address differences.

Xi announced that China will further open up its market, proactively expand imports, improve its business environment for foreign enterprises and press ahead with negotiations on economic and trade deals.

The president said that China will soon release the 2019 edition of its negative list on foreign investment, which was released on June 30, set up six new pilot free trade zones, further bring down its overall tariff level, strive to remove non-tariff trade barriers and slash institutional costs of imports. In addition, China will lift all foreign investment restrictions beyond the negative list and provide equal treatment for all types of businesses registered in China in the post-establishment phase.

"The world economy is once again at a crossroads 10 years after the global financial crisis broke out," Xi said. "The G20 bears the

responsibility for charting the course of the world economy and global governance at a crucial time, as well as for injecting confidence into the market and bringing hope to the people."

"In his speech, Xi called on the G20 major economies to embrace development opportunities with greater openness and seek win-win results with better cooperation to guide economic globalization in the right direction," said Zhu Jiejun, an associate professor in the School of International Relations and Public Affairs of Fudan University.

Zhu said that some G20 members have some misunderstandings about China and question whether the trade friction with the U.S. exists because China's domestic market is not open enough or because of China's own problems. Xi's speech offered a clear answer.

Wang Xiaolong, special envoy on G20 affairs of the Chinese Foreign Ministry and Director General of the Department of International Economic Affairs, said China had, for the first time, placed the issues of the digital economy and innovation-driven economy on the G20 agenda at the Hangzhou Summit

in 2016. "We are glad to see that these topics have been discussed at all three subsequent summits." Xi also attended a special event on the digital economy before the summit.

The first to address the summit, Xi said that "we should nurture a fair, just and non-discriminatory market environment, rather than developing behind closed doors and artificially interfering in the market." As a country strong in the digital economy, Xi confirmed that China is willing to participate in international cooperation and maintain an open market to achieve win-win outcomes.

The meeting of the leaders from the two largest economies in the world drew a lot of attention at the summit. It finally took place on June 29 on the sidelines of the summit. After a hand-shaking hello at the opening of the summit on the previous day, Xi and U.S. President Donald Trump sat down and talked for 80 minutes.

The two presidents agreed to restart economic and trade consultations between China and the U.S. on the basis of equality and mutual respect. The U.S. will not add new tariffs on imports from China and the two countries' economic and trade negotiating teams will work on specific issues.

After the meeting, Trump claimed his discussion with Xi was "excellent" during a press conference, adding, "We discussed a lot of things and we're right back on track."

It was the first face-to-face meeting between Xi and Trump since December 2018 in the Argentine capital of Buenos Aires, also on the sidelines of a G20 summit. At that meeting, the two leaders agreed on a 90-day ceasefire in the U.S.-provoked trade war.

"It is normal for China, the world's largest developing country, and the U.S., the largest developed country, to have differences," Wang said. "As Xi said, China is sincere about continuing negotiations with the United States... but negotiations should be equal and show mutual respect."

## Hot topics

Meanwhile, United Nations (UN) Secretary General António Guterres said at a press conference held on June 28 that the digital economy, including artificial intelligence, is bringing dramatic changes to the world.

"There's a strong commitment to guarantee that countries are able, through education, through lifelong learning, through new forms of social protection, through regional programs and job creation programs, to minimize the negative impact of that change, and at the same time to optimize the positive contributions of the Fourth Industrial Revolution," he said.

Guterres also expressed his concerns.

"There are questions related to cybersecurity that need to be addressed; there are questions related to peace and security," he said. "There are a lot of things that will have to be discussed at different forums. There's a lot to be done."

"We welcome the G20 Ministerial Statement on Trade and the Digital Economy in Tsukuba," the G20 Osaka Leaders' Declaration released on June 29 said. "We strive to realize a free, fair, non-discriminatory, transparent, predictable and stable trade and investment environment, and to keep our markets open."

It added that to further promote innovation in the digital economy, it supports the sharing of good practices on effective policy and regulatory approaches and frameworks that are innovative as well as agile, flexible and adapted to the digital era, including the use of regulatory sandboxes.

The secretary general also talked about climate change, an issue that topped the agenda at the summit. He used the term "lagging behind" several times at the press conference to express his concern with human beings not taking enough measures to deal with the issue.

"It's important that the international community is able to stand together and make sure that what was agreed in Paris and what was agreed at other forums move forward independent of the political will of this or that statesman," Guterres said.

He said, "Putting a price on carbon, ending subsidies for fossil fuels, not accepting the idea that we still have an acceleration of construction of coal power plants and many other aspects are extremely relevant in order to make sure that we are able to abide by what the scientific community is telling us is absolutely essential to rescue the planet."

The UN Climate Action Summit will be held in New York in September, he said. "That is the reason why we are appealing to the leaders here in relation to a much stronger commitment of their countries for climate action."

Wang said that China, France and the UN held a three-party meeting on the sidelines of the Osaka Summit, reiterating their commitment to the Paris Agreement and closer international cooperation on climate change.

"The meeting injected a strong impetus into the multilateral process created to deal with climate change," Wang said.

WTO reform was also a hot topic at the summit as the WTO's three functions of administering multilateral trade rules, organizing trade negotiations and settling trade disputes came under the spotlight.

The topic was discussed at various meetings throughout the summit.

On May 13, China submitted its proposal to the organization and identified four key points: tackling the essential and pressing issues threatening the existence of the organization, increasing WTO relevance for global economic governance, improving the organization's operating efficiency and increasing the inclusiveness of the multilateral trade mechanism.

"China's standpoint is very clear. It represents developing countries and regions. The WTO needs to be reformed to keep pace with the times. China emphasizes that the solution must include promoting free trade, open markets and development," said Zhu. "The reason why the GATT (General Agreement on Tariffs and Trade) could be established and later evolved into the WTO mechanism was that it classifies countries into different categories. The mechanism promotes free trade, open markets and different treatment for different countries, which is related to their degree of development and their pace of opening up, all of which are related to different stages of development."

"China's plan reflects the policy positions of BRICS countries and developing countries. Therefore, it enjoyed a very high degree of attention at the G20 Summit. This is also China's responsibility as a developing country," Zhu added.

The G20 Osaka Leaders' Declaration also said, "We reaffirm our support for the necessary reform of the WTO to improve its functions... We agree that action is necessary regarding the functioning of the dispute settlement system consistent with the rules as negotiated by WTO members. Furthermore, we recognize the complementary roles of bilateral and regional free trade agreements that are WTO-consistent."

Chen Jianqi, a professor from the Chinese Academy of Governance, explained that the G20 summit mechanism was set up when the world was hit by the financial crisis in 2008. It was then that the world realized that the Group of Seven formula, consisting of the seven big developed countries, was not enough to deal with the world's problems, so other major players were invited to take a seat at the table. The G20 was thus founded, accounting for two thirds of the world's population and over 85 percent of the world's GDP.

"Now, the G20 has become the premium forum of global economic cooperation and the world is now again at a crucial time for great transformation," Chen said. "China, with its firm stance and solid actions, has mapped out a way for the development of the world's economy and global governance." 

*(Reporting from Osaka, Japan)*



Chinese President Xi Jinping meets with U.S. President Donald Trump in Osaka, Japan, on June 29

# Xi, Trump Agree to Restart Trade Consultations, Set Tone for China-U.S. Ties

After two rainy days in the Japanese city of Osaka, Chinese President Xi Jinping and U.S. President Donald Trump sat down on June 29 for much anticipated talks on the future of China-U.S. relations and their trade frictions.

After greeting each other with firm handshakes, the two leaders talked for more than one hour and agreed to jointly advance a China-U.S. relationship featuring coordination, cooperation and stability.

They also clinched a deal to restart economic and trade consultations between their countries on the basis of equality and mutual respect, injecting much-needed confidence into the global economy and markets.

The U.S. side said it will not add new tariffs on imports from China. The two countries' economic and trade negotiating teams will work on specific issues.

The top-level meeting, which aimed at charting the course for one of the world's most important bilateral ties in the next stage, took place under global spotlight on the sidelines of a summit of the Group of 20 (G20) major economies in Osaka.

At the very beginning of their meeting, Xi recalled the start of "ping-pong diplomacy" in 1971 in Nagoya, Japan,

where Chinese and U.S. players had friendly interactions at the 31st World Table Tennis Championships.

Eight years later, the two countries established diplomatic relations in 1979.

Despite the great changes that have taken place in the international situation and China-U.S. relations during the past 40 years, "one basic fact remains unchanged: China and the United States both benefit from cooperation and lose in confrontation," Xi said. "Cooperation and dialogue are better than friction and confrontation."

China and the United States have highly integrated interests and extensive cooperation areas, and they should not fall into so-called traps of conflict and confrontation, Xi said.

He said that China is sincere in continuing trade negotiations and managing differences with the United States, but negotiations should be based on equality and mutual respect and address each other's legitimate concerns.

Also starting the talks with a vivid memory of his state visit to China in 2017, Trump said that trip is "one of the most incredible in my life."

The U.S. president told Xi that he harbors no hostility towards China and hopes

for better relations between the two countries.

Trump said that the U.S. side will work together with China to advance a U.S.-China relationship featuring coordination, cooperation and stability, expressing confidence that his meeting with Xi will give a strong boost to the development of U.S.-China relations.

The United States hopes to engage in consultations to properly settle the trade imbalance between the two countries and provide fair treatment for enterprises of both sides, said Trump, adding that he hopes China can increase imports from the United States.

Trump told reporters after the meeting that the U.S.-China trade negotiations are now "right back on track," a result which he considered "excellent" and better than expected.

Saeed Chaudhry, Director of Islamabad Council for International Affairs, saw the outcome of the Xi-Trump meeting in Osaka as "a sign of relief to the world."

"The U.S. administration must understand that they will lose, China will lose and then the whole world will lose if the two continue on the path of confrontation and resistance, but if they talk and cooperate, it would be a win-win situation of all," he said.

Zhu Jianrong, a professor at Toyo Gakuen University of Japan, said the results of the meeting showed the inseparable relations between the United States and China, and they will benefit from cooperation and lose in confrontation.

The two leaders kept in mind their responsibility as major countries and the benefit of the two peoples, and arrived at a decision to stop further escalating the trade war and to resolve differences through consultations, said Jin Jianmin, a senior fellow at Fujitsu Research Institute in Tokyo.

It is the first face-to-face meeting between Xi and Trump, after their last one in December in the Argentine capital of Buenos Aires, also on the sidelines of a G20 summit. **C**



Chinese President Xi Jinping and his wife Peng Liyuan take a walk with Kim Jong Un, leader of the Democratic People's Republic of Korea, and his wife Ri Sol Ju at the state guest house in Pyongyang on June 21

# Sealed by History

Xi Jinping's DPRK visit consolidates a historical relationship By Shi Yongming



The author is an op-ed contributor to Beijing Review and an expert on international studies

Chinese President Xi Jinping's recent two-day (June 20-21) state visit to the Democratic People's Republic of Korea (DPRK), coinciding with the 70th anniversary of the diplomatic ties between the two countries, was a major diplomatic action that consolidated the bilateral friendship and promoted a political settlement of the Korean Peninsula nuclear issue.

The visit was widely followed as it took place ahead of the Group of 20 (G20) Summit in Japan and against a backdrop of deepening trade friction between China and the U.S.

The state visit to the DPRK was the fifth time the two leaders have met in the last 15 months, demonstrating the two countries' readiness to work together for permanent peace on the Korean Peninsula.

At a critical period of the political dialogue on the peninsula, it is natural that promoting a political settlement has been an important part of the talks between the two leaders. Xi said his visit was aimed at consolidating and carrying forward the China-DPRK friendship and advancing a political settlement of the Korean Peninsula nuclear issue.

However, since the visit took place just days before the G20 Osaka Summit, some Western media alleged that China might use the DPRK as a card to ease the trade friction with the U.S.

For a long time, the diplomatic lexicon of the U.S. and some other Western countries has consisted of only two terms: self-interest and strategic gaming. Anything can be a bargaining chip for them. After the Cold War, despite the



Xi Jinping, General Secretary of the Central Committee of the Communist Party of China and Chinese President, and his wife Peng Liyuan, accompanied by Kim Jong Un, Chairman of the Workers' Party of Korea and Chairman of the State Affairs Commission of the Democratic People's Republic of Korea, and his wife Ri Sol Ju, watch a large group calisthenics and art performance at the May Day Stadium in Pyongyang on June 20

increasingly close economic ties between China and the U.S., the two nations find it hard to meet each other halfway politically. The U.S. regards China's policy toward the DPRK as part of its policy toward the U.S. In its thinking, China could play the "DPRK card" when it is needed.

But that is a misreading of China's diplomacy and the nature of China-DPRK relations. China has always conducted diplomacy in light of the public good. On the Korean Peninsula issue, China has always upheld the spirit of creating a community with a shared future for humanity and pursued the common security and development of all parties involved.

Under such a diplomatic framework, China would never use other countries as a bargaining chip. It conducts dialogue and consultations based only on a win-win spirit. Therefore, the development of China-DPRK relations has nothing to do with the state of China-U.S. relations.

It can be clearly foreseen that the

more stable China-DPRK relations are in the future, the more conducive it will be to establishing common security and lasting peace on the Korean Peninsula.

## Ties with long roots

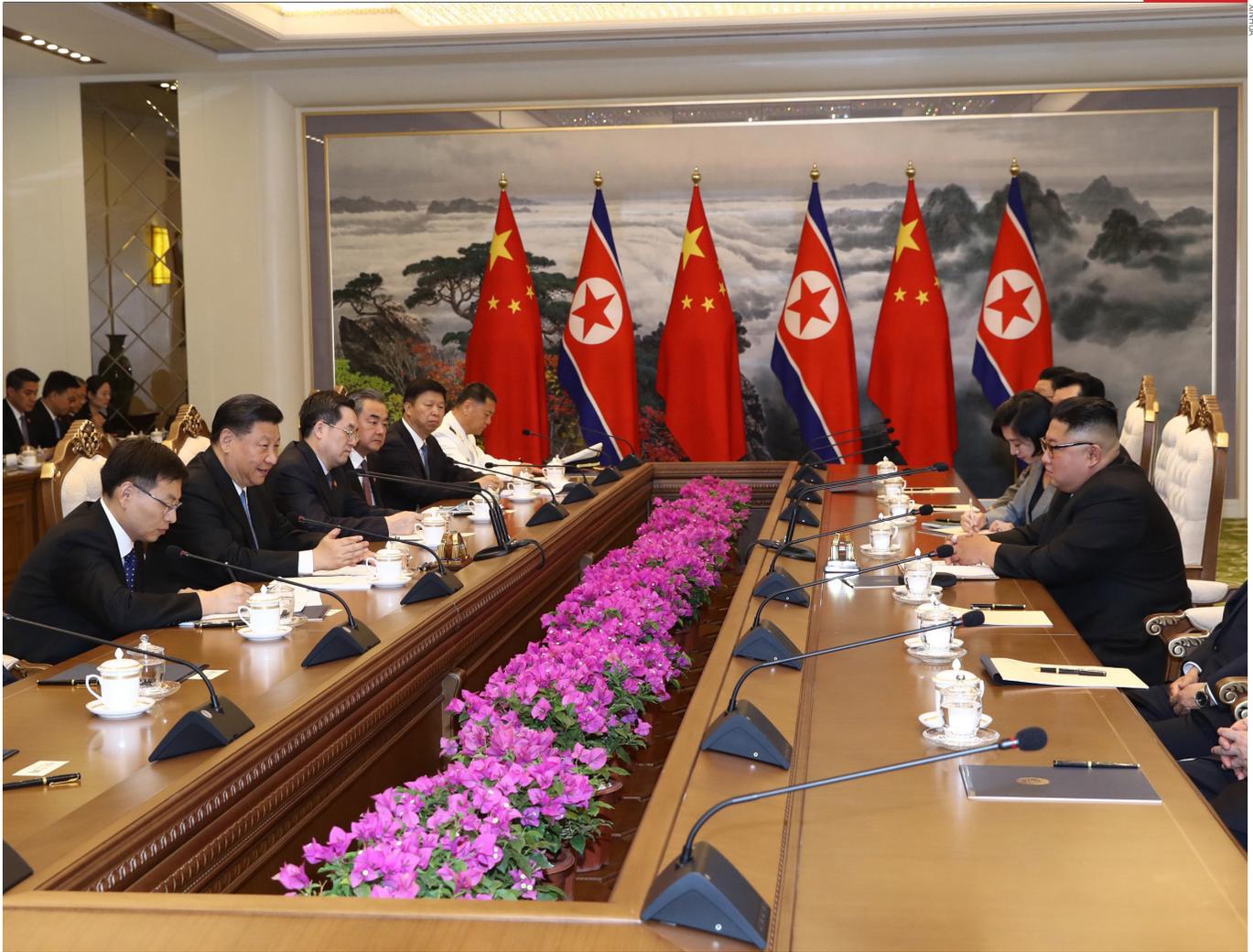
Historically, China and the Korean Peninsula have had close cultural and traditional ties since ancient times, with the two sides forming a kind of interdependency. In modern times, some Western scholars, seeking to rationalize the aggression of Western imperialism and drive a wedge between China and its neighboring countries, twisted the tributary system, where China was the central force. But the fact is that China and its neighbors developed a system featuring voluntary mutual political recognition, with security interdependence at its center. For instance, though the government of the Qing Dynasty (1644-1911) was forced by Western imperialist countries to sign unjust treaties with humiliating

terms, it nevertheless tried not to allow imperialist powers to interfere in the sovereignty and independence of the Korean Peninsula.

When the Western imperialist powers started to invade East Asia, this interdependence became more prominent. After the Sino-Japanese War (1894-95) and the Russia-Japan War in 1904-05, Japan, with the support of the United States, annexed the Korean Peninsula and used it as a springboard for further aggression against China. This remained unchanged until the end of World War II and the founding of the People's Republic of China (PRC) in 1949.

Unfortunately, during its liberation from Japanese control, the peninsula was divided into two countries. The northern part, the DPRK, recognized the PRC as soon as it was founded. With the establishment of diplomatic ties, a new chapter was opened in the relations between China and the Korean Peninsula.

The security interdependence was also



Chinese President Xi Jinping, also General Secretary of the Central Committee of the Communist Party of China, holds talks with Kim Jong Un, Chairman of the Workers' Party of Korea and Chairman of the State Affairs Commission of the Democratic People's Republic of Korea, in Pyongyang on June 20

reflected in the early 1950s, when the Korean War (1950-53) broke out. The U.S. military intervention in the Korean War not only endangered the survival of the DPRK but also threatened China. China came to the DPRK's aid to resist the U.S., which laid a strategic foundation for China-DPRK relations. Hence, the strategic ties between China and the DPRK were and continue to be a historical choice.

## Re-recognition of history

The end of the Cold War changed the international environment, as confrontation among countries began to be replaced by reconciliation and development. There was also a welcome rapprochement on the Korean Peninsula in the early 1990s. China established diplomatic relations with the Republic of Korea (ROK) based on reconciliation on the peninsula and across East Asia. However, the U.S. once again intervened with the nuclear issue as a pretext and blocked the reconciliation

process. Moreover, it continued to strengthen its military alliance with the ROK and escalate the scale of military drills in the region, further threatening the peace and stability of the peninsula.

The rising tension tested the development of China-DPRK relations. The two countries went through a complex re-recognition of the peninsula situation, orientation of bilateral ties and the strategies adopted by them. Amid the tension between the U.S. and the DPRK, China has stayed committed to maintaining stability on the peninsula, opposing bullying and irrational behavior, advocating common security and promoting a political settlement of the issue.

The firm stance and active diplomacy of the Chinese Government has not only prevented the situation on the peninsula from getting out of control, but also created favorable conditions for a political settlement. It has laid a new political foundation for the future development of China-DPRK relations in a complex new environment.

## A new trend

A new trend for a political settlement has emerged on the Korean Peninsula since last year. Relations between the DPRK and the ROK have improved and the leaders of the DPRK and the U.S. have held several rounds of talks.

The leaders of China and the DPRK held three meetings in less than three months last year. During the talks with Kim in June last year, Xi stressed that "no matter how the international and regional situations change, the firm stance of the Communist Party of China and the Chinese Government on consolidating and developing relations with the DPRK remains unchanged, the Chinese people's friendship with the DPRK people remains unchanged, and China's support for the socialist DPRK remains unchanged."

This assurance has undoubtedly laid a solid policy foundation for the steady and sustained development of China-DPRK ties. **C**

# A Way Back Home

Henan Province showcases China's success in revitalizing rural areas

By Ma Miaomiao



Song Tao (left), Minister of the International Department of the CPC Central Committee, and Wang Guosheng, Secretary of the CPC Henan Provincial Committee, speak at an event held in Lankao County of central China's Henan Province on June 28

**W**ang Qian quit her job three years ago and went back to her hometown of Zhecheng County in Shangqiu City, central China's Henan Province, where she set up the first rural online shopping service center supported by Chinese e-commerce giant Alibaba. In the beginning, she mainly helped villagers purchase goods on the Internet, but soon the business expanded to help them open online shops of their own and sell local products such as handicrafts and vegetables.

In the ensuing years of operation, the total sales volume of the service center has reached nearly 25 million yuan (\$3.68 million). Wang's business has attracted more than 40 migrant workers to come back home and has provided 300 new jobs for her fellow villagers.

"I was inspired by the policies issued by the Henan Provincial Government on promoting the development of e-commerce in rural areas, which encouraged aspiring entrepreneurs to return home to start businesses," Wang said at a thematic briefing on China's successful experience in rural revitalization.

Over the past four years, more than 1.3 million migrant workers have returned to their hometowns in Henan to start their own businesses, said Wang, adding that she was only one representative of

a huge group of people who have been willing to help local people climb out of poverty and live a better life. So far, their efforts have created 8.14 million new jobs for local residents.

The event, co-hosted by the International Department of the Communist Party of China (CPC) Central Committee and the CPC Henan Provincial Committee, was held in Lankao County on June 28. About 300 representatives of foreign political parties from 35 countries were invited. By showcasing how rural areas in China have been transformed and how people's lives in these areas have changed in recent years, the briefing aimed to help participants better understand China's rural revitalization strategy.

Heeding the call to pursue revitalization in rural areas, Henan has made great efforts as key measures have been adopted including strengthening rural-urban linkages, innovating agricultural production systems, expanding rural non-farming economic opportunities and boosting rural employment.

## Food security

As one of China's biggest agricultural provinces, Henan is home to some 50 million rural residents, making up nearly half of its total population.

President Xi Jinping, also General Secretary of the CPC Central Committee, during deliberations with deputies from Henan at the Second Session of the 13th National People's Congress in March, called for more efforts to implement the rural revitalization strategy with the chief goal of modernizing agriculture and rural areas.

Considering its ecological conditions, Henan has adopted new technologies when selecting excellent wheat varieties, using fertilizers after soil testing, and controlling diseases and pests. It has also formulated technical regulations on efficient, high-yielding wheat production.

At present, the coverage rate of improved wheat varieties and the comprehensive mechanization level of farming and harvesting in Henan are both at 98 percent, while progress in science and technology now contributes 61 percent to wheat production, said Guo Tiancai, a professor with Henan Agricultural University. Thanks to its high wheat output, Henan has not only solved the problem of feeding the approximate 100 million people in the province, but has also been able to provide other parts of China with more than 200 million km of raw grain and processed products every year.

With only one 16th of China's arable

land, the grain output of Henan in 2018 was 66.49 million tons, accounting for 10 percent of the total grain output in China. It also produced a quarter of the wheat output nationwide. In addition, agricultural products worth 16.9 billion yuan (\$ 2.49 billion) were exported to 137 countries and regions last year, according to official statistics.

The implementation of the rural revitalization strategy has helped give a new look to China's rural areas and improve the lives of many farmers, said Somphanh Phengkhammy, Vice President of the National Assembly of Laos, adding that China's experiences in poverty alleviation have provided a golden key to the world for reducing poverty.

## New opportunities

Jiao Yulu, a devoted local leader widely known in China, made Lankao famous. Jiao went to Lankao to work as secretary of the county's CPC committee in 1962 and led the people in combating sandstorms and floods until he died of liver cancer at the age of 42 two years later.

The economy in Lankao remained underdeveloped, and by 2014, 77,350 people still lived in poverty while the incidence of poverty was 10.6 percent.

It was not until 2017 that the county was removed from the list of impoverished counties. The people of Lankao found jobs in the booming instrument making and furniture manufacturing industries as well as in homestay tourism, and were awarded special loans for poverty alleviation. New businesses in Lankao have helped locals rise out of poverty and brought many back home.

Traditional culture and handicrafts are being preserved and carried forward along with progress in agriculture and the economy, which is a model provided by China in exploring how to balance the development of urban and rural areas as well as attracting more migrant workers to find new jobs and seize opportuni-



A delegate takes photo with a local artist in the Lankao Exhibition Center in Henan Province on June 28



Delegates attending a thematic briefing on China's successful experience in rural revitalization visit the Lankao Exhibition Center in Henan Province on June 28

ties in their hometowns, said Alejandro Chacon, President of the House of Representatives of Colombia, after conducting field studies in Henan. "China has been able to solve major problems by pooling resources and efforts, and it is a great achievement to bring tens of millions of people out of poverty with actions including industrial development and job creation," he said.

Haotang Village in Xinyang City shares a similar story. With policies encouraging house renovation, living conditions and the ecological environment have been improved and the village has transformed itself into a destination for homestay

tourism. The opportunities and income brought about by the development of the rural cultural tourism industry have benefited the local people.

Mathieu Simplicie Sarandji, former Prime Minister of the Central African Republic, said rural revitalization is a Chinese solution that the CPC provided to a worldwide problem of imbalanced development between urban and rural areas, which reflected Xi's foresight.

"How to revitalize rural areas is a problem facing many countries around the world; developing countries should learn from China about how it has handled this problem," he added. **CI**

# A Clear Stance

White paper clarifies China's position on trade talks with the U.S. By An Gang



The author is a researcher with the Chinese Academy of International Trade and Economic Cooperation

Sino-U.S. trade negotiations took a sharp downturn at the beginning of May. The Donald Trump administration accused China of “breaking the deal” reached before and increased tariffs on Chinese goods worth \$200 billion from 10 percent to 25 percent. Moreover, the U.S. Trade Representative’s Office is currently taking public comments on another tariff hike on \$300 billion worth of Chinese goods, which could go into effect as early as late June.

Coupled with trade friction is the intensified U.S. suppression of Chinese technology industries. On May 15, Trump signed an executive order declaring a national emergency and prohibiting all U.S. enterprises from using telecommunications equipment made by companies that are deemed a threat to national security. This was a substantial

step toward cutting off the supply chain between Chinese telecommunications giant Huawei and its U.S. customers. Thus, the U.S., armed with trade friction and a “technology war,” has unleashed cut-throat competition against China.

Facing mounting and aggressive pressure from the U.S., China responded with a combination of countermeasures. It slapped duties of 10 percent, 20 percent and 25 percent on different U.S. goods worth \$60 billion starting on June 1. In addition, the Ministry of Commerce announced on May 31 that the Chinese Government will establish a list of unreliable entities. Foreign enterprises, organizations and individuals that do not comply with market rules, violate the spirit of contracts, block or cut supplies to Chinese firms with non-commercial purposes, and seriously damage the legitimate rights and interests of Chinese enterprises will be added to it.

As the world’s largest producer and supplier of rare earth minerals, key components of smartphones, jet engines and cameras, China could cut off supplies that are needed by huge swaths of the U.S. economy if it finds it necessary. An official with China’s National Development and Reform Commission made it clear that if anyone were to use products that are made with the rare earth minerals that China exports to curb China’s development, the Chinese people would not be happy.

It is clear that China’s countermeasures aim to defend it. “China is open to negotiations, but will also fight to the end if needed,” stated a recently issued white paper titled China’s Position on the China-U.S. Economic and Trade Consultations. “China will act rationally in the interests of the Chinese people, the American people, and all other peoples around the world,” it continued. “Guided by a spirit of mutual respect, equality and mutual benefit, the two countries should push forward consultations based on good faith and credibility in a bid to address issues.”



A press conference is held at the State Council Information Office in Beijing on June 2 to issue the white paper, China’s Position on the China-U.S. Economic and Trade Consultations

## Core concerns

Chinese Vice Premier Liu He, also head of the Chinese team during the China-U.S. Comprehensive Economic Dialogue, raised three concerns from the Chinese side after the 11th round of trade talks. In fact, failing to reach consensus on these three concerns was the major reason for the breakdown of this round of negotiations.

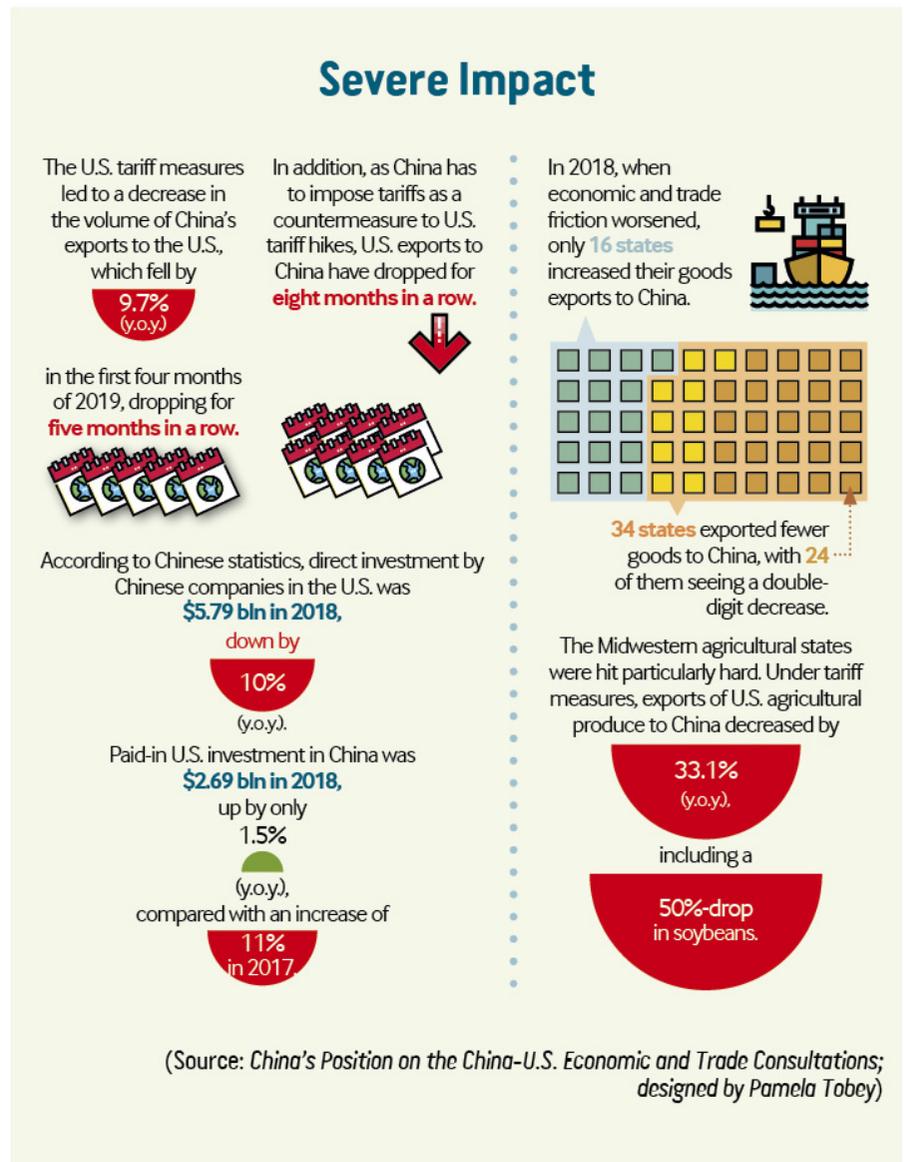
First, China called on the U.S. to remove all additional tariffs imposed on Chinese exports. Since these tariffs are the starting point of bilateral trade friction, they should all be lifted when an agreement is reached. Second, China's purchase of U.S. goods should be realistic. The U.S. should not ask for high prices or make purchase demands impossible for China to satisfy. Third, a proper balance should be struck in the text of the agreement.

The white paper reiterated China's position on these concerns. "Both China and the U.S. should see and recognize their countries' differences in national development and stage of development, and respect each other's development paths and basic institutions. While no one expects to resolve all issues in one single agreement, it is necessary to ensure that an agreement satisfies the needs of both sides and achieves a balance."

Chinese President Xi Jinping and the U.S. president are likely to meet on the sidelines of the Group of 20 Summit to be held in Japan at the end of June. The meeting is expected to play a role in managing and controlling bilateral differences and friction, but is unlikely to produce an agreement. Since tensions are flaring not only in economic and trade relations but also in overall bilateral ties, the window of opportunity for China and the U.S. to reach an agreement might not reopen until the Asia-Pacific Economic Cooperation forum at the end of the year. It is thus anticipated that China and the U.S. will engage in negotiations while fighting as trade friction becomes a longstanding issue between the two countries.

## Strategic adjustment

Actually, the more severe challenge China faces is the U.S. adjustment of its



strategy toward China. The Trump administration, controlled by hawkish and right-wing forces, unveiled its new National Security Strategy and other guiding documents more than a year ago, where China was defined as its biggest "strategic competitor." From then on, all U.S. government departments joined in efforts to contain China on all fronts.

The White House encouraged various administrative branches to make policies and initiate actions to strengthen the containment of China. In the framework

of the so-called "Indo-Pacific Strategy," the U.S. military continued to mount strategic containment against China around its periphery in an oppressive and provocative manner, leading to more confrontations in the western Pacific, especially in the South China Sea, with the possibility of armed conflict rising. On May 7, the U.S. House of Representatives passed the Taiwan Assurance Act of 2019 without objection, indicating the country's further departure from its one-China policy.

## Huge Potential

According to China Customs, trade in goods between China and the U.S. grew

from less than **\$2.5 billion** in 1979 to **\$633.5 billion** in 2018, a 252-fold increase.



In 2018, the U.S. was China's **largest** trading partner and export market, and the **sixth largest source** of imports.

According to the U.S. Department of Commerce, in 2018 China was the **largest trading partner** of the U.S., its **third largest export market** and its **largest source of imports**.

During the 10 years from 2009 to 2018,



China was one of the fastest growing export markets for U.S. goods, with an annual average increase of **6.3 percent**.



According to Chinese figures, two-way trade in services rose from **\$27.4 bln** in 2006 to **\$125.3 bln** in 2018, a 3.6-fold increase.

China's services trade deficit with the U.S. reached **\$48.5 bln**.

Over the past 40 years, two-way investment between China and the U.S. has grown from near **zero** to approximately **\$160 bln**.



According to the Chinese Ministry of Commerce: By the end of 2018, accumulative Chinese business direct investment in the U.S. exceeded **\$73.17 bln**.

The paid-in investment by the U.S. in China was **\$85.19 bln** by the end of 2018.

In 2017, the total annual sales revenues of U.S.-invested companies in China were



with profits exceeding **\$50 bln**.

(Source: *China's Position on the China-U.S. Economic and Trade Consultations*; designed by Pamela Tobey)

Earlier, Chinese strategists believed that cold war between the two countries could be avoided. Now, they hold that some form of cold war may be imminent and a technology cold war, which is much worse than trade friction, is actually happening. More experts now believe that the U.S. strategy toward China has fundamentally changed. The U.S. strategic adjustment toward China was not Trump's personal choice, but a cross-party, cross-term and long-term strategic decision to suppress China's development so as to maintain absolute U.S. superiority.

Going forward, the competition between China and the U.S. will be neither simply about interests nor geo-political gains. Instead, it will be a race between two development models, values and orders. Even if a trade agreement can be

reached, it will not be the end of bilateral trade and economic friction, but only the start of a larger-scale and longer-term game.

## Strong willpower

The U.S. demands in negotiations are not realistic, including the purchase of U.S. goods far beyond China's capability, extensive revision of China's domestic laws and acceptance of U.S. supervision and verification. Such requests touch on China's core interests. China has to persist in a two-way balance, resist pressure from the U.S. through countermeasures, fight on different fronts such as trade, technology and other fields, and accumulate strength. China will also enhance its fundamental research capability for

indigenous innovation and nurture the domestic market as it turns pressure into opportunities.

By doing so, it will transform its own development and international cooperation model. In this sense, the trade friction and technology war initiated by the Trump administration are helping forge consensus among the Chinese on the U.S. and giving rise to a strong cohesion for powering the country forward.

As it encounters extensive changes from economic to security areas in both domestic and external arenas, what China needs most is solid willpower and reform momentum. After several rounds of pressure tests, China's confidence in coping with the trade friction and its derivatives is recovering. The white paper pointed out, "The fundamental solution to economic and trade tension is to grow stronger through reform and opening up."

It also stressed China's confidence. "With the enormous demand from the domestic market, deeper supply-side structural reform will comprehensively enhance the competitiveness of Chinese products and companies. We still have sufficient room for fiscal and monetary policy maneuvers," it reassured. "China can maintain sound momentum for sustainable and healthy economic development, and its economic prospects are bright."

The real problem is that the battle between China and the U.S. on economic and technological fronts is increasingly being translated into restrictions on Chinese companies and products. Even if the confrontational situation is reversed with the conclusion of a trade agreement, the negative impact is not likely to be eliminated. U.S. restrictions on Huawei forced the latter's backup chip company to come to the rescue. The ensuing changes in the supply chain, as well as the measures and countermeasures taken, will be long lasting, fueling a decoupling of the world's two largest economies. As a result, the global industry is gearing up for a fresh global operation model. **CI**



Builders work on the Sichuan-Tibet Railway in Zhanang County, southwest China's Tibet Autonomous Region, on June 6

## Window in the Southwest

Rich in historical legacies, fast-developing Tibet helps forge stronger connections with South Asia By Sudeshna Sarkar

In Lobsang's sunny living room furnished with Tibetan-style intricately carved and painted wooden sofas, three items have pride of place. One is a certificate of merit from the People's Liberation Army where the 66-year-old served for seven years; the second is a photograph showing him attend-

ing a meeting with government officials in Beijing, wearing his traditional Tibetan jacket and hat.

But it's the third object that catches the eye of visitors to the house of the richest man in Trashigang, a small village in Tibet Autonomous Region in southwest

China. It shows an adorable little boy in the arms of a smiling visitor, surrounded by beaming villagers. The visitor is Xi Jinping, President of China.

"President Xi visited our village on July 21, 2011," Lobsang said with pride. "My grandson was 3 years old at the time." ▶▶

## Rapid development

In a way, the photograph and the Lobsang family represent the rapid development in Tibet in the five decades since the autonomous region was founded in 1965. From an impoverished farmer's son who became a car driver and then started a transport and homestay business spurred by government policies for entrepreneurs, Lobsang turned to construction, and the boom in infrastructure made his business prosper. Today, he owns six vehicles and his annual income is about 400,000 yuan (\$58,000).

The photograph of his grandson in Xi's arms has become part of the region's archival records. It can be found at the exhibition in the No.2 Primary School in nearby Nyingchi City. Established in 1971, the school boasts extraordinary educational resources. Besides a playground with a first-class track and field, there are flat-screen computers and multimedia equipment in classrooms to make the lessons interesting and the children digitally attuned. The music rooms have an abundance of small pianos and the laboratories and art rooms are equally rich in paraphernalia.

Visitors to the Museum of Natural Science in Lhasa, Tibet's capital city, will run into the photograph again if they visit the memorial hall on the upper level. Opened on March 28, the hall chronicles Tibet's important events including the abolition of serfdom in 1959 and the

photo is there again as an image from the new era. The amazing videos in the hall using animated full-sized figurines and 3D cycloramas show the technological advancement.

These were some of the developments showcased by the Forum on the Development of Tibet, China, held in Lhasa on June 14 and hosted by the State Council Information Office and the Tibet Autonomous Regional Government. The sixth session of the forum, this year's event focused on opening up the autonomous region as part of the Belt and Road Initiative.

"Tibet will seize the opportunities for development... and conduct extensive international exchanges and cooperation," Xi said in a congratulatory message, highlighting Tibet's readiness to step up interaction with the rest of the world.

As part of that, the autonomous region has beefed up its transport and communication network, said Qizhala, Chair of the Tibet Autonomous Regional Government. After the nearly 2,000-km Qinghai-Tibet Railway—Tibet's first railway and an engineering marvel that opened in 2006, connecting Lhasa with Xining, a city in Tibet's neighboring Qinghai Province—the second railway linking Tibet with other parts of China is in the works. The Sichuan-Tibet Railway will link Lhasa with Chengdu in southwest China's Sichuan Province, covering 1,700 km in 13 hours. There are five airports on the roof of the world, served by 10 airlines

with 96 routes, while Tibet's road network has crossed 97,000 km.

## Cross-border connection

Now the more ambitious plan is to extend connectivity across borders. As Vjaceslavs Dombrovskis, a member of parliament from Latvia and Chairman of the Group of Cooperation Promotion Toward China, said, "Development needs trade, and distance kills trade." To bridge the distance between China and its neighboring countries in South Asia, several multinational connectivity projects are on the anvil.

One is a railway that will run from Xigaze, Tibet's second largest city, almost up to Kathmandu, capital of Nepal, Tibet's largest border trading partner. Once this arduous engineering feat through high-altitude, difficult terrain is accomplished, the plan is to extend the railway all the way to Nepal's southern border, close to India.

China and India, two of Asia's largest markets, are common elements in several South Asian networks. China has proposed an overland economic corridor that would connect China, India and Nepal, said Wang Yanzhong, Director of the Institute of Ethnology and Anthropology at the Chinese Academy of Social Sciences. The China-Nepal-India Economic Corridor would build a multi-dimensional, tri-national network of dry ports, railways, roads, airports, electricity grids and telecommunications networks.

Another connectivity project, the BCIM, is the blueprint of an economic corridor linking Bangladesh, China, India and Myanmar. Then there is the Himalayan Economic Rim that will connect dry ports in Tibet with Nepal, India and Bhutan.

However, as Wang pointed out, infrastructure is expensive. Only when China and India are more deeply integrated, can the China-Nepal-India corridor make headway, he said.

There lies the crux of the matter. According to the experts at the forum, a huge degree of mutual trust is needed to make the projects materialize. But in South Asia, they said this trust is missing, mainly between India and China, given their historical border spats. And this is where Tibet has a significant role to play.

Tibet, once part of several trade routes like the overland ancient Silk Road and the ancient Tea Horse Road, was an important passage to South Asia. Traders and travelers carried famed Chinese products like tea, silk and porcelain and philosophies like Confucianism and Taoism to South Asia through Tibet,

## Support For Tibet Autonomous Region

(1 yuan=\$0.147)

It is estimated that financial aid from the central budget totaled

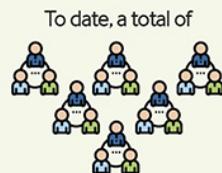


**1.24 trillion yuan**

from 1980 to 2018,  
making up



of Tibet's financial expenditure.



**18,000**

officials and professionals  
from supporting provinces  
have been involved in the  
assistance campaign.

More than



**10,000**  
projects

are receiving support,  
representing a total  
investment of over

**40 billion yuan.**



(Source: *Democratic Reform in Tibet—Sixty Years On*; designed by Pamela Tobey)



A guide shows visitors around the Potala Palace in Lhasa, capital city of southwest China's Tibet Autonomous Region, on June 13

while South Asia sent local specialties and Buddhism, enriching each other and creating deep trade and cultural ties.

"Tibet can be a platform to generate trust," said Octavio Ramos Lazcano, a former consultant with Mexico's Chamber of Deputies, its lower legislative house.

According to Qizhala, Tibet will continue to build infrastructure, implement a one-stop clearance system to facilitate trade and investment, and promote cooperation in industries and e-commerce. The local government will help Chinese banks set up branches in other countries and banks from other countries to set up shop in Tibet.

## A green Silk Road

Underpinning the opening up will be environmental protection and the development of clean energy, which can be

imported to neighboring countries, creating a green Silk Road with a low-carbon economy. "The Himalayas have never been a barrier but a passage of friendship," Qizhala said. "If our hearts come closer, we won't be afraid of mountains and seas."

While Tibet can play a key role in linking China with South Asian countries closer to build infrastructure, culture, healthcare and people-to-people links, the experts also pointed out the challenges. The most discussed one comes from climate change worldwide and its possible impact on Tibet's fragile environment.

The government is aware of the danger and measures are being taken to protect the ecology of the world's last virgin land, especially the air, water, soil and green cover. According to data from the Chinese Academy of Sciences and environmental protection departments,

Tibet is one of the regions with the best ecological conditions in the world, with most areas retaining their pristine state. Its large number of nature reserves, national forest parks and wetlands form an environmental protection network.

Since 2001, the government has spent 31.6 billion yuan (\$4.71 billion) on eco-compensation, such as compensating herders for not overexploiting grazing grounds, to conserve ecological reserves.

Liu Yawei, Director of the China Program of the Carter Center in Atlanta in the U.S., raised a socio-political issue: the West's perception of Tibet. "Tibet has a population of less than 4 million but figures very large in global imagination," he said. "It has become a paradise in living conditions but that hasn't penetrated the Western mind. If the Western narrative of Tibet remains unchanged, Tibet can't play its role to the full." **CI**