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THE CHINESE ECONOMY TODAY

THE PERSPECTIVE OF
RENOWNED CHINESE EXPERTS



Looking at the World from Within: anybody but China?

China-Brazil Seminar

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A binary world?

- Seemingly there is one in formation
 - “Democracy vs autocracy”, as framed by the Biden Administration
 - Endorsed in 2021 G7 communique (COVID, climate, China)
 - Australia, India and South Korea invited to G7
 - Age of ‘small group diplomacy’ ‘long gone’, as per Chinese embassy in London
 - China and US diplomats’ on-camera exchange at March 2021 Alaska meeting
 - The U.S. side frames its policies on Hong Kong, Taiwan and Xinjiang as “global issues”
 - The Chinese side rejects treating U.S. policy preference as “rules-based international order”
 - From Pivot/Rebalancing to Asia to “free and open Indo-Pacific”
 - An economic equivalent in the making?
 - On Taiwan, difference between “one China principle” and “one China policy” is getting sharper
 - Taiwan’s bottom line choice holds the key

How binary is it, really?

- Basic tenets of seventy years of Chinese economic diplomacy
 - Emphasis on autonomy during Cold War
 - Alliance with the Soviet Union ended in early 1960s
 - Tactical support of South-South Cooperation and Non-aligned Movements
 - Trade with Japan and Western Europe before normalization of ties with the West
 - ‘Club of One’ after embarking on reform and opening
 - Completed repayment to IMF in 1992
 - Insisted on APEC being a forum
 - Reciprocal most-favored nation (no preferential treatment) in bilateral arrangements for trade
 - Exploratory attempts at multilateral arrangements
 - The AIIB is after all multilateral financial institution
 - The BRI is bilateral in nature

Structural underpinning of China-US Economic Ties

- A Function of Global supply/value chains
 - “Factory for the world” a continuation of pattern in regional shifts of production
- Pursuit of secure/indigenous and controllable technology service
 - ICT, in particular
 - A historical precedent: Federal Telegraph Company and the Radio Corporation of America, in China, 1916-1941
- Absence of bilateral treaties
 - Case-by-case approach
 - Joint Commission on Commerce and Trade (JCCT), since 1983
 - Both countries in all key multilateral treaties on intellectual property
 - From Paris Convention of 1883 to Patent Cooperation Treaty of 1970

Persistence of mutually assured suspicion

- Chinese memories of U.S.-led economic blockade 1950s-1960s
 - US intervention in Canadian wheat sales to China, 1961-1963
 - China's termination of grain import agreement with the U.S. 1982
 - “Five eye” surveillance of China, before and since digital age
- For the U.S.: China does as done to?
 - In high tech, change from Trump years of ‘push back’ to ‘run faster’ under Biden
- ICT and cross-border data transmission
 - Data services by nature monopolizing
 - Shallow level of cooperation in judicial matters
 - Digitization technologies enhance criticality of data storage
 - Fate of Huawei/ZTE/Tik Tok: thinness of U.S. data service in China a possible cause

Geopolitics-driven shifts of supply chains

- Not new in U.S. approach
 - NAFTA done in tandem with shift from GATT to WTO
 - CIFIUS first created to deal with inflow of German/Japanese investments
- “China +1” a strategy for many investors since the early 2000s
 - Alternative destination’s capacity to synergize with regional/global production holds the key
- Worries about systemic effect from Chinese outward investment
 - Highlighted in Australia’s FIRB treatment of Chinese SOEs
- Laws of economic geography outweigh geopolitical urges
 - Soybean trade, for example

What's China likely to do?

- Self-reflection and self-change in approaches to diplomacy
 - One recent example: make China “trustworthy, lovable and respectable”
- Prevent self-inflicted mistakes
 - “Internal circulation” has its limits, as shown in warnings against “internal grinding” (内卷)
- No demanding of a third country to choose between China and the US
 - Examples: COVID vaccine cooperation with Brazil
- Encourage early ratification of RCEP
 - Does an ‘early harvest’ approach make sense?
- Keep persuading the EU to approve the CAI
 - On labor rights, China does not have to wait until EU approval
 - Improvement in labor rights protection should apply to all ethnicities, the Han included

China and South America

- Shared challenges
 - Escaping the ‘middle income trap’
 - Gaps in perception about who in international competition
- In handling shifts in production, focus on market and societal-level readiness
 - Do not make it country-based
- Enhance cooperation in connectivity
 - Technical standards, customs procedures, etc.
 - Take advantage of progress in digital technologies
- Practice and encourage fortitude based on recognition of “neighbors who won’t move away”, in spite of geographical distance