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Transcript

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## CHINA IN THE WORLD PODCAST

Host: **Paul Haenle**

Guest: **Chen Dingding**

Episode 111: U.S.-China Tensions over Trade and  
Technology

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**Haenle:** Today I'm delighted to welcome back doctor Chen Dingding, professor of international relations at Jinan University in Guangzhou, and nonresident fellow at the Global Public Policy Institute in Berlin. Dingding previously taught at the University of Macau, and he founded 3 years ago a new independent think tank called Intellisla dedicated to international affairs in China. He has served as visiting instructor in the government department at Dartmouth and a China in the World program fellow at Princeton University. He earned his masters and PhD at the University of Chicago. It is wonderful to have you back, Dr. Chen Dingding.

**Chen:** Thank you very much, Paul, it's nice to be back.

**Haenle:** Dingding, the last time we spoke after this podcast, shortly after the election of Donald Trump, it was a transformative development in international relations, the election of Donald Trump. And you were one of very few number of Chinese scholars to accurately predict that he would win the US presidential election. When we spoke about the election at that time, you were of the view that the election of Donald Trump could be either very bad for China and US-China relationship or could be very good. We have a year and a half now into the President Trump administration. What is it?

**Chen:** Well Paul, thank you, that's a very good question. Actually, um, as you said, we have been a year and a half almost with the administration. And unfortunately, I would say things are looking in the direction of we are going to be very bad for US-China relations. I mean President Donald Trump is going to be very bad for US-China relations. But I also would say it's not just President Donald Trump as many people have already pointed out in many different ways, US-China relations back in 2015 were already at a tipping point according to Mike Lampton and many other famous scholars. So yes you could say maybe Donald Trump is playing a facilitating role in the sense that he is stepping up the gas and putting US-China relations in a sort of speeding mode in the wrong direction of course, not in the good direction. SO I would say both structural factors and individual factors including Donald Trump are affecting US0 China relations in a negative way, but—

**Haenle:** So looking at the relationship, a little more focused, what are the things in your view that are moving in a negative direction what are the things on top of the list? Obviously, we've got trade, which everyone is talking about today, but what's your view on that?

**Chen:** Not so much worried about trade, if it is only a trade issue, because a trade issue can be relatively speaking resolved by both sides as long as they can reach some sort of consensus or agreement with regard to how to divide the benefits of trade. So maybe that's strictly an economic issue. But what's really worrying me or maybe some other people is the grand strategy perspective that both countries are now adopting, that also seem to be in different directions. And those directions I think are a result of both domestic—in the US and in China—developments and also international factors.

**Haenle:** How do you see the grand strategy of President Trump in terms of his views on foreign policy. Where do you see—what do you see as the main components of that?

**Chen:** I think—I agree with many people here that he—or the US government—may not have a coherent or even incoherent grand strategy, they only respond to daily crises or events in a very spontaneous way—I agree with that. But I also think that the US government—the US perspective or the Donald Trump perspective, has maybe one very clear idea that is “America first.” So whatever he is doing or will do in the future, will come from this perspective. That means whatever he will do, will or must ensure the national interest of the US, not other countries, including some of the traditional allies of the US, like Japan or Europe Canada or Mexico. So I think maybe that's not a strategy, but maybe you could call it—that's a principle, or a principled idea or something like that. So that's my understanding of the US.

**Haenle:** You mentioned there may not be coherency, and I would agree with you. It often seems that the leadership/the cabinet secretaries of the different agencies whether you have General Mattis or previously Rex Tillerson at state, seemed to be moving in one direction and Donald Trump has other inclinations maybe moving in a different direction. I mean a great example is this recent meeting with President Putin—the kind of things that President Trump talked about seemed to be very much in contrast with what his DNIs—Directors of National Intelligence—are telling him and what other cabinet secretaries—you almost have the situation where you have the administration moving in one direction and Donald Trump moving in another direction. Does it seem that way to you from a Chinese perspective? When you talk about that incoherence what are you referring to?

**Chen:** I think that's part of that but also my understanding is that a lot of the Chinese analysts do not see that the same way as many outsider analysts or American analysts see Donald Trump. They believe that yes, this is true, a lot of internal turmoil or whatever different signals, contradictions within the government. That's true, but that does not in a very broad way change or affect US attitudes toward China or US strategy toward China. Because like I said 3 years ago, famous scholars like Mike Lampton and others were already talking about tipping point and as of today I think, at least within China, there is this consensus that American analysts or American scholars or American elites have reached a consensus with regard to China, which is maybe they have different technologies, but I think the main message is as the most recent essay in Foreign Affairs demonstrates, this is a reckoning moment in the US strategic community with regard to China.

**Haenle:** This is the Kurt Campbell and Ely Ratner piece.

**Chen:** So something—so basically, that may be a misperception but, in the Chinese community they believe this is the emerging consensus in the US, so the main message is we should be

different toward China, still old engagement policy or old, whatever policy maybe, you know, has never worked or will never work again. So we need a new policy. We need a new approach to China. What is the new approach people are still debating? But that attitude has already changed.

**Haenle:** Yeah, you know a few of the things that you hear in the US debate when you're talking about US approach to China, some argue it hasn't worked. Obviously, the trade and the economic relationship is one area people point to that say it needs to be, you know, fundamentally recalibrated, that it's gotten quite out of whack, and you know, that there's not enough reciprocity, fairness. These are the kind of descriptions that you hear. President Trump now has launched fifty billion in tariffs threatening another two hundred billion. That's an awful lot for China to take on. It—China can't actually respond in a tit for tat way because the US doesn't export two hundred fifty billion dollars worth of products to China. How might China respond then? If it doesn't have enough for a tit to tat retaliation?

**Chen:** we are looking at a different numbers here, according to one estimate. Of course, this is debatable (**Haenle:** Yeah.) between different scholars and analysts. One estimate would say the Chinese trade surplus with the US is actually much smaller than the number suggested by many people: around more than three hundred billion US dollars. The real number could be between hundred or hundred fifty billion US dollars, which again is a big number, but not as scary as the three hundred billion number. And also you need to include the amount of service trade, not just the goods trade between US and China. When that is included the US actually has a surplus with China because all the service companies are doing very well here in China, so on and so forth. But I agree with you: if we follow the strictly follow strictly the you know, tit for tat strategy (**Haenle:** Yeah.), then China would have no cards to play. Because—

**Haenle:** What in your sense is—dwould make the Trump administration happy. What is in your view, what does China need to do in order to satisfy US requirements here? What are the main complaints?

**Chen:** I think in my view, two things might satisfy Trump or his staff member or his cabinet member, because they have different priorities. (**Haenle:** Yeah.) Goes in minds. One is obviously the trade number. Of course, I think the trade surplus number—

**Haenle:** Just for focusing on the trade deficit, right? Even though economists say that's not an accurate metric to you. I mean, it's not an accurate—it doesn't work in a world of global supply chains. Look at a bilateral trade deficit, but do you think that would satisfy him if China bought simply bought more products? Although Liu He had just recently went over and apparently they struck a deal right? Where China would buy a hundred plus billion more products from the United States? That didn't seem to work?

**Chen:** Uh, yes. But they—I believe from now on they are going to negotiate again between now and mid-tember—mid—election in November. They're going to negotiate in some sort of deal. My

personal view is that will actually emerge between now and then. But how long that deal can hold and all satisfactory that deal might be for—

**Haenle:** But Liu He had agreed to buy already hundred plus billion worth of products. Why do you think it got off track? I mean, I ask because I am unclear as well. (**Chen:** *laughs*) And if that's really what Trump wants, then why did the administration walk away from it and launch you know, what it's recently launched.

**Chen:** I think it could be two reasons. One is because the deal itself was not good enough. (**Haenle:** I see.) Maybe the US or maybe the President Trump was looking for a better deal, which is often he's slogan you know, I want to get the best deal, not just a good deal. Also, the second reason could be the deal itself was a kind of wake right? You promise to buy over a hundred billion US dollars for goods. But over how long how many years and in what sectors in what industries? (**Haenle:** Not detailed enough.) Right, not detailed enough.

**Haenle:** You mentioned a second issue that you thought would satisfy the US, in addition to buying—China buying more products. What would the second issue be?

**Chen:** I think that's what China has been doing little bit right now, which is to open the markets more to outside investors. (**Haenle:** Market access.) Market access and broadly speaking, market access but also more transparency in terms of domestic economic policy making—it's about rules uh as well. So I think those things maybe are not likely the grand you know things that might, you know, grab headlines, but they can add up and really change the calculus.

**Haenle:** These are the set of issues about China joining the WTO in 2001 and still having relative—most, you know, many of their markets closed off to outside competition from the US and other actors. And I agree with you: I think that for many in the administration, especially I would argue probably Lighthizer in the USTR is one of his issues. The other issue of course and you were on a panel today at the Qinghai University international relations symposium on the issues related to China's industrial policy. Specifically, China's Made in 2025—Made in China 2025 industrial policies. And the panel I think you were on, looking at the issues of intellectual property theft and forced technology transfer, and this specific policy Made in China 2025—two examples that also, I would argue, figure into the ongoing US China trade dispute. Can you, I mean, what is your sense on that? How serious is this from this complaint from the American side and others in Europe? And some in Asia here? And how does China see this issue with respect to its own industrial policy?

**Chen:** China thinks industrial policy is a legitimate tool by the government to promote its growth or national development. China often thinks other countries like Germany, Japan, they have been doing that industrial policy for a long time. They're still doing that to varying degrees of course. So in China's view, industrial policy is not a wrong thing to do it's legitimate. It's a legitimate tool for the government to promote its growth in the national development. And China feels that the

other side or US or other international actors are targeting China's industrial policy for some other purposes. But of course, China's industrial policy, including some of the new developments such as artificial intelligence, are heavily promoted by the government, partly because they believe that's the future—that's going to drive China's economy, surpassing other economies. So they have to use the national power to promote this new industry, because otherwise, no market no capital would be risky enough to invest.

**Haenle:** So I wanna ask you about artificial intelligence before I do that, let's go back for a second to Made in China 2025, because one of the arguments in the US and in Europe is that subsidies given by the Chinese state to these companies is—gives these companies an unfair advantage in the international market in terms of competing and that China has the ability often to go in and buy high tech companies abroad. They can outbid other competitors because they have the huge Chinese state behind it. How do you see that issue?

**Chen:** Well, I think it has two components here. One is what are legitimate, what are the legitimate means for a state or a country to promote its national power. So here is a debate: one school, maybe the Western school to say you cannot use subsidies or too much subsidies to promote your industries or national development and other school would say we do whatever we like because we are a one state, we are one government, we do whatever we like as long as you know this would win some of the you know technological developments or battles, whatever you wanna call it. So I think here is a very deep philosophical question. So what are the boundaries between the state and the market? And of course we have terms like state capitalism something like that or socialist market economy, something like that. So I think the fundamental question is that the boundaries are not clearly defined. So we have this debate right now, but I think the solution might be as long as we follow some clear and specific rules then maybe both sides can find satisfaction in this regard.

**Haenle:** I think you've you know you've clearly sort of narrowed in, I think, one of the one of the fundamental areas attention right now in you know, the trade relationship with the United States and between the United States and China. And also, I think China and Europe. And you can see that because the first tranche of tariffs that the administration came out are many of those are sectors related to areas in Made in China 2025's industrial policy. And so it's seen in the US as an effort to offset the advantage that the Chinese state is giving those particular companies. You mentioned artificial intelligence and I wanna conclude by talking to you a little bit about this, because at Carnegie-Tsinghua Center, we're going to launch soon a program on technology and international affairs, how technology and innovation and the impact of those developments on the area of international affairs, something you follow very closely. I just want to ask you a little bit about artificial intelligence. (**Chen:** Mhm.) We hear this often raised in the context of the US China relationship. You hear some people say this will be an area for great collaboration between the US and China. And then you hear some say this is an area where we're going to compete or potentially have conflict in the future. How do you see this?

**Chen:** Paul, that's a very, very good question because I very much agree with you. Technology seems to be maybe one of the deciding factors in the future, competition and cooperation between states and certainly China and the US are included in this scenario. And to be honest, we don't know, because this technology is maybe so new, it is developing so quickly. We don't even know what would happen five years from now; we certainly don't know what would happen at twenty years from now with regard to this technology. So a lot of the discussions today in my view, may be, you know, speculations or even hypotheses. We don't know where the future would be like. But I think this is already grabbing the attention of all governments in the world. (**Haenle:** Yeah.) And they're taking this issue very, very seriously. And I think rightly so, because we have been seeing some of the beginning, you know, signs of how this new technology can shape our uh, in uh domestic life or international life or international order. For example, the emergence of robot killers, right? It's not being widely used or practiced during battlefields, but we don't know because we cannot rule out the possibility in the future

**Haenle:** Robot killers, basically replacing soldiers, human beings in a conflict.

**Chen:** Exactly. That's one of the discussion points earlier this morning when we held this discussion on artificial intelligence and the future of international relations, it is important. And to me it's worrying because if robot killers become the future trend, that might increase the frequency of war fighting. Because decision makers do not need to worry so much about domestic opinions, because domestic citizens do not worry about the loss of their daughters or their sons. They only sending robots to fight wars with other countries. So that would lower the resistance level of domestic public opinion, therefore, enabling governments to be riskier when it comes to war,

**Haenle:** It's very interesting. And you were at your panel this morning discussing technology in international affairs. What were some of the other issues in addition to artificial intelligence and robot killers that came up that will have significant impacts on international affairs?

**Chen:** There were some hypothesis—speculations, if you will, about the future of the return of empires. Specifically in a sense, because the rise of artificial intelligence will only benefit a handful of super powers or great powers in the future. Because some developing countries, because they don't have the capital, they don't have the technology, they don't have the markets to develop this kind of technology. So only a handful of you know countries like the US, maybe China, maybe Japan and Germany, they would have this technology—

**Haenle:** That would give these countries—

**Chen:** too much of advantage in terms of for example, war fighting capabilities or even economic developments. You know, imagine in the future the US will not be worried about or will not need to worry about the horror ing effect of manufacturing industry because a lot of those jobs can be replaced by robots not by human workers. So you don't need to worry about all these companies

moving out of the US to Mexico or to some other Asian countries because they can have robots domestically assembling iPhones and cars, so on and so forth.

**Haenle:** Many are here in China talking about this possibility of what they call a technology Cold War, and are arguing that the US and China need to take steps now to avert what may have called this impending technology Cold War. How do you see this issue of a potential technology Cold War? How would this evolve? And, you know, what's the possibility of this and how do we take steps now to avert it?

**Chen:** I think maybe the term itself is a little bit misleading. I don't see that happening any time soon, but I do see a sort of a technological self-independence movement taking—or moving forward. So we're not really fighting war, trying to impede other countries' development in technological sectors, but we are trying to be more independent—be more self-independent, so we will not be impede by other countries technology or capital or markets or whatever. So in that sense, we try to promote our own domestic industries, but we do not hope to intervene or destroy others' technological developments because if that happens, there could be real consequences. It could even spread to real Cold War. Something like that. Between two countries.

**Haenle:** Yes. Well, Professor Chen, these are these are important issues. They're important now. They'll be much more important as we go forward, especially, also in the context of the US China relationship. We're gonna be expanding, our examination of these issues. And I know that your institute, the Intellisla Institute is also looking at these and I hope we can collaborate in the future and potentially have you back on the China in the World podcast at some point.

**Chen:** Sure. Thank you very much Paul, I will be very happy to come back and do some workshops together.

**Haenle:** Thanks for—thanks for joining the podcast.

**Chen:** Thank you, thank you.