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From: Center for a New American Security
Sent: Mon 11/20/2017 9:39:07 PM
Subject: CNAS Commentary on “U.S.-China Trade: A Balanced Approach”

Anja Manuel outlines a tough but balanced U.S. trade strategy toward China.

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CNAS PRESS NOTE

CNAS Commentary on “U.S.-China Trade: A Balanced Approach”

Washington, November 20 – With President Trump having recently returned from a trip to Asia – where trade with China took center-stage – Center for a New American Security (CNAS) Board of Advisors member [Anja Manuel](#) has written a new commentary outlining what a tough but balanced U.S. trade strategy toward China might look like. The commentary, “[U.S.-China Trade: A Balanced Approach](#),” describes the specific Chinese practices U.S. companies believe unfairly affect them and American workers. It takes a hard look at which efforts work, which should be scrapped, and what other measures might be effective and smart, without unnecessarily stoking Chinese nationalism and compromising cooperation in other areas.

Executive Summary

President Trump is right to want to get the U.S. economy growing again and help those left behind. And he is right that in the past decade China has taken advantage of its access to the U.S. market and invested in some of the United States’ most sensitive industries, while building barriers to effectively fence many foreign companies out of China’s own economy.

President Trump’s team can achieve these goals while maintaining a reasonably positive relationship with China, which in the long term will benefit both countries. The most difficult foreign policy issues in Asia will be easier to resolve if the United States and China find a way to cooperate economically.

As the president returns from his first visit to China, much of the administration’s trade policy toward the United States’ most important, and difficult, trade partner is still being developed. China hawks are negotiating internally with more pro-trade advisors about how tough a stance to take. Far from imposing the 45 percent tariffs on Chinese imports the president threatened on the campaign trail, his administration’s actions so far have been relatively mild. The new Economic Dialogue has achieved little so far – which is to be expected with such thorny issues. In May, China agreed to open its markets to U.S. beef, biotechnology products, credit rating services, and electronic payment services. In April, the U.S. Trade Representative (USTR) initiated a Section 232 investigation on the effects of Chinese steel imports (and later aluminum) on U.S. national security. In August, the USTR launched a Section 301 investigation into China’s Intellectual property rights and forced technology transfer policies to determine their impact on U.S. economic interests. It is not yet clear whether the

World Trade Organization (WTO) will adjudicate this dispute, or if the United States will handle it unilaterally.

The paper outlines the specific Chinese practices U.S. companies believe unfairly affect them and American workers. It also explains current efforts and additional measures the Trump administration could use to open further the Chinese market or address important imbalances.

For example, the United States could consider:

- Working with like-minded countries to bring real clout to the recently established G20 forum to address the world oversupply of heavy manufactured products like steel and aluminum.
- Sector-by-sector trade negotiations to open markets where the United States is most competitive, as the administration is already doing with beef and some financial services. This could expand to agribusiness, energy, entertainment, technology, healthcare, and the internet. This is similar to what the United States did with Japan in the 1980s.
- Expanding the scope of review of the Committee on Foreign Investment in the United States (CFIUS) process somewhat, so Chinese firms don't buy the United States' most critical technologies, and that those engaging in intellectual property (IP) theft, cyber-espionage, and other problematic practices cannot conduct mergers and acquisitions activity in the U.S. until they resolve these issues.

Some existing remedies have been effective, so they should not be thrown out in the interest of trying something new. But it is time for a good hard look at what works, what should be scrapped, and what other measures might be effective and smart, without unnecessarily stoking Chinese nationalism and compromising cooperation in other areas.

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