

QIAO YIDE

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Jim BITTERMANN

Qiao, you had probably the harshest words for Trump. You called him ignorant, stubborn and unpredictable. I do not think I have to ask what you mean by that; I can probably figure it out. Let me just play it against the current talks going on between China and the United States. Over the weekend, Mr Trump said that a big deal, a huge deal has just been reached with China, but you have some more insight into exactly how big that deal was.

Qiao YIDE

I want to start talking about the so-called mini-deal just reached a few days ago and point out that Mr Trump's claim of a substantial of big deal. However, please remember that just two weeks ago, he strongly claimed he wanted a comprehensive deal, not a partial deal. Everybody knows that so why change suddenly? I guess from his perspective it is not difficult to understand. His final goal is to be re-elected in 2020, that is his personal, final goal. There are two considerations supporting his goal. The first one is he wants to solidify his base in the Middle East. The best way for that is to strongly criticize China. The second consideration is to keep the US economy from weakening and recession.

You look at all of his actions and they just swing between these two considerations, sometimes the first consideration prevails and sometimes it is the second. This time it was the second consideration that prevailed. Why? You are looking at a figure and the US economy is starting to weaken, particularly in manufacturing; there is a lot of data to show that. In that case in the so-called deal, China agreed to purchase annually USD 40 billion to USD 50 billion US agricultural products, which gives Trump good reasons or excuse that he can then claim the victory, particularly to his base.

Jim BITTERMANN

He did not get any major concessions from China.

Jean-Claude GRUFFAT

I would just like to interject something on one of the things he said.

Jim BITTERMANN

Did China make any major concessions as part of this deal?

Qiao YIDE

I do not think so. You know, Vice Premier Liu said a few months ago that China had three core concerns during the trade war. The first one is if there is a deal then all the tariff increases have to be removed. Second, increased purchases from US exports have to be reasonable and rational. Third, the text of the agreement has to be well-balanced without hurting the sovereignty or dignity of China. The last one is more controversial and more complicated. In this deal, of course China did not give up its core concerns, because that is a partial deal, not a total deal. I guess that both sides have taken a bit of a step forward towards a compromise. Of course, I read some social media in China, and found some corners of China feel unhappy with the deal. They ask what the benefits are for China. Even without a deal, China agrees to purchase more agricultural products from the US and the US only agrees to postpone a tariff increase from 25% to 30%. Obviously the US will still continue to use tariffs as a weapon to push China.

**Jean-Claude GRUFFAT**

I wanted to say three things. When you say that manufacturing is weakening, this is true in certain states. Remember that manufacturing is a very low component of the GDP in the United States, which is an economy largely based on services. It is relevant in a state that is considered to be a swing state. If it is in Michigan, North Carolina or Wisconsin, Trump will care about it. At the same time, you cannot consider that the economy is weakening because it has been recently published that the employment figures have never been as good in 50 years. This is not what the administration says, this is the official statistics; we had the lowest unemployment we have had in 50 years. At the end of the day, that is what matters.

On the relationship with China, I agree with you that Trump once said he wanted a big deal and that he will settle for anything that will help his re-election. I think we all agree on that and that we got it loud and clear. He is not hiding it any way, shape or form. However, as we well know, there are real issues in the relationship with China. Trump has raised these issues, but he is not prepared to deal with them because he knows that he cannot deal with them in a relatively short period of time and it is not going to help his re-election. These issues are intellectual property, market access, to mention two and unbalanced transfer of technology, etc. We can name them, so we know what these issues are. That is not going to change, but what matters is that if he gets a small deal and he can say, as I said before with the milk producer in Wisconsin, look I have got you 5% more, that may shift some electoral votes and that is all he cares about. He is not trying to resolve the fundamental problems of the economy and the society in the US. He wants to get re-elected.

Jim BITTERMANN

Just let me ask a question if I may. If we were two broadcasters commenting on a football game: who won this game?

Qiao YIDE

I think even for the mini-deal; nobody won, nobody lost.

Jim BITTERMANN

It seemed like China won to me.

Qiao YIDE

I guess different people have different views. There are two points on why China agreed to do that. One is that in a way doing that is pragmatism, which is a core Chinese philosophy. China understands that it is hard to make a comprehensive deal in the short-term, but it wants to gradually reach somewhere that will create the environment to promote further negotiation. One thing I want to point out is that in the trade war China is on the defensive; that is very important. Also, if you look at all the facts.

Jim BITTERMANN

You mean on the defensive in the sense that it was started by the United States.

Qiao YIDE

Yes. Also, one thing I should remind you I feel very sorry that not many foreigners mentioned that. Yes, there have been many criticism of Mr. Xi Jinping; Kevin said that at lunch yesterday. However, Xi Jinping said one thing that has not been mentioned by many people particularly in the West. He said, we have 1 000 reasons to have good relations with the US, no single reason to have worse relations with the US. That is very important, so the general feeling is that China wanted to make some compromise.

The second point is that China wants to buy more time. Why? The high-tech companies need to find some components made in non-US for export, and to let them find other markets for exports.

**Jim BITTERMANN**

As we heard in the hi-tech panel yesterday.

Qiao YIDE

Also, China wants to keep FDI staying as long as possible in China. They do not want to decouple. Also, from the survey of American Chamber in Shanghai, so far, not many American companies have already started to move out. They keep hoping because the cost of moving out is tremendous. However, if the trade war continues longer some of them may have to move out.