中国观

No.3 2018 (Vol.28)

CHINA WATCH

复旦发展研究院
FUDAN DEVELOPMENT INSTITUTE

上海市高校智库研究和管理中心
Centre for Think-tanks Research and Management in Shanghai

目　录 | CONTENTS

Sino-U.S. Trade Conflict

01 Digitalisation in China: Transformation of the Economy and Social / *Marcin Przychodniak*

05 Has a New Cold War Really Begun? / *Odd Arne Westad*

08 Is it Time to Push Back Against China's Economic Statecraft / *Ian Hall*

11 Keep Calm, Trade Fairly and Tackle China / *Anna van Oeveren, Roland Freudenstein*

13 Mike Pompeo's First China Briefing / *Robert Daly*

17 Surviving March Madness in U.S.-China Trade Relations / *Scott Kennedy*

22 Telecom and National Security / *James Andrew Lewis*

25 The Real Reason for Trump's Steel and Aluminum Tariffs / *Martin Feldstein*

27 Trade Wars and Real Wars / *Jonathan E. Hillman*

29 US Import Tariffs on Steel Threaten the US Economy / *Hanna Deringer*

Fudan International Scholar's View of China

31 Investor Trust, Uncertainty and Markets: Progress and Challenges in the Internationalisation of China's Capital Markets / *Johannes Petry*

36 Power, Motive and Imagination: the Mandarin Craze in Indonesia——A Case of China's Soft Power / *Hoon Chang Yau*

编辑部
Editorial Department

中 国 观
CHINA WATCH

主办 | 复旦发展研究院 FDDI
上海市高校智库研究和管理中心
CENTREMS
地址 | 复旦大学智库楼 211 室
中国上海市邯郸路 220 号
Room 211, Think Tank Building, Fudan University
220, Handan Road, Shanghai, China
邮箱 | thinktank@fudan.edu.cn
电话 | 021-55665596
鸣谢 | 上海钰翔投资控股集团有限公司

Digitalisation in China: Transformation of the Economy and Social

Marcin Przychodniak

Chinese authorities promote and finance projects focused on artificial intelligence (AI), big data, and mobile payments at scale. They define digitalisation as an element of the modernisation of the economy, including Chinese companies' drive to achieve global competitive advantages, to be followed by achieving a leading international position in digital technology. Digitalisation, and especially AI, also will become a tool in the country's system of control and evaluation of citizens. The achievement of these premises—according to Chinese government plans they should be reached by 2030—will be difficult, in part because of a lack of qualified personnel.

China's digitalisation policy is oriented on strengthening economic growth based on modern technology. It is supposed to help the country escape the "middle income trap" and increase its competitiveness in the international arena. This concept was underlined by Chinese leader Xi Jinping during the 19th Communist Party of China Congress in October 2017. China's basic digital policy was published in 2015 in "Made in China 2025." It lays out the first complex programme for economic modernisation based on internet technology and digital know-how in China's modern history. In the country's current five-year plan (until 2020), a dozen projects concerning, among others, AI and robotics are being implemented.

Construction of the Digital Sector

The main idea behind China's digitalisation policy is cooperation between the state (which outlines and finances research) and private entities responsible for its implementation. The priority is the development of AI technology, mostly because it has multiple uses, from automation of services and manufacturing to China's system of control over its citizens. By 2030, China is supposed to become, according to a 2017 published Chinese government strategy, a world leader in AI technology. By then, the value of this sector to the Chinese economy is to exceed $150 billion (in 2016, it was around $10 billion). Tests are being carried out to evaluate AI utilisation. Alibaba, a major China-based company, introduced AI algorithms to command local road traffic in Hangzhou, improving flow by 11%. In Zhenghou, police are testing binoculars that can scan faces in real time and verify individual IDs.

AI is very much connected to the development of big data because analysis of large amounts of information helps improve algorithms. China has an advantage here because of the scale effect, as well as the lack of data-protection regulations. Chinese companies frequently collect information on customer preferences and often transfer them to state organs. These institutions—anxious about social unrest—try to prevent the corporations from gathering more data than they actually need, and recently a few official reprimands were issued to companies for doing it without customer approval. The data is collected in various ways, including during mobile payments, in which China is the global leader. In 2016, more than $5 trillion in transactions were performed in China (compared to $112 billion in the U.S.).

China's digitalisation policy is not aimed at the improving market access for EU or U.S. companies. Its goal is to guarantee local companies competitive advantages, gained through protection of its internal market and sometimes mergers and acquisitions abroad (for example, to acquire new technology). Between 2012 and 2017, Chinese investors put more than $19 billion into foreign companies dealing with robotics and AI technology. Companies from China are increasingly trying to engage financially in the U.S. (although recently, Huawei and Alibaba investments were blocked by the American government based on national security concerns) and extract experts from Western countries (Tencent, Huawei, IFlytek). American competitors of Chinese corporations (Facebook, Google) are present in China but their main products are blocked there, and their daily operations charged with risk, such as intellectual property theft. Apple, for which the Chinese market is essential given its sales and production facilities located there, transferred control of its cloud services and access to its Chinese user data stored there to the Chinese authorities. This stemmed from the adoption of the Cybersecurity Law, which since the beginning of 2017 requires Chinese user data to be stored in the country and access given to the government.

Utilisation of New Technology

Digitalisation has application in areas such as environmental protection, e.g., recycling, and can be helpful in reducing the demographic effects of an aging society (fewer employees) by, for example, automating logistics or facilitating tourism services. According to statistics provided by the Chinese authorities, digitalisation also can increase GDP growth by 1.4% annually, depending on the scope. It is boosted by the growing number of internet and digital technology users, which at the end of 2017 was over 770 million people in China.

Chinese authorities also want to utilise the development of AI to enhance its system of control over citizens. This AI will use data such as face profiles, blood samples, voice samples (phone speech identification), consumer preferences, DNA profiles, and fingerprints. Chinese policy is to increase the number of DNA samples in a database to 100 million by 2020. The samples are even taken for minor law violations, as well as from risk groups, including former criminals or work migrants. These actions, along with the growth of monitoring systems (by 2020 there are to be about 600 million surveillance cameras) are meant to prevent crime but also anti-government activities.

AI algorithms are also meant to support management of the economy through consistent review of current economic decisions made by citizens and business entities in China. The system would include financial data (salaries, loans) as well as social achievements (school marks, criminal records). AI technology is to allow a rapid assessment of a person’s behaviour in the context of credit eligibility, and compliance with Communist Party norms. In 2015, Tencent and Alibaba received government authorisation to start pilot regional programmes, and in 2020 the system should be implemented at the national level.

Perspectives

The actual accomplishment of the targets projected by the Chinese authorities by 2030 will be very difficult, including the stabilisation of economic growth through automation and the implementation of an enhanced system of control over its citizens. The results of pilot programmes connected to the evaluation of Chinese citizen behaviour are not very promising. Both Tencent’s and Alibaba’s programmes are behind schedule. There is also a lack of specialists in the AI sector. About 40% of Chinese experts have less than four years of experience (compared to the U.S., where more than half have 10 years of experience). To reach its goals, China would have to not only expand its research capability (one is being constructed in Beijing for about $2 billion) but also bring in experts from the U.S. and Europe. Moreover, Chinese employees are not educated enough to use modern technology efficiently, and data access and sharing (as part of AI development) is not highly advanced. Digitalisation also may exacerbate existing social inequalities, in part by reducing employment among people with the lowest skills. The McKinsey Global Institute estimated in 2017 that 51% of job-related activities could be automated, which would affect about 400 million workers in China.

For Poland, China’s digital policy is a chance to gain access to modern know-how, e.g., in the 5G context or in financing research in the space industry. There is also an opportunity to educate Chinese IT specialists in Poland at much lower costs than in the U.S or Western Europe. Chinese companies like Huawei and ZTE already have gained an important position on the Polish market, mostly by selling their own technology (Huawei has more than 27% of the smartphone market). But Poland should cooperate with China on digital technology with caution. Strengthening Polish-Chinese cooperation on new technology by signing an agreement to promote the digital dimension of China's Belt and Road Initiative or Chinese digital companies taking a bigger share of Poland's public procurement sector could be viewed as contradictory to European Union policy. The EU treats China's digitalisation with distrust, mostly because of cybersecurity concerns but also because of the lack of market reciprocity. Taking this into consideration, Poland should treat state-to-state cooperation with restraint but also promote B2B contact.

Source: Polish Institute of International Affairs (PISM) (Poland)

www.pism.pl

Has a New Cold War Really Begun?

Odd Arne Westad

For about four years now, since Russia's occupation of Crimea and China's launch of the Belt and Road Initiative, there has been much speculation about whether another Cold War between East and West is coming. In the last month alone, headlines have proclaimed that "The New Cold War Is Here," heralded "Putin's New Cold War," and warned that "Trump Is Preparing for a New Cold War." But are we really returning to the past? Contemporary politics is full of false analogies, and the return of the Cold War seems to be one of them.

At its peak, the Cold War was a global system of countries centered on the United States and the Soviet Union. It did not determine everything that was going on in the world of international affairs, but it influenced most things. At its core was an ideological contest between capitalism and socialism that had been going on throughout the twentieth century, with each side fervently dedicated to its system of economics and governance. It was a bipolar system of total victory or total defeat, in which neither of the main protagonists could envisage a lasting compromise with the other. The Cold War was intense, categorical, and highly dangerous: strategic nuclear weapons systems were intended to destroy the superpower opponent, even at a cost of devastating half the world.

Today's international affairs are in large part murky and challenging, but they are a far cry from Cold War absolutes. Calling twenty-first-century great-power tensions a new Cold War therefore obscures more than it reveals. It is a kind of terminological laziness that equates the conflicts of yesteryear, which most analysts happen to know well, with what takes place today. Although many echoes and remnants of the Cold War are still with us, the determinants and conduct of international affairs have changed.

Although many echoes and remnants of the Cold War are still with us, the determinants and conduct of international affairs have changed.

Russia's truculent and obstructionist foreign policy under President Vladimir Putin comes from a sense of having lost the Cold War in the 1980s and having suffered the consequences of the defeat in the 1990s. Many Russians hold the West responsible for the chaos and decay that befell their country under Boris Yeltsin's presidency. They miss the respect that the Soviet Union got as the other superpower (even though few miss the dreariness of the Soviet state itself). They cherish a strong president who, they believe, has given Russia its self-respect back by sticking it to the West as often as possible, just as they welcome the inner stability that they believe Putin has given Russia.

China, on the other hand, believes that its unprecedented economic growth has given it the status of a predominant power in the region—it is no longer a pawn for others as it was during the Cold War. If the Cold War was holding China back, then the post–Cold War era has set China free to act on its own behalf, as many Chinese believe. Meanwhile, Communist Party leaders are obsessively studying how the Soviet Union collapsed, in order to avoid a similar fate for their country. China (and everyone else) has inherited the North Korea imbroglio from the Cold War, as well as a deep resentment of what most Chinese see as U.S. global hegemony.

On the U.S. side, the main echo of the Cold War is a sense—very prominent among President Donald Trump's voters, but also apparent elsewhere—that Washington has been taken advantage of by others. As the argument goes, throughout the Cold War, the United States delivered security on the cheap for the rest of the capitalist world while American allies helped themselves to U.S. money and jobs, giving little in return. Many U.S. voters feel that their country, having won the Cold War, gained next to nothing as a result. The current administration is thus shedding systemic responsibilities in favor of much narrower U.S. interests.

These are aspects of how the Cold War created the world we live in now. But today's international affairs have moved beyond the Cold War.

Bipolarity is gone. If there is any direction in international politics today, it is toward multipolarity. The United States is getting less powerful in international affairs. China is getting more powerful. Europe is stagnant. Russia is a dissatisfied scavenger on the fringes of the current order. But other big countries such as India and Brazil are growing increasingly influential within their regions.

Ideology is no longer the main determinant. China, Europe, India, Russia, and the United States disagree on many things, but not on the value of capitalism and markets. China and Russia are both authoritarian states that pretend to have representative governments. But neither is out to peddle their system to faraway places, as they did during the Cold War. Even the United States, the master promoter of political values, seems less likely to do so under Trump's "America first" agenda.

Nationalism is also on the rise. Having had a hard time reasserting itself after the ravages of two nationalist-fueled world wars and a Cold War that emphasized non-national ideologies, all great powers are now stressing identity and national interest as main features of international affairs. Cold

War internationalists claimed that the national category would matter less and less. The post–Cold War era has proven them wrong. Nationalists have thrived on the wreckage of ideology-infused grand schemes for the betterment of humankind.

Whatever international system is being created at the moment, it is not a Cold War. It may turn out to be conflict-ridden and confrontational, but using "Cold War" as common denominator for everything we don't like makes no sense. Instead, we should try to understand how perceived lessons from the past influences thinking about the present. If we want to apply history to policymaking, we must learn to be as alert to differences as we are to analogies.

Source: Belfer Center for Science and International Affairs (United States)
www.belfercenter.org

Is it Time to Push Back Against China's Economic Statecraft

Ian Hall

China's hold over large enterprises allows it to manipulate Chinese companies to align with state interests. It gives China the rare ability to use economic power as an instrument of statecraft. Australia and others must learn to respond effectively.

It is well established that Beijing not only believes that economic power is an integral part of what Chinese theorists call ‘‘comprehensive national power', but that it also can and should be used as an instrument of statecraft.

The People's Republic is not alone in thinking this way. States have long tried to use commercial and financial parties to pursue foreign policy objectives, with variable results. Economic statecraft—the manipulation of those parties to further state interests—is difficult to practice because of the principal-agent problem it generates. The interests of governments and firms do not always align, making it hard to get private actors, in particular, to do what political leaders would like them to do.

In China's case, however, some argue that the nature of the party-state and the existence of large and powerful state-owned enterprises in key industries make it easier for Beijing to get around the principal-agent problem. In this way, Chinese state capitalism is begetting new and stronger forms of economic statecraft.

To be sure, Beijing is using large aid packages, loans, investment deals, infrastructure projects and commercial contracts, as well as market access, to pursue its foreign and security policy objectives. It is also deploying considerable resources to public relations, seeking to sell these deals to foreign publics as examples of what can be achieved when their governments, corporations, universities and other actors engage with China.

The Belt and Road Initiative (BRI) is the greatest example of this turn to PR, gathering up many already existing projects with extravagant promises of further benefits to be delivered if states agree to a win-win cooperation with Beijing. It downplays the considerable risks for vulnerable states in engaging in large-scale borrowing from Chinese banks for schemes overwhelmingly to the benefit of Chinese firms and labour.

Economic statecraft is not, in any case, just about carrots. It also involves the wielding of sticks to dissuade states and other actors from doing things one does not want, or to punish them when they stray. These might take the form of punitive tariffs or regulatory burdens, but they can also involve arms-length sanctions, like carefully orchestrated, supposedly spontaneous consumer boycotts. And they can have big effects: as James Reilly notes, studies have shown that just hosting a meeting with the Dalai Lama can lead to a big drop in trade with China.

Australia has not yet faced a full-scale attempt by Beijing to wield a stick, despite being a major beneficiary of China's post-Cold War economic development. It came close in 2009, as Bates Gill and Linda Jakobson note, when the Defence White Paper singled out the People's Republic as a national security threat and then-Prime Minister Kevin Rudd criticised its human rights record. Rio Tinto took some of the punishment then, with executive Stern Hu imprisoned for supposedly stealing commercial secrets and accepting bribes.

Much has obviously changed since 2009, as China has grown more assertive and more prone to use a variety of means to assert and protect its expanding interests. And although bilateral trade remains strong, other aspects of the Australia-China relationship have grown more challenging. Particularly problematic is Beijing's attempt to influence Australian politics through campaign donations to existing politicians and lucrative jobs for retired ones, as well as the use of Chinese language media and social groups, including on university campuses, to shape opinion in Chinese-origin or overseas Chinese communities.

Canberra's robust public response to these efforts, combined with other moves, including involvement in the revived Quad (Australia, US, India and Japan), has angered Beijing. The latter's full response will likely take some time to evolve, but it is significant that one of the earliest moves has been against Australian universities. Education is, of course, Australia's third biggest export industry, with some 170,000 Chinese students enrolled in universities and other institutions in 2017.

After a series of reports in state-run media outlets criticising the Australian higher education sector, the Chinese Foreign Ministry has now issued safety warnings for students intending to study in Australia, extending those put out earlier by its Canberra embassy. Threats have also been made about possible consumer-led boycotts of Australian products by Chinese consumers, along the lines of previous campaigns against goods from Japan, South Korea and the Philippines.

Managing these threats and the costs they may impose will be difficult for all concerned. But is worth observing that, as Reilly and others argue, economic coercion is often expensive to the party wielding the stick and mostly counterproductive. In China's case, its attempts to punish its regional neighbours for perceived slights and supposed disregard for its claims have led to backlashes, shifts in government policy and corporate disengagement from the Chinese market.

Importantly, Beijing also appears to recognise that economic coercion is risky. As Darren Lim and Victor Ferguson noted last year, the Chinese government is careful to impose sanctions in ways that minimise the effects on production networks in which Chinese workers play a role. That might be cold comfort for Australian universities, should they face a full-scale boycott sometime soon, but it suggests that Canberra has leverage in other areas of the economic relationship that could be used to push back.

And push back Canberra should, when the time comes. At stake here is not simply the economic interests of a sector of the Australian economy. What China's economic statecraft threatens is more than that: the continuance of the open, non-discriminatory trading system that has greatly benefited the region over several decades. Replacing that system with a Sino-centric alternative in which Beijing decides who gets access to its market according to whether it approves of a state's foreign policy choices is clearly not in Australia's national interest.

This article is an edited version of a paper presented at the Australia-India-Japan Trilateral at the Griffith Asia Institute on Monday 5 February. It is edited and republished with permission.

Source: Australian Institute for International Affairs (AIIA) (Australia)

www.internationalaffairs.org.au

Keep Calm, Trade Fairly and Tackle China

Anna van Oeveren, Roland Freudenstein

If Europe's punditry is to be believed, we're in the middle of a trade war and the EU is under attack from Donald Trump who hates us for our trade surplus, our great automobiles and the European Social Model.

And indeed, a US President who defines trade in zero sum terms, where one side's gain is the other side's loss, is a problem. But before we go further in belligerent rhetoric and hit back hard with retaliatory measures, let's stop and keep things in perspective.

First of all, Donald Trump is not the first American president to introduce trade tariffs. A recent example of a former US president attempting the same still resonates in everyone's minds: Bush in 2002. At the time, the World Trade Organisation had deemed the new US tariffs on steel illegal, after complaints brought by the EU in March 2003.

Though we all hope that it will not come to that, the EU through Commissioner Malmström has already stated that it will not hesitate in once more engaging with the WTO to get the United States to back down on the tariffs.

Secondly, it's worth reminding ourselves that steel and aluminium make up only 2 % of EU exports to the US, and that it's a bit premature to speak of a trade war. This is even if, on 23 March, Trump's punitive tariffs come into effect. The first consequence will be the even more acutely felt Chinese surplus on European markets.

This brings us to our third point: China. As China's factories are usually state-owned and heavily subsidised, the country has been capable of keeping them open despite there being no global appetite for steel and aluminium. This has resulted in an excess capacity and, subsequently, the laying off of steel workers around the world, incapable of keeping up with the decrease in prices imposed by the Chinese factories.

It is Trump's binary vision of international trade which has made him overlook how the trade tariffs, by not excluding the EU, will further affect the European continent as its markets will be flooded with Chinese metals. The latest developments on the part of the Trump administration demonstrate a positive twist: from further conversations on March 12, it appears the EU will be exempted from the tariffs on the condition that the EU is a reliable partner in fighting over-capacities.

That proves what has been clear all along: US and EU cooperating to fight China's questionable trade practices has become an avenue out of the transatlantic trade crisis.

Fourthly, it is important to understand the very specific domestic circumstances in which Trump is beginning to apply 'America First!' to trade (which, next to migration and foreign entanglements, had been one of his three core campaign promises all along). The White House is in chaos and this week he hopes for a Republican victory in a by-election in Pennsylvania – in the heart of the Rust Belt in which steel production still plays a vital role.

US and EU cooperating to fight China's questionable trade practices has become an avenue out of the transatlantic trade crisis.

Moreover, we should note how unpopular Trump's trade rhetoric, and the announcements of new tariffs, are among Republicans (whereas they seem to go down well with the unions). While this doesn't excuse what the President is doing, all of this is a strong indication that neither he nor the Republicans are 'attacking the EU' or the European Social Model.

Five, we might also be surprised at who, among Socialists and Greens, have recently become vocal advocates of global trade. At the peak of the anti-TTIP and anti-CETA campaigns, trade had become something of a taboo among these segments of the political sphere. It is refreshing to see them now condemning protectionism in such clear terms.

Ultimately, here is what Europeans should do: calmly engage with our American partners and have a frank discussion on bilateral as well as global trade; discuss how we can pressure China into being a fairer player on world markets, and resolve our bilateral problems on the way. If the US President is unhappy about the trade tariffs that the US and EU negotiated decades ago, let's negotiate new ones.

This would, incidentally, bring us back to a transatlantic trade deal which would work even better if it included some regulatory convergence. Of course, we couldn't call it TTIP. But we should use the momentum to take all those newfound friends of Transatlantic trade by their word, and strengthen the argument that if people sell and buy goods and services, we may discuss the parameters, but it's first of all a good thing and a pillar of our civilisation.

Source: Wilfried Martens Centre for European Studies (WMCES),

FKA Centre for European Studies (Belgium)

www.martenscentre.eu

Mike Pompeo's First China Briefing

Robert Daly

Donald Trump's national security documents frame China as the United States' greatest long-term threat. This declaration caps a historic shift in America's strategic disposition toward China. From the establishment of diplomatic relations in 1979, until roughly 2016, when it became clear Chinese Communist Party Secretary Xi Jinping would double down on Leninism, Washington cooperated and competed with Beijing, emphasizing cooperation when possible. There is now bipartisan consensus in the U.S. that relations with China are fundamentally competitive, and that the geostrategic, economic, and ideological stakes of competition are high. When Chinese leaders reached the same conclusion is hard to pin down, but Beijing agrees with Washington about the rivalrous nature of the relationship, "win-win" and "community of common destiny" pieties notwithstanding.

The Trump administration sees the China challenge as dire and comprehensive. When rolling out the National Defense Strategy in January 2018, Secretary of Defense James Mattis implied Western civilization hung in the balance: "We must be the best if the values that grew out of the Enlightenment are to survive." In his State of the Union address later that month, Trump called China a "horrible danger" that "challenge[s] our interests, our economy, and our values." And in February testimony before the Senate Intelligence Committee, FBI Director Christopher Wray said, "One of the things we're trying to do is view the China threat as not just a whole-of-government threat, but a whole-of-society threat."

If the U.S. is serious about the gravity of the challenge China poses — and if a skeptical world is to take the U.S. seriously — the Trump administration must meet the challenge through diplomacy.

Managing relations with an ambitious peer competitor would tax Washington even if it were functioning normally, but it isn't. Responding to China's rise will require that Secretary of State-designate Mike Pompeo resurrect American diplomacy, articulate a rationale for American global action, and build international support for American positions while the U.S. is in the midst of a political crisis and while his own party embraces belligerent isolationism as a means to American greatness. The job is made harder because the China challenge, though broadly recognized, is not urgent. For most Americans, the danger is more theoretical than felt, making it unlikely that they will mobilize to meet it or be willing to pay high costs to defend against Chinese encroachments. Recent polls indicate Americans are acclimating to Chinese power even as their policymakers grow more alarmed.

Despite these obstacles, the Secretary-designate can avoid some of his predecessors' errors and begin to stabilize the relationship if he bases China strategy in four concepts:

An American Vision: China's rapid rise is premised on — and validates — the proposition that the world can change quickly. In contrast, U.S. politicians tend to aim for stasis and to cling to America's past achievements — standard thinking for a status-quo power. The President's pick for Secretary of State should rise above the status quo and ground China policy in a vision for continued American success in a dynamic world. The vision must be founded in American traditions and in a realistic assessment of its strengths and limitations, a hallmark of which is recognizing that Americans can't afford everything they desire. Mr. Pompeo must then convince the president to embrace his vision, design a strategy to achieve it, and equip the State Department to implement the strategy.

If the U.S. does not match Chinese activity globally, a growing number of developing nations will regulate their economies, media, and civil society on Beijing's terms.

A Global Relationship: The U.S. and China are competing to shape values and norms, and to lead markets and international systems, on every continent, in space, and in cyberspace. China is already the world's top trading nation and the leading investor in Africa. It is making infrastructure loans across Africa, Eurasia, and Latin America and hopes that a worldwide propaganda campaign will make ardent admirers of its many debtors. In Europe, China is splitting East from West through its 16+1 mechanism, a platform for economic and institutional cooperation between Central and Eastern European countries and the People's Republic. In North America, China stands ready to offer Canada and Mexico better deals than it otherwise would if the U.S. alienates its neighbors through NAFTA re-negotiations.

If the U.S. does not match Chinese activity globally, a growing number of developing nations will regulate their economies, media, and civil society on Beijing's terms. Mr. Pompeo should understand that an effective China policy requires vigorous diplomacy and investment worldwide, which in turn requires that other nations believe American policies serve their own interests, as well as those of the U.S. The Secretary should therefore encourage the President to temper his strident nationalism. Many countries are alienated by this administration's insistence that "the world is not a 'global community' but an arena where nations, nongovernmental actors and businesses engage and compete for advantage" and by threats to withdraw aid and take revenge on nations that don't support American positions at the United Nations. Threatening countries that might otherwise support the U.S. in its competition with China undermines efforts to confront what the President claims is the greatest threat to American security.

Two Nations in Transition: The story of modern China is one of continual change. Because American power and American examples influence the direction of China's evolution, it is essential to remain engaged and to work with China when possible. Engagement needs to be more responsive to strategic concerns than it was in the past, but it must remain a pillar of Washington's China policy.

Engagement is a two-way street. Because of the depth and complexity of the China challenge, and the degree to which the two nations are intertwined, Americans should expect that choices they make about China will change the U.S. in turn. Taking the China challenge too lightly and overemphasizing engagement can weaken American institutions and communities by exposing them to the influence of the Party. On the other hand, responding to Beijing's "comprehensive national power" by adopting the Party's "whole-of-society" approach to national security could isolate the U.S. and turn it into a garrison state.

Beyond Rivalry: The Trump administration is right to see China as the United States' primary geostrategic challenge. Beijing wants to establish a Sino-centric Asia, which would threaten American alliances. In the shorter term, it seeks to replace the U.S. as the primary actor in the Western Pacific, a region where Beijing flouts international law and threatens to seize Taiwan by force. Its exploitation of American openness (and American naïveté) and WTO loopholes have harmed American workers and corporations.

And as its global power spreads through trade and investment, so do its illiberal attitudes toward the press, non-governmental organizations, and political transparency.

The China challenge is unprecedented and severe, but it shouldn't be overstated. China can't get everything it wants, after all, any more than the U.S. can. And the issue is not what each side wants, but what it will settle for, and whether those settlements can form a new foundation for stable relations between two superpowers.

The Secretary-designate should therefore look beyond rivalry, even as he prepares for it, and begin to define the main features of sustainable, non-adversarial relations between a powerful U.S. and a powerful China. What might that look like? It isn't sufficient to label China a threat, raise alarms about China's influence, and arm up. The U.S. has made clear its attitude toward China, but has not defined its aims. What changes or accommodations would be good enough to allow the U.S. and China to pursue competition and engagement with a higher degree of trust? That is what is missing from Trump administration warnings about the China peril: because we have not done the hard work of imagining the acceptable, we are defaulting to familiar patterns of escalation. China makes the same mistake, with Chinese characteristics, of course.

If confirmed, the incoming Secretary of State would find a China docket that includes an economic relationship in chaos, a crisis on the Korean peninsula, growing concern about Beijing's influence on American universities, and possible friction in the Taiwan Strait. An adequate China will not emerge from grappling with these issues week-by-week. A risen China is an epochal development that must be grasped with broad principles like those outlined above before getting down to cases.

Still, the cases keep piling up. It's time for a real strategy.

Source: Woodrow Wilson International Center for Scholars (United States)

www.wilsoncenter.org

Surviving March Madness in U.S.–China Trade Relations

Scott Kennedy

Markets are being whipsawed by the daily news and rumors surrounding U.S.-China trade tensions. The latest reports of ongoing negotiations have revived hopes for a quick resolution. But before observers pop the champagne, we should realize that a cessation of hostilities is not the goal; rather, constraining Chinese industrial policy is. There is, in fact, a danger that the trade war could end prematurely. The right outcome is more important than a fast outcome.

Lighthizer's 301 Report

Although Tweets and announcements in front of the cameras come with eye-catching rhetorical flourishes, it would be worth everyone's time to read the U.S. trade representative (USTR) report to the president with the results of its Section 301 investigation into China's misbehavior regarding intellectual property. Its 215 pages deliver a damning indictment detailing hundreds of regulations and policies that together form a comprehensive and cohesive strategy to acquire foreign technology by hook or by crook at almost any cost.

The report highlights four areas of concern. Although China has promised no less than eight times since 2010 to desist from requiring foreign companies to transfer technology in order to invest in China, this expectation is still standard practice in a wide range of industries, from cloud computing to electric vehicles. (There currently are almost 70,000 U.S. firms operating in China.) Discriminatory regulations also keep U.S. companies from being able to negotiate licensing fees for their technology at market rates. Further, Beijing has underwritten a clearly scripted plan for Chinese state-owned and private companies to scoop up U.S. tech firms to access their knowhow in semiconductors, artificial intelligence (AI), communications, chemicals, aviation, and other sectors. Finally, the report provides evidence that state-backed cyber espionage directed at U.S. companies "persists and continues to evolve" despite a September 2015 agreement between Presidents Barack Obama and Xi Jinping.

The only missing element from the report is a precise quantification of the harm caused to U.S. commerce by each of these measures—the claim of at least $50 billion contained in the administration's fact sheet is not included here—but such estimates depend on a series of assumptions that are open to reasonable challenge and may be beside the point given the other evidence brought to bear.

This report is at least the third effort of the Trump administration to explicate the breadth and depth of Chinese industrial policy, the others being the Commerce Department's fine-grained explanation from October 2017 of why the United States does not view China as a market economy and USTR's January 2018 annual report to Congress on China's World Trade Organization (WTO) compliance record. Together, they collectively demonstrate a pattern of behavior that places China far outside its bilateral and multilateral commitments, damaging the interests of its trading partners and global supply chains, and eroding confidence in the international system. In short, China appears to be clearly in the wrong and deserves to be punished if it doesn't change its ways.

Sizing Up the Opponent

But a U.S. win against China is easier said than done. Just as in the annual National Collegiate Athletic Association (NCAA) college basketball tournament, even though the United States is stronger on paper—given its greater wealth, more efficient capital markets, and being a more important destination for Chinese exports than vice versa—an upset is certainly possible. It is early in the game, but the United States is already down several points and will need to rally.

Washington's first mistake was in underestimating its Chinese opponent. The Trump administration appears to have expected China to fold very quickly and may have been surprised that China would dare fight back and risk an escalation of the conflict. But if there's one thing veteran China watchers agree on, Xi Jinping is less risk averse than his predecessors. So, the United States should believe China when it says it isn't looking for a fight but will defend itself if punched. In fact, it is possible China sees this fight as an opportunity to remove any and all shackles from its industrial policy machine.

Courting Allies

Given that China hasn't been sufficiently intimidated to immediately raise the white flag of surrender, a trade war will come down to a contest of wills. A key potential source of U.S. strength is its allies and other economies that have also suffered at the hands of Chinese malfeasance. Take South Korea, whose firms have been harassed or denied market access in the wake of the Republic of Korea (ROK) decision to install the Terminal High Altitude Area Defense (THAAD) missile system. Or Germany, where China has invested billions of dollars to acquire advanced manufacturing capacity. Or Taiwan, which sends 40 percent of its exports to China and is petrified about the hollowing out of its economy as China moves up the value-added chain.

Instead of working diligently to court these economies to stand shoulder to shoulder against Beijing, Washington has alienated them time and again, first by withdrawing from Trans-Pacific Partnership (TPP), by putting aside the Transatlantic Trade and Investment Partnership (TTIP) negotiations, and by forcing South Korea to renegotiate its bilateral trade agreement with the United States. The final slap in the face was the tariffs on steel and aluminum resulting from the Section 232 investigation. In the last week, the United States has granted exemptions to most of its friends—though not yet Japan or Taiwan—but this only mildly heals those wounds.

The United States may believe that others might never stand firm against China because of their fears of Chinese retaliation. While it may be true that no one else is likely to enact unilateral tariffs against China, the United States would have had more luck coaxing cooperation—such as expanded export controls, more rigorous investment screening, and vigorous direct criticism of China—had it positively engaged others who suffer from China's behavior rather than using high-handed tactics. The United States has also alienated the business community from likeminded countries. As several industry leaders of a close ally told me during a recent trip to China, the cumulative effect of all of these offenses is that these companies now would feel no remorse about taking the market share of their American cousins following China's inevitable retaliation against U.S. penalties rather than supporting the United States in a common cause against China's market machinations.

Maintaining Domestic Unity

Another key source of stamina is domestic unity, ensuring that business and labor remain united and willing to sacrifice short-term pain for long-term gain. But the administration has done little to assuage the concerns of business and reassure them that it is acting in their best interests. Instead, the administration has intentionally kept business out of loop. There's been equally no outreach to labor unions or consumers; instead the administration has avoided any and all talk of potential costs. One consequence of limited transparency, reassurance, or consultation has been jittery financial markets unsure about what comes next. Sudden market movements could push Trump to seek a quick, though superficial deal in order to avoid the wrath of Wall Street now and voters in the November midterm elections.

The First Troubling Shots

The problems of potential international isolation and domestic internal disunity were likely exacerbated by the nature of the announced penalties and how they will be implemented. The United States said that it will place a 25 percent additional tariff on approximately $50 billion worth of Chinese products, limit Chinese investment, and launch a WTO case challenging China's rules regarding licensing. (The United States formally requested consultations with China at the WTO the day after the initial announcement.) The administration has hinted that the list of products to be hit with tariffs will be high value-added technology goods that are related to the "Made in China 2025" industry development master plan. If so, since many of these products often exist in long supply chains and may be composed of components from foreign-invested companies in China or from other countries, the United States runs the risk of further alienating the suppliers from other countries who are predisposed to sympathizing with the U.S. complaints. Moreover, the administration has said that it will publish the proposed list in the Federal Register within 15 days and then welcome comments from industry and others for an estimated additional 30 days. The result will most assuredly be the formation of a long line of industry lobbyists outside the USTR's Winder Building, hoping to have imports they depend on removed from the list. This unseemly process cannot but generate greater domestic ill will and reduce U.S. resolve. A more effective approach would have been to quietly consult industry in advance and then issue a list that was not subject to adjustment.

By contrast, China issued a very different list of $3 billion worth of initial products slated for higher tariffs. Although officially offered as a response to the Section 232 investigation, the announcement was certainly timed to immediately follow the United States' 301 action. But in contrast to the U.S. list, China's was composed entirely of simple commodities—various agricultural products and steel pipes—produced entirely in the United States, thereby avoiding creating collateral damage in other countries. Moreover, the products originate from a wide range of states, geographically and politically—California, Texas, Washington, Florida, Arizona, New York, and Iowa—meaning that opposition to confronting China could come from many quarters. Not surprisingly, the media has started to air stories of farmers expressing fears about lost markets. Also not surprising, no such stories have run in Chinese media. Should Trump eventually turn toward limiting student and worker visas for Chinese graduate students, he can expect university presidents, graduate program directors, and Silicon Valley to voice their displeasure as well.

Hold the Line

The missteps with other trading partners, the home front, and initial penalties could be ameliorated if the United States were to have a principled bottom line in negotiations centered around constraining Chinese industrial policy. The Trump administration, though, has never been clear about its ultimate aims. On the one hand, the 301 investigation highlights the dangers of China's statist system, but on the other the president has continually stressed the need for China to reduce its bilateral trade surplus. The administration has confirmed that in late February it asked China for a plan to reduce the surplus by $100 billion. Unfortunately, China can manipulate the trade balance by making a few large-ticket purchases of individual products, such as soy beans, shale gas, or Boeing aircraft, without modifying its industrial policy goals and measures one iota. This would mean big benefits for a small number of sectors but leave most of the U.S. economy, not mention our friends in other economies, permanently vulnerable to the vagaries of China, Inc.

Hence, it is vital that the United States not settle for a quick pyrrhic victory just to get a deal with flashy numbers whose true value would quickly fade. An outcome that does not involve constraining Chinese industrial policy would not be the worth the sacrifices that industry, labor, and investors may need to endure in the coming months.

A "Top 10" list of changes the United States should pursue include: (1) Require China to limit subsidies to pre-competitive research and development (R&D) and make them available to domestic and foreign firms alike; (2) Eliminate ownership caps and joint venture requirements for foreign investors; (3) Eliminate technology transfer requirements; (4) Lower tariffs on manufactured products such as automobiles and machinery; (5) Fully open up value-added services (finance, health care, education, and logistics) to private and foreign firms alike; (6) Move toward market-based standards and certification systems; (7) Better gear its cybersecurity regime to promote global commerce and protect privacy; (8) Liberalize government procurement; (9) End window guidance for bank interest rates and adopt a neutral registration system for initial public offerings; and (10) Make the national and local regulatory process more transparent. Taking these steps wouldn't fully eliminate China's industrial policy machine, but it would push China to have a much more market-friendly and efficient economic governance system that would benefit both itself and its trading partners.

A contest fought for the cause of more open, freer markets is highly risky, but it is worth engaging. It's imperative that the Trump administration orient its goals to this higher purpose in order to obtain the international and domestic support needed to achieve a meaningful victory.

Source: Center for Strategic and International Studies

www.csis.org

Telecom and National Security

James Andrew Lewis

Everyone had fun ridiculing a draft National Security Council (NSC) proposal to create a government-owned 5G (fifth generation) telecom network, but take a step back and look at the problem the NSC staff was trying to solve. Before we congratulate ourselves too heartily for stopping a bad idea, recognize that none of the critics has any alternative proposals on how to fix what will be a major blow to U.S. security, largely self-inflicted.

A simple explanation is that telecom is a strategic industry. China has realized this and moved aggressively to dominate the market while the United States fumbled around. The steadily approaching day when the United States will depend on Chinese telecom equipment means that China could gain unparalleled intelligence advantage over us.

The United States had two major telecom equipment providers—Nortel and Lucent—but both are out of the business. In Nortel's case, Chinese espionage bears some responsibility for this. For major telecom infrastructure equipment, there are now only four suppliers—Nokia, Ericsson, Huawei, and ZTE—and of these, only Huawei makes the full range of equipment. Huawei's technology is good, their prices are low (with help from the Chinese government), and they are becoming globally dominant. Banning them from the United States only slows the inevitable. Qualcomm and Cisco, while leaders in the technologies they make, do not offer the full range of equipment (such as high-capacity routers) needed for the telecom backbone.

What is amazing is that the United States has seen this problem coming for 15 years. In 2002, the Department of Defense began asking how we would deal with a global supply chain in telecom and the risks this creates. There is a still classified 2003 National Security Agency "Telecommunications Study" that asked how the United States would manage the risk from globalization. It turns out that the approach we chose was to ignore it.

So now what's left, other than surrender? There are three options, none easy.

Build secure networks from unsecure components. This was raised in 2003, but it turned out to be more slogan than solution. The idea is that, even if you depend on foreign suppliers, you can impose software defenses to safeguard the network. There has not been much progress, perhaps because of a lack of funding or sense of urgency, or perhaps because there were difficult technical problems that we did not try hard enough to overcome.

Build a national champion. This idea would have appealed to any president from Franklin Roosevelt to Ronald Reagan, but it no longer appeals. The idea would be to subsidize a company to go back into the telecom business. The previous administration considered this idea, using Defense Production Act Funds, but it could at most allocate 1 percent of what China spent. (How the United States, with an economy twice the size of China's, is regularly outspent by China in key technology areas is another unhappy story). The discussion of how to respond to the telecom problem made it as far as a Deputies Committee meeting, but none of the major information technology companies wanted to reenter this field. Though a few medium-size companies could have been candidates for investment, the administration ultimately decided to rely on Google and Silicon Valley to innovate our way out of the problem without the need for the government to spend anything. This was around the time that Google purchased Motorola Mobility, now owned by Lenovo, a Chinese company, and appeared to be toying with the idea of going into telecom. Google changed course for business reasons, leaving the United States back where it had started.

Subsidize European producers. $300 million is not enough by any means to build a telecom giant, but it would be welcome support for the two struggling European producers. China subsidized its companies, and the United States could use vehicles like cooperative research agreements to provide funds and help keep these competitors afloat. The idea of giving another country's companies support is never popular in Congress, but it is an affordable alternative.

If we were to rank these ideas by cost and effectiveness, subsidizing European producers is best since they are already in the business. Subsidizing research to build secure networks out of untrustworthy components is relatively inexpensive (relative, because a serious effort to support European companies or U.S. research requires tens of millions of dollars). Subsidized research could also look at the UK model of creating a Cyber Security Evaluation Centre "to mitigate any perceived risks arising from the involvement of Huawei in parts of the UK's critical national infrastructure." Informed sources in the United Kingdom say privately that the Centre is not a perfect solution, and research could suggest how and if it could be strengthened. Funding research has the benefit of supporting U.S. technology research and development, but this would not provide an immediate solution or guarantee that it would ever provide a solution.

In the meantime, China is spending heavily on quantum computing (which might provide an advantage in breaking hitherto-secure encryption), quantum communications satellites (which could defeat Western efforts at collection), artificial intelligence and data analytics (technologies crucial to future espionage), and all are supported by sales of telecom that could provide a global surveillance capability. China is poised to be the winner of the technological espionage game in the twenty-first century after spending a fraction of what the United States has spent in Afghanistan and Iraq. Through overconfidence or forgetfulness, the United States is making itself vulnerable to its main strategic competitor, and while the federal 5G plan was a bad idea, at least it was a plan and not wishful thinking. If China was not a strategic competitor, buying Chinese telecom equipment would pose little risk, and commercial partnership would serve both sides, but given the still-extensive (if often invisible) cyber espionage campaign by that country, we need another solution.

Concern over intelligence vulnerabilities help explain the unusual intervention in the Broadcom effort to acquire Qualcomm. The Committee on Foreign Investment in the United States (CFIUS) looks at whether a proposed acquisition would provide a foreign entity with access to sensitive technology or intelligence opportunities, the source of the money for the acquisition, and whether the acquiring management team has any relationship with foreign powers. Part of the CFIUS process is a review of available intelligence on the acquirer. We do not know if this review raised any red flags about Broadcom, but two letters and a presidential prohibition point to the kind of problem that "threatens to impair the national security of the United States." There may have been problems with the acquirer, or it may have been the risk of a loss of leadership in 5G if Qualcomm was bought. Prohibition is a reasonable defensive measure, but in the long run, denying Broadcom won't change the trend toward growing U.S. dependence on foreign sources for telecom and the intelligence risk this creates.

Source: Center for Strategic and International Studies

www.csis.org

The Real Reason for Trump's Steel and Aluminum Tariffs

Martin Feldstein

The Trump administration's proposed tariffs on steel and aluminum imports will target China, but not the way most observers believe. For the US, the most important bilateral trade issue has nothing to do with the Chinese authorities' failure to reduce excess steel capacity, as promised, and stop subsidizing exports.

Like almost all economists and most policy analysts, I prefer low trade tariffs or no tariffs at all. How, then, can US President Donald Trump's decision to impose substantial tariffs on imports of steel and aluminum be justified?

Trump no doubt sees potential political gains in steel- and aluminum-producing districts and in increasing the pressure on Canada and Mexico as his administration renegotiates the North American Free Trade Agreement. The European Union has announced plans to retaliate against US exports, but in the end the EU may negotiate – and agree to reduce current tariffs on US products that exceed US tariffs on European products.

But the real target of the steel and aluminum tariffs is China. The Chinese government has promised for years to reduce excess steel capacity, thereby cutting the surplus output that is sold to the United States at subsidized prices. Chinese policymakers have postponed doing so as a result of domestic pressure to protect China's own steel and aluminum jobs. The US tariffs will balance those domestic pressures and increase the likelihood that China will accelerate the reduction in subsidized excess capacity.

Because the tariffs are being levied under a provision of US trade law that applies to national security, rather than dumping or import surges, it will be possible to exempt imports from military allies in NATO, as well as Japan and South Korea, focusing the tariffs on China and avoiding the risk of a broader trade war. The administration has not yet said that it will focus the tariffs in this way; but, given that they are being introduced with a phase-in period, during which trade partners may seek exemptions, such targeting seems to be the likeliest scenario.

For the US, the most important trade issue with China concerns technology transfers, not Chinese exports of subsidized steel and aluminum. Although such subsidies hurt US producers of steel and aluminum, the resulting low prices also help US firms that use steel and aluminum, as well as US consumers that buy those products. But China unambiguously hurts US interests when it steals technology developed by US firms.

Until a few years ago, the Chinese government was using the Peoples Liberation Army's (PLA) sophisticated cyber skills to infiltrate American companies and steal technology. Chinese officials denied all wrongdoing until President Barack Obama and President Xi Jinping met in California in June 2013. Obama showed Xi detailed proof that the US had obtained through its own cyber espionage. Xi then agreed that the Chinese government would no longer use the PLA or other government agencies to steal US technology. Although it is difficult to know with certainty, it appears that such cyber theft has been reduced dramatically.

The current technology theft takes a different form. American firms that want to do business in China are often required to transfer their technology to Chinese firms as a condition of market entry. These firms "voluntarily" transfer production knowhow because they want access to a market of 1.3 billion people and an economy as large as that of the US.

These firms complain that the requirement of technology transfer is a form of extortion. Moreover, they worry that the Chinese government often delays their market access long enough for domestic firms to use their newly acquired technology to gain market share.

The US cannot use traditional remedies for trade disputes or World Trade Organization procedures to stop China's behavior. Nor can the US threaten to take Chinese technology or require Chinese firms to transfer it to American firms, because the Chinese do not have the kind of leading-edge technology that US firms have.

So, what can US policymakers do to help level the playing field?

This brings us back to the proposed tariffs on steel and aluminum. In my view, US negotiators will use the threat of imposing the tariffs on Chinese producers as a way to persuade China's government to abandon the policy of "voluntary" technology transfers. If that happens, and US firms can do business in China without being compelled to pay such a steep competitive price, the threat of tariffs will have been a very successful tool of trade policy.

Source: Belfer Center for Science and International Affairs (United States)

www.belfercenter.org

Trade Wars and Real Wars

Jonathan E. Hillman

The world is rudely awakening to the dangers of President Donald Trump's tariffs. Markets are correcting. Countries and industries are scrambling for exemptions. Economists now see greater downside than upside to growth projections for the U.S. economy this year. But the hazards could be even greater than anyone wants to admit. As protectionist sentiment rises, so does the risk of war.

The link between international commerce and peace has been apparent for so long that it is sometimes taken for granted. As the German philosopher Immanuel Kant wrote in his 1795 essay, Perpetual Peace, "The spirit of trade cannot coexist with war, and sooner or later this spirit dominates every people."

That sounds like wide-eyed optimism, but the underlying logic is narrow self-interest. Nations are reluctant to jeopardize benefits from international commerce, especially when their leaders are bullish about future gains. Greater trade and investment cannot guarantee peace, but it raises the cost of going to war.

World War I appeared to toss that idea out and set history's dustbin ablaze. Prior to the war, globalization was racing along. Between 1870 and 1914, trade rose to 8.2 percent of global gross domestic product. "The complexity of modern finance makes New York dependent on London, London upon Paris, Paris upon Berlin, to a greater degree than has ever yet been the case in history," Norman Angell wrote in The Great Illusion, his 1910 opus that declared war obsolete.

But Germany's aggression proves the point. German leaders believed the economic environment was turning against them, as the political scientist Dale Copeland has shown. With protectionist policies ascendant—in Britain and its colonies and in the United States, France, and Russia—Germany feared being squeezed out of global markets. These falling trade expectations made war a more attractive avenue for revising the status quo.

As Trump weighs additional protectionist measures, a similar gap is emerging between assumptions about globalization and expectations about trade.

Norman Angell might feel at home today in Silicon Valley or on Wall Street, where the prevailing assumption is that the world will only become more connected. But historically, globalization has been a roller coaster rather than a smooth sail. After World War I, it took more than six decades for global trade and investment flows to recover. Proponents of global connectivity would be wise to speak up sooner rather than later.

Equally troubling is that trade and investment expectations are starting to sour. Thirty percent of fund managers say a trade war poses the greatest risk to markets. A majority of American voters believe a trade war is likely. Sovereign investors are cutting their exposure to U.S. assets. Competitors and partners alike warn against Trump's tariffs. Gone are any illusions that the president will not follow through on the spirit of his protectionist promises.

These are early and minor bumps in what could be a long and much more dramatic ride. Tit-for-tat trade actions could spiral out of the economic realm and into military confrontation. But the greater danger could be less direct and more insidious: a general weakening of economic incentives for keeping the peace among major powers. That raises the risk that miscalculation leads to escalation—in the South China Sea, the Korean peninsula, or elsewhere.

It is impossible to say whether conflict will ignite, let alone when and how. But it is easy to see how rising protectionism, actual and expected, can poison international relations. Any honest reckoning of Trump's trade policies must take these risks into account.

The president is unlikely to abandon his current course entirely, but he could still limit collateral damage. Merely adding greater clarity to his policies, including their scope, duration, processes for exemptions, and conditions for removal, would help calm global fears. A narrower, more tailored approach would help limit backlash, particularly among U.S. allies and partners.

But to avoid the worst, the Trump administration needs to exercise more than caution. It urgently needs to offer the world a positive economic vision. Having withdrawn from the Trans-Pacific Partnership and opened renegotiations of existing trade deals, it is clear the administration stands against the status quo it inherited. What does it stand for?

A positive U.S. economic vision would help counter falling expectations. It would also push back against China's attempts to fashion itself as a champion of global openness in the absence of U.S. leadership. That leadership is needed now more than ever. Before further darkening global sentiment, the United States needs to provide a light at the end of the tunnel.

source: Center for Strategic and International Studies (CSIS) (United States)

www.csis.org

US Import Tariffs on Steel Threaten the US Economy

Hanna Deringer

Two weeks ago, the US Department of Commerce released its long-awaited Section 232 reports on steel and aluminum. The reports presented the US Department of Commerce's findings that imports of steel mill products and of wrought and unwrought aluminum present a threat to national security and should therefore be subject to trade restrictions. Yesterday, President Trump announced that he will follow the recommendations of the report and that he will sign an order next week to impose a 25% import tariff on steel and 10% on aluminum on imports from all countries. The declared rates are even higher than those recommended by the reports.

Impacts on the Competitiveness of the US Economy and US Jobs

The proposed import tariffs won't help the US economy and US jobs. If imports of an important input product like steel and aluminum will be restricted, key US sectors like the motor vehicles sector will have to pay higher prices for steel inputs. As a result, their competitiveness will decrease and their products will become more expensive in and outside the US. There are therefore good reasons to doubt that trade barriers on steel and aluminum would help the US economy or increase the total number of jobs, let alone how well these would be remunerated.

In a recent paper on the US trade strategy and NAFTA we simulated with the GTAP CGE model the potential impacts from a 20% import tariff on steel and iron applied by the US on all steel imports (for methodological details see the annex of the paper).

One of our results was that trade protection will not help to make the US economy competitive in global markets. Following an estimated drop of 33% in US steel imports, prices for steel inputs in the US will increase. As a result, it will therefore become more expensive to construct buildings, bridges and railways in the US. In addition, the import tariffs on steel will also significantly affect US export sectors which use steel, such as motor vehicles and transport equipment or machinery and other manufacturing. For these exporting sectors, the price increase of steel inputs is estimated to be in the range from 3% to 5.5%, leading therefore to a drop in exports in these sectors between -0.6% to -3.4%.

Furthermore, the increase of prices for steel inputs would lead to a decrease of industry activity in sectors which depend on steel inputs. The six US sectors whose industry output would, according to our estimates, decrease most are metal products, other metals, machinery and equipment, transport equipment, motor vehicles and other manufacturing. The output loss of all losing industries in real terms would exceed by far the output increase in the steel sector.

Steel-using industries have also reported on the expected adverse impacts that would result from US tariffs on steel. According to a study for the Consuming Industries Trade Action Coalition (CITAC) Foundation, more Americans lost their jobs as a result of 30% safeguard tariffs on steel imposed in 2002 than the total number of people employed within the US steel sector. This article in fact estimates that the number of jobs in US steel-using industries outnumber the jobs in US steel production by 80 to 1.

Retaliatory Threats

The US economy will, however, not only be affected by its own politics, but it will also be subject to possible retaliatory measures from its trade partners. In response to Trump's announcement the EU declared yesterday that it will "bring forward in the next few days a proposal for WTO-compatible countermeasures against the US to rebalance the situation". Similarly, China, Mexico, Canada and Brazil already responded with threats to take retaliatory measures if their economic interests were affected by the new trade restrictions. Since US exports in steel are highly concentrated, retaliatory measures in the same sector by just two countries – Mexico and Canada – would affect 89% of US steel exports.

Thus, Trump's decision to take unilateral measures to protect one or two domestic industries, comes at a high price for many others. Depending on which retaliatory measures are taken by US trade partners and which industries and products will be targeted, numerous other US industries will be hurt, possibly including major US export products. If the US wants to boost its competitiveness, exports and economic growth, it would therefore be better advised to seek a common solution to global oversupply problems and close ties with important trade partners, rather than isolating itself and undermining the global trading system.

Source: ECIPE(Belgium)

ecipe.org

Investor Trust, Uncertainty and Markets:
Progress and Challenges in the Internationalisation of China's Capital Markets

Johannes Petry

Over the last years, capital markets in China have grown tremendously. But despite their enormous growth, the integration of China' capital markets into international markets represents somewhat of a mixed picture. On the one side, Chinese capital markets have in recent years made significant progress in opening up. On the other side, engagement with and investment into Chinese markets from international financial institutions is comparatively limited. There is a contradiction at the heart of China's capital market internationalisation between international investors' and domestic authorities' conception of markets that creates uncertainty and erodes trust that if not addressed is likely to remain an obstacle in the integration of China into global financial markets.

Over the last years, capital markets in China have grown tremendously. Chinese equity and futures markets are now the 2nd largest and China's bond market is the 3rd largest globally. However, despite this enormous growth, the integration of China's capital markets into international markets represents somewhat of a mixed picture. On the one side, after being almost completely inaccessible for the outside world, in recent years Chinese capital markets have made significant progress in opening up. On the other side, foreign investment into China is still comparatively small and there seems to be a kind of wariness from international financial institutions to engage in Chinese markets. There is a contradiction at the heart of China's capital market internationalisation between international investors' and domestic authorities' conception of the function of markets that creates uncertainty and erodes trust that if not addressed is likely to remain an obstacle to a fullhearted integration of China into global financial markets.

1.China's capital market internationalisation: taking up speed?

After several years of disappointment, in June 2016 index provider MSCI finally decided to include China A-Shares into the MSCI Emerging Market Index. While initially only including 222 individual stocks, which will represent 0.73% of the index, analysts estimate capital inflows of up to USD20bn from international investors. Similarly, Bloomberg's decision in March 2018 to include Chinese government and policy bank bonds into the Bloomberg Barclays Global Aggregate Index marks another milestone. With the phasing in of MSCI inclusion in June 2018, we might be witnessing a turning point in the history of Chinese capital markets.

These developments largely result from the acceleration of China's financial opening in the last years. The QFII and RQFII quota schemes have been significantly advanced, and the Stock Connects with Shanghai (2014) and Shenzhen (2016) as well as the Bond Connect (2017) all give international investors direct access to China's financial markets. Later this year, a London-Shanghai Stock Connect will be launched and Chinese companies will be able to list in Germany by issuing so-called D-Shares through CEINEX, a German-Chinese exchange joint venture in Frankfurt.

China has also started opening up its futures market to international investors with the highly anticipated launch of its international crude oil contract on the Shanghai International Energy Exchange (INE) in March 2018 and the opening of Dalian Commodity Exchange's iron ore futures contract in May 2018. Further, the Shanghai International Gold Exchange had already made its gold contract accessible to international investors in 2014. The Belt and Road Initiative is also bound to further facilitate the internationalisation of Chinese capital markets. Especially with the partial acquisition of stock exchanges in Pakistan and Kazakhstan (and maybe soon also in Bangladesh), China has the potential to further increase the use of RMB as an investment currency. Compared to even two years ago, channels to invest into China are more abundant than ever.

However, despite these efforts to open up, foreign investor participation in Chinese capital markets has been remarkably low. In 1995, Ray Dalio, the founder of Bridgewater Associates – today the world's largest hedge fund – told Xinhua that "China is too big and exciting to ignore." Since then, almost every international bank, asset manager or broker has tried to access China's markets and got burnt somewhere along the way, losing money, dissolving joint ventures, decreasing investment. More than 30 years after Dalio's statement, by January 2018 foreign investors still only held about 2.3% of China's market capitalisation and only 1.2% of its bonds. In comparison, foreign investor ownership of stocks stands at 35% in the US (2016), 53.9% in the UK (2016) and 53% in Germany (2016). Foreign participation in other internationalisation schemes such as the INE has also been relatively low and quota limits for both the (R)QFII and the Connect schemes have only ever been reached during the years of the stock market frenzy in 2014/2015 and have otherwise not been fully utilised.

So, while in theory quite some progress has been made to integrate China into global markets, one question remains: Why is there so little investment into China? After all, it has been the motor of the global economy for almost a decade and is bound to become the world's largest economy in a few years' time.

2.Investor trust, uncertainty and capital markets: Why Chinese capital market internationalisation is not taking off

The core reason for this lacklustre interest from international investors is a lack of trust into China's capital markets. While governments might make and enforce laws and regulations that outline how markets are supposed to work, underlying most financial transactions is a large degree of trust between market participants as well as into the marketplace itself, its rules and regulations. Creating a capital market is not only about the technocratic provision of financial infrastructures, investors also need to place their trust in them, as trust is the foundation on which market relations are built. If there is uncertainty about the reliability of these financial infrastructures or the future value and convertibility of financial assets that enable a realisation of profits, (most) investors will not commit their funds to such an investment. Therefore, what investors need is a functioning and reliable market that provides them with a sense of relative security over the longevity, durability and sustainability of their investment choices.

The Chinese authorities want financial markets to serve the real economy and therefore try to reign in excessive speculation. Understandably, they want to avoid 'hot money' coming into the country, which was certainly the case in the boom years of 2014/15 when many international hedge funds and prop trading firms traded in Chinese markets, amplifying volatility and adding oil to the fire. However, many measures taken by the Chinese regulators to stabilise the markets after the 2015 stock market crash were seen as overly harsh by Western commentators. Together with the punishment of both domestic and foreign investors accused of malicious short selling, speculation with index futures and market manipulation in the aftermath of the crash, this has to some degree scared of international investors. Especially more risk-averse long-term investors have become wary of Chinese capital markets and China's commitment to non-interference into these markets.

But while the 2015 market crash surely has led to an outflow of foreign investors' money and intensified fears about the role of the state in China's capital markets, the absence of international investors reveals a more deeply seated uncertainty that exists about the role of the state in China's capital markets. With most of the internationalisation schemes in place, the state is able to control the in- and out-flows of capital and well as to intervene in the market if it deems it too active or speculation-driven. Which the regulators regularly do, for instance through telling exchanges to raise margin and execution fees or to call the most active brokers and investors and tell them to reduce trading activity. But such actions question the fundamentals of international financial institutions' understanding of markets (as well as their business models). To be serving the real economy – especially being actively steered or directed to do so – is quite at odds with how they understand their roles in markets. Maybe also because their authority and sovereignty are usually not called into question in global markets where finance often has a lot of power vis-à-vis governments.

However, this is different in China. One should acknowledge that China's capital markets are not as advanced as those in the US or Europe and do require some steering to avoid extensive financial turmoil which might translate into an economic crisis or even social instability. The investor mix in China's markets is still very much dominated by retail investors and while a gradual institutionalisation of the investor base is taking place, the Chinese authorities might be well-advised to intervene into the market to protect their citizens from potentially ruinous losses.

A fundamental mismatch exists between the principles that underpin markets in China and internationally. While international markets are underpinned by the aim to generate profit, capital markets in China are much more controlled and directed to certain social and policy outcomes. There is a conflict between profit and control at the heart of the internationalisation of Chinese markets, and these different conceptions of how capital markets ought to work instil uncertainty in the internationalisation process. While putting the necessary infrastructures in place is a necessary for the internationalisation of Chinese capital markets, building trust between China and global market participants is the sufficient condition that needs to be met to foster the integration of Chinese markets into global finance.

3.The way forward: balancing domestic reform, financial opening and knowledge exchange between domestic and international actors

For now, we have to wait and see what the effects of new developments such as the MSCI inclusion and the opening of more contracts to foreign investors will be. For the meantime, a sustainable path to foster the internationalisation of Chinese markets would probably be to, on the one hand, continue establishing the relevant infrastructures to channel future investment flows between China and international markets while continuing domestic capital market reform. And, on the other hand, to facilitate the education of both international and domestic investors about both the domestic market and international practice as well as establish more information exchange channels between international investors and Chinese regulators.

This way, long-term international investors might become more comfortable with the idea of having large RMB exposure and with the unique characteristics of the Chinese market, while the Chinese authorities will maintain some degree of control over the reform process, being able to counter some of the teething problems of pre-mature markets, while continuing market reform. That way, the trust necessary for a real integration of China into global markets might be created between Chinese markets and international investors.

Johannes Petry: ESRC Doctoral Research Fellow and PhD Candidate at the Department of Politics & International Studies, University of Warwick. His research focuses on the politics of global finance, China's capital market reforms and the organisation of markets.

Power, Motive and Imagination: the Mandarin Craze in Indonesia

——A Case of China's Soft Power

Hoon Chang Yau

Since 1998, Indonesia has entered a new stage and Mandarin Craze has risen gradually, leading to revival of Chinese language and Chinese culture in the country.

Chinese education in Indonesia started in the 20th century, when Indonesia was a Dutch colony. Before 1900, Dutchmen did not allowed local Chinese people to have education. Later, local Chinese people began to develop the cause of education and established the "Chinese Association" in Java. The Association, with the purpose of promoting education of the Confucianism and Chinese culture, arranged a series of modern courses, through which numerous local Chinese developed and deepened their identification with Chinese culture. In 1908, Dutch colonists, having misgivings of too strong nationalism among indigenous Chinese people, established Dutch-run Chinese language schools, to attract elites of indigenous Chinese people to study. In 1927, Dutchmen further set up Chinese language schools in Malaysia for lower-class indigenous Chinese people. In 1930s, Indonesia was controlled by Japan, the Western missionary schools were closed, and only the schools run by Chinese people and Indonesia were open. During this period, the number of Chinese language school kept increasing. After the independence of Indonesia in 1945, the increase of Chinese language schools continued. These schools kept close attention to China's politics and supported the Communist Party of China (CPC) or KMT, and some schools even raised the Five-star Red Flag and the Flag of KMT at the same time.

In 1965, turmoil happened in Indonesia. Someone conjectured it was a coup planned by the Communist Party of Indonesia, even expressed a doubt about involvement of the CPC. After the event, Suharto came to power. In the following more than 30 years of rule(1966-1998), he followed the anti-Chinese policy all the time, thinking that Chinese culture would hinder Indonesia from molding national identity. For this reason, the Suharto administration, relying on military power, pursued an assimilation policy, namely all schools, media and organizations related to China are banned; Chinese Indonesians must not use Chinese names and must change to a Indonesian name; the official system uses "Cina" to indicate China in replacement of Tionghoa for "China"; and strictly prohibits import of the goods with Chinese character.

After the coup, all Chinese language schools were closed. Even if any special programs existed in some such schools, their Chinese language courses were only open to non-Chinese students. In order to prevent the Communist Party from rising once again, the government made great efforts to move ahead with the drive of religious belief, and all Indonesians had to select one from the five religions accepted by the government and complete relevant registration. In society of Indonesia at that time, "Chinese people" were more considered as a class identity rather than cultural identity. As Christian groups did not discriminate against Chinese people as Buddhist groups did, the number of Chinese people believing in Christian soared for a period. Christian schools replaced Chinese language schools and became a place of rebirth of Chinese culture, learning Chinese language became a secret or underground activity, and people could only learn Chinese language through tutors, or understood Chinese language from Hong Kong movies and banned books. Some temples, churches and other religious institutions had opportunities to teach Chinese language, and those to study in Singapore, Malaysia or Taiwan could learn Chinese language. Some organizations and alumni associations of Chinese people, though banned, continued to conduct relevant activities in manner of foundations after reorganization.

Such containment of Chinese language and Chinese culture in Indonesia lasted till 1998, when a riot occurred due to the financial crisis, and an anti-Chinese campaign was started. After the riot, Suharto's rule for more than 30 years went to the end, Indonesia began to step into a democratic stage, and the government encouraged "All Flowers Bloom Together" and the development of multi-culture. In May1999, President Habibie lifted the ban and resumed teaching of Chinese language. In 2001, President Wahid canceled the 1978 Ban, making Chinese character able to present in public places and on imported goods again. In 2002, President Megawati made the announcement of the Chinese Lunar New Year as a national festival of Indonesia, and spared no efforts to move ahead with Chinese language education. Additionally, universities in Indonesia began to set up institutions for study of China gradually.

Entering the 21st century, a "Mandarin Craze" came in Indonesia, more and more Chinese newspapers and magazines were published, and nearly 1,000 Chinese language teaching centers were established in major cities. Moreover, institutions for study of China have kept increasing in universities, six Confucius Institute have been opened in Indonesia step by step, and hundreds of thousands Indonesian students (whether Chinese people or not) have come to China for short-term exchange and training. All public and private schools have added courses of Chinese language, and some tri-linguistic schools (Bahasa Indonesia, English and Chinese) have become available. Of which, the most typical is Sekolah Terpadu Pahoa, which can be taken as the continuity of the Chinese Association.

Sekolah Terpadu Pahoa was established by some famous alumni of the Chinese Association including many retired commercial magnates, and its students are mainly children of mid-/upper-class Chinese people. It is designed to popularize Confucian thought, features strict management and emphasizes the development of students' character. Meanwhile, it also has celebrations on different religious festivals to actively push cultural diversity forward.

With the increasingly deepening influences of Chinese culture in Indonesia, it is very common for ordinary people to learn a few sentences of daily Chinese. Chinese courses and posters of study abroad programs in China can also be seen everywhere.

The Mandarin craze in the past two decades was contributed by various factors: reforms were launched in Indonesia as of 1998 when China was on the fast track to economic development. Local Indonesians were very curious about Chinese culture, and good Chinese language skills made them more competitive in business and job hunting, therefore Indonesians have a high enthusiasm for learning Chinese; while Chinese Indonesians were full of expectations for a new era after 32 years of oppression, and strived to revitalize Chinese culture with the idea of "root-seeking", therefore the spirit of older generations had been passed on to the younger generations.

Drivers to "Mandarin Craze" are diverse and intertwined: from an individual perspective, older generations of Chinese Indonesians who had abundant financial resources and strong senses of cultural mission and were active in lobbying were the backbone forces; the younger generations of Chinese Indonesians were also major forces, because good Chinese language skills might help them get more opportunities in job hunting and business; for the sake of more job opportunities and better cross-cultural communication, "Mandarin Craze" was set off in the whole Indonesian society. At the government level, the Indonesian government made efforts to develop bilateral trade relation with China and actively involved in the construction of the Belt and Road Initiative; and the Chinese government, as the facilitator of the Belt and Road Initiative, also actively expended its influences in Indonesia by establishing Confucius Institute to enhance soft power.

Of course, "Mandarin Craze" is also closely tied to the friendly relation between China and Indonesia. In 2013, the two countries established comprehensive strategic partnership and China became the third largest investor in Indonesia with direct investment reaching USD 1.6 billion; in order to implement the Belt and Road Initiative, China has invested USD 87 billion to Southeast Asian countries in infrastructure construction.

In addition, international politics also plays a subtle role in the development of Mandarin in Indonesia, such as the bilateral relation between China and Indonesia, the implementation of the Belt and Road Initiative, China's peaceful rise and good relations with neighbors, the relationship between China and the Association of Southeast Asian Nations (ASEAN), the dispute of the South China Sea.

However, Chinese language teaching in Indonesia is also constrained by various factors, for example, the shortage of teachers in Indonesia, Indonesian teachers' insufficient knowledge about Chinese culture, outdated teaching materials and teaching methods, limited language learning environment, low teaching standard, disconnection between teachers' teaching contents and students' demands. What's worse, due to few readers of Chinese publications and low audience rating, relevant industries are hard to survive.

Meanwhile, the fact that Chinese language becomes popular in Indonesia has also caused concerns of relevant people. For example, someone thinks that the popularity of Chinese language makes society of Indonesia re-sinolized, a word with strong political characteristic and implying "China Threat". Moreover, stronger influence of China may also arouse local nationalism and xenophobia, and local people may question whether China brings economic opportunities or challenges, or even neo-imperialism.

What cannot be ignored in the same manner is frequent frictions between Chinese people and other local groups in recent years. For example, in July 2016, as a revenge on that a Chinese female asked local mosque to lower the prayer voice in Tanjungbalai, Sumatera Utara, 12 Buddhist temples and Confucian temples were burned down; Zhong Wanquan, a Chinese Christian and former governor of Jakarta Province, was sentenced to 2 years in prison on the ground of profaning Islam; In August 2017, the Guan Yu Statue in East Java was covered as required by local Muslims, as they thought it is an idol worship, particularly the figure was a foreign general, which is against Islamic doctrine.

In general, "Mandarin Craze" is mainly attributed to open policies and China's rise in post-Suharto Indonesia. Under the dual action of market and culture, Chinese language becomes more and more popular. Now both Indonesian Chinese and local Indonesians are studying Chinese. The spread of Chinese language will certainly be constrained by many factors, for example, Indonesian government's policy towards China, the attitude of the Indonesians towards Indonesian Chinese and China, generation gaps of Indonesian Chinese, the relation between China and Indonesia, and the relation between China and Muslim countries and neighboring countries. Overall, Chinese language education sees a good momentum of development in Indonesia, but considering the unstable relation between

China and Indonesia in political, economic, social and religious aspects, we should be prepared for any changes in "Mandarin Craze".

Editors: Huang Xinmeng, Jiang Peini

About the author: Associate Professor Hoon Chang Yau, Director, Center for Advanced Research, University of Brunei Darussalam

Inviting Contributions to China Watch 2018

To construct new-type think tanks, promote the conversion between research and policy-making advice, and provide more high-quality reports and advices, Fudan Development Institute and Centre for Think-tanks Research and Management in Shanghai decide to solicit contributions from Chinese and overseas scholars to *China Watch*. *China Watch* focuses on hot issues in various fields of China. In the first semimonthly, it selects the latest achievements of top foreign think tanks, themed by 'International Perspectives and Forefront Issues'; in the second one, it collects the policy analysis of Chinese experts, themed by 'Chinese Think Tanks and Contributions to Development'.

Requirements

1. This contribution should be policy analysis or advice, reflecting author's deep thinking of forward-looking and comprehensive issues. Topics include but are not limited to Chinese domestic affairs, foreign policies, economy, society, education and other issues involving China's development.

2. The English edition could be articles published by foreign think tanks or major media in English (if the article is in other foreign language, please attach a 200-word abstract), or English research achievements of yourself. If the contribution is accepted by editorial department, it will be translated by the referrer or editorial department.

3. The Chinese edition is open to all the institutions and individuals. The topic is decided by yourself and the language should be succinct and not academic. 3000 words are proper, and there should be an introduction of the author within 100 words in the end. If the contribution is involved in sensitive issues, please burn it onto disc and post it to the editorial department with paper edition instead of sending it by email.

Notices

1. Email address: thinktank@fudan.edu.cn. Please fill the title of your contribution in the email subject and attach the following information (very important): Article, Author, Referrer, Address, Email, and Telephone Number.

2. One contribution at a time. Please not deliver more than one contribution at a time, or deliver repeatedly.

3. The contribution could be delivered to other publications and we'll reply in one month. If the contribution is accepted, the editorial department will reward it.

Contact Information

Contact: Hao Huang, Erli Kang
Phone: 021-5566 5596
Email: thinktank@fudan.edu.cn
Address: Room 211, Think Tank Building, Fudan University, 220 Handan Rd., Yangpu District, Shanghai
Post Code: 200433

Fudan Development Institute

Fudan Development Institute (FDDI), founded on February 12th, 1993, is determined to build a first-class think-tank. Our research is directed towards issues of national development, striving to make contributions to make contributions to the development of society by through the integration of research resources and human talents of various disciplines. There are 7 domestic research institutes which Fudan Development Institute is incubating, including Financial Research Centre, Centre for BRICS Studies, Shanghai-Hong Kong Development Institute, Centre for Communication and State Governance Research, Contemporary China Social Life Data and Research Centre, Institute of Social Research, China Insurance and Social Security Research Centre; 3 overseas research institutes, including Fudan-UC Centre on Contemporary China (University of California), Fudan-European Centre for China Studies (University of Copenhagen), Fudan-Tec Monterrey Research Centre for Studies on China-Latin America (Monterrey Institute of Technology and Higher Education); China Financiers Club; 2 secretariats of major forum, including secretariat of China University Think Tank Forum and secretariat of Shanghai Forum.

Centre for Think-tanks Research and Management in Shanghai

Centre for Think-tanks Research and Management in Shanghai, led by Shanghai municipal Party committee and relying on Fudan University, commits itself to incubating and promoting the capacity of Shanghai university think tanks, constructing a domestic and international known Shanghai university think tank system. It provides management through serving, seeks integration through internal communication, gathers impact through international talks, guards the quality through assessment, achieves status through contributions, and sets up a communicating, marketing and international talking platform founded in Shanghai, serving the whole nation and taking the whole world in view. The Centre aims to integrate the resources of Shanghai universities and think tanks, transfer the research into results, offer suggestions to the government, spread the ideas of think tanks to the mass, realize the social value of academic achievements, incubate composite scholars with consulting capacity, push forward the discipline construction of universities, and promote the development of new-type university think tanks.

CHINA WATCH

WATCH CHINA