



THE US-CHINA BUSINESS COUNCIL

美中贸易全国委员会

“On the Stormy Seas of Thucydides”

Adapted from a speech at the US-China Policy Foundation

November 21, 2019

Dr. Wang,
The Honorable Barbara Franklin,
Ambassador Roy,
Ambassador Sasser,
Ambassador Perera (Sri Lanka),
Ambassador Subritzky (NZ),
Ambassador Aung Lynn (Myanmar),
Deputy Chief of Mission Li (PRC),
Commissioner Mak (HK),
Ladies and Gentlemen:

On behalf of the US-China Business Council, it's a great honor to accept this award.

I am especially grateful to Dr. Wang Chi, who has played an important facilitative role at the center of US-China relations for many decades.

I am also extremely grateful to Ambassador Roy, who I served under, with great pleasure, from 1993 to 1995 at the US Embassy in Beijing – more than 20 years.

Both Dr. Wang and Ambassador Roy are role models for me.

They are the ones that should be celebrated and awarded for their lifetimes of contribution to US-China relations.

Nonetheless, I am pleased that, tonight, the US-China Business Council is recognized for its contributions to the overall US-China relationship over the last 46 years.

In my view, there's no doubt that USCBC, and more importantly the companies that make up USCBC, have contributed greatly to peace and understanding between our two great nations.

But I must say that my positive view on the role of business in the bilateral relationship is not uncontested.

It is often said that business has been the ballast of the bilateral relationship for many years. But, in a recent conversation with a senior official in Trump Administration -- someone I respect very much -- I received a quite different interpretation of the ballast metaphor. It made me think.

I was told that while business might be the ballast in the bilateral relationship, there is currently too much ballast – and that the ship has become too heavy; reducing maneuverability and speed.

In response to my interlocutor, I have to agree that it is fine to challenge conventional wisdom and to interrogate our assumptions. And so, it's fair game to question the role of business.

So, in response to his challenge, I engaged in a little research about ballast. What is the heck is ballast anyway? How is it used? Exactly how much ballast is good or bad for a ship?

What I learned from my research is the ballast tanks are located at the lowermost regions of the ship, under the engine room, and ballasting is an art form that is important for the ship's safety. The ballast on a ship must be carefully managed depending on the load and overall weight of the vessel – as well as conditions of the sea.

Ballast is increased or decreased to improve stability, balance and trim.

As my interlocutor indicated, in calm seas, you can decrease ballast – which does indeed increase speed and maneuverability.

But, when a ship is in tough or stormy waters, ladies and gentlemen, the age-old wisdom of the mariner tells us that we must increase ballast to improve the stability of the ship and allow the captain to weather the storm, or sail the ship into calmer, safer seas.

I don't have to tell you that today - these are stormy seas for the US-China relationship. So, if business is the ballast of this relationship, then now is time to increase ballast to maximize stability, maintain forward progress and avert possible disaster.

As the ballast in the relationship, the role of business is more important than ever before in ensuring that the world's two largest trading nations find a way to manage differences and maintain stability.

We need more bilateral trade. We need more bilateral investment.

Both governments have a responsibility to ensure that the other side is offering an even playing field for all companies.

At the risk of mixing metaphors, both governments have an obligation to ensure that the rules of the game are effectively and fairly enforced. We need a level playing field.

Both sides have a responsibility to live up to their treaty obligations, freely undertaken when they joined the World Trade Organization.

Both governments should take steps to calm the troubled seas.

From my perspective, the most important reason we need to get this right is this: currently, 2.4 million Americans work on US-China trade--approximately 1 million in export industries, one million in import industries and about 400,000 in Chinese invested companies in the US. This is approximately the working populations of Chicago or Houston—the third and fourth most populous cities in the United States. That’s a lot of jobs!

Each of these jobs is a good reason to defend the bilateral economic relationship.

Moreover, it is reasonable to expect China will continue to be the most important engine for global economic growth for the next ten years. Bloomberg estimates that China will contribute 30 – 33 percent of global growth in the next decade. It is estimated that, in the next 10 years, China’s contribution to global GDP growth may exceed that of Europe, Japan, and the US combined.

Therefore, American companies want to and need to be in China. They aren’t going to leave China.

And, I hope Chinese companies will not leave the USA.

But, companies on both sides must have reasonable expectations that they will receive fair and transparent treatment under the law.

Yet another reason why bilateral economic integration is good is that there are more than two players in this game. You cannot decouple if you are not a couple. And, there are lots of other players in the regional and global economy.

China has free trade agreements with some 16 countries and investment agreements with more than 100. Further, China is liberalizing its economy and integrating globally at a rapid pace. If American companies are not present in China, others will gladly take our place – at our expense.

In an ironic third-party validation of the US-China bilateral trade negotiations, this year, the World Bank’s Ease of Doing Business Index promoted China 15 points - from 46 to number 31 globally. Congratulations! This is excellent news!

But American companies are not benefitting from the improved business environment due to tariffs and counter tariffs.

Finally, despite the headwinds, 97 percent of the companies in the US-China Business Council reported that they were profitable in China in a recent survey.

Our members have found great success in doing business in China and selling to Chinese customers.

We want to do more. We want a level playing field and we are confident that we can do even better – if given the chance.

I suspect that my very well-informed interlocutor within America's security establishment would acknowledge the positive benefits of business engagement with China; and then rush to note his important and legitimate national security concerns. Most likely, he would opine on challenges to freedom of navigation in the South China Sea, hacking into American computer systems, the implications of the China's intelligence law, and the unsettling underpinnings of China's civil military fusion.

He would also point out real problems in Hong Kong, human rights, Xinjiang and, of course, Taiwan.

And, I have to admit, that each of these are serious challenges that must be confronted head on. They cannot be covered-up, they cannot be ignored, they must be addressed and managed – if not resolved.

But I hope my interlocutor would not find it too churlish of me if I noted that none of these issues – economic, geostrategic and domestic to China – are inherently bilateral.

Further, to approach all of these issues from an excessively bilateral perspective is neither efficient nor effective.

Indeed, we are paying a very high price for our over emphasis on bilateral negotiations in the short term. I worry a lot about the short-term costs of our policies on American farmers, workers, and ranchers.

But I worry much more about the longer-term costs of our policy.

Let us be clear. America's greatest assets are our network of alliances, the multilateral institutions that our parents or our grandparents bequeathed to us, and, underlying both of them, our normative values of freedom, liberty, respect, fair play, and justice for all.

The role of the US-China Business Council is to advocate for American business in China. But, in doing that, we are bringing into full expression the values that underline our operations anywhere in the world; of course, in full compliance with all local laws and regulations.

Yes, today, this bilateral ship is caught in what could be called "the stormy Sea of Thucydides" in which a rising power is challenging a status quo power. These are dangerous times. The sea is truly treacherous. And, let's be honest, there is no guarantee that we will reach port safely.

But, basic seamanship over the course of millennia tell us that we must increase ballast in stormy seas. And, now is the time to do that.

Now is the time for business to demonstrate that the relationship can be made more fair, more just, and more reciprocal – so that we can all benefit from a more stable US-China relationship.

The role of the US-China Business Council in this era has never been more important. And, I guarantee you that we shall earnestly, vigorously, and forthrightly pursue the policies that are in the long-term national interest of the United States, on behalf of American companies, American workers, American farmers, and American ranchers.

Thankfully, the long-term interests of the United States and China are both aligned. We share a very small planet and we face many common global challenges. For the good of our children and grandchildren, I hope both sides can do a better job of managing this relationship – and to calm the troubled waters.

American business is here to help to reach an accommodation in accordance with global norms and in the long-term national interest of both governments. This is a positive sum game. We believe in this relationship and we will work hard to make it better.

Despite the naysayers, the last 40 years of the bilateral relationship have actually been pretty good. Not perfect. But both sides have clearly benefitted.

Equally important, we recognize current challenges and I assure you that business will play our appropriate role to help to manage them.

We know that we must work very hard if we are to maintain the gains of the past and to ensure that the next 40 years of the bilateral relationship yet better.

The US-China Business Council is pleased to work with all individuals or like-minded organizations to help to shape the world's most important bilateral relationship and to bring this ship safely into port, despite the stormy seas.

Thank you.

A handwritten signature in black ink, appearing to read "Craig Allen". The signature is fluid and cursive, with a long horizontal line extending to the right from the end of the name.

Craig Allen
President
US-China Business Council