

Nick Burns: [00:00](#) Two questions to Ed Lewis. I hope he'll work them in to a questions to this all-star panel. Isn't Trump essentially right that China has not been playing by the rules, doesn't shine a half to make structural changes in his knee, right to push and wasn't the wrong to leave a TPP, 40% of global GDP because that reduced our leverage to push them. I would be very interested to hear the comments of Tom and Steve and Anya and Ed. You as well. Take it away.

Edward Luce: [00:30](#) Thank you nick. Um, uh, that was a great fast panel and we're going to build on that. Um, uh, they I think did a brilliant job of looking at the various trade deals that Trump is in the middle of either succeeding or wrecking. Um, but we're going to take it up a little bit high on, we're at 9,000 feet here in Aspen, so we are justified in taking it to a slightly higher altitude. Um, and I've got a brilliant panel here to talk about. I can hear you and you've got a similar accent to me, but, um, and you don't have a mic on, so it must be a very bad Mike, can you hear me now? You can hear me okay. Um, we're going to build on the previous panel. We're gonna take it up a little bit, uh, in terms of altitude. Um, uh, and we're gonna look at, um, whether US business can succeed in China.

Edward Luce: [01:20](#) And as we've discussed before, that immediately entails the question, what is it that you as business wants the American government to do on its behalf in terms of trade relations with China? Uh, and so we've got a very, very qualified panel to discuss this. Hugely important and I think underappreciated subject starting with Tom Pritzker, very needs, no introduction, very well known businessman, philanthropist, head of Hyatt hotels, many business interests in China and moneymaking, I believe. Um, and um, net next to Tom is a annual manual, um, who is the co founder and principal of rice, Hadley Gates, uh, a company LLC, that company that advises American businesses on how to navigate international waters, particularly Chinese waters, a author. And former State Department, um, um, official. Uh, and finally Steve Collins who is head of the National Committee on us China relations, which has been around, correct me if I'm wrong, Steve, since 1966 since before ping pong diplomacy, um, and which exists has always existed and still exists, um, to promote understanding and engagement between us and China. Something that is perhaps a little bit more rare nowadays than it was a few years ago. And so I would like to, Steve, since you've been in this role since 2005, you have seen a complete transformation, um, or at least a, a big transformation in how us business views, uh, China. It used to be

Edward Luce: [03:00](#) pretty clear that most of you as business lobbies, chamber of Commerce, business round table, et Cetera, with perhaps the exception of the National Association of manufacturers would basically argue China's case to some degree in Washington argue it should be led into the WTO. That we should be patient, that globalization is gonna pay off for all of us eventually. Now, is there a business consensus? It seems to be, uh, pretty much invisible if there is one. Talk to us a little bit. So at the table a little bit about what's changed since you became head of the National Committee on us. China relations. Happy to do that. The um, there's no question that the consensus that used to use the support construct of us China relations has dissipated and the business community was the ballast of that. And it's interesting cause I, I kind of wrote down a few numbers which makes this kind of very surprising, which is revenues reported revenues.

Stephen Orlins: [03:58](#) So publicly listed companies that have talked about their revenues in the Greater China area, Taiwan, Hong Kong and China. But effectively these are China, \$52 billion from apple. General Motors sold 43% of its total car production in China. Caterpillar, \$12 billion. Starbucks, 4.5 billion opening a Starbucks almost every day. Nike 5.2 billion Texas instruments 7 billion CalCom 15.1 billion. And anyo will point out that's gonna disappear given the fall away situation. So given that, why has this consensus disappeared? Why does the business community not stand up to the Trump policies, which are quite based on polling and discussions with businesses is destructive to their business in China. Destructive to their exports. U S exports to China are now dropping. They were down 13% in the second quarter, so it's clearly wrong, but they are not standing up. And I think there are a bunch of issues. Um, and some relating to very specific actions that the Chinese government has taken.

Stephen Orlins: [05:17](#) One is just promise fatigue. Chinese always are saying we're going to do this and they never get around to doing it. They've promised market access, they've promised IPR protection, they've promised regulatory transparency, they've promised the level trade level playing field and it's not happening. So at some point you get tired of it. And what happened is in around 2015 this began to deteriorate in 2015 remember back, President Obama and presidency had a terrific summit meeting at the White House and they reached agreement on a number of issues. Two of which I think even though one is not business-related, had an enormous effect on kind of the, the perception of China. One was actually the south China Sea that China said, we will not militarize the islands. It's not a big business issue,

but everybody was aware of it and what happens is the Chinese welted on that promise.

Stephen Orlins: [06:24](#)

They also said, we're going to stop. The government is going to stop hacking into US businesses and for a time after the summit, it did. Now everybody says it's continuing again. The theft of intellectual property is increased again. So that was kind of almost a seminal point in the business community's perception. The other was called comms acquisition of NXP two and a half years ago called calm entered into a how many billions of dollars of the \$15 billion acquisition of or more than that acquisition of NXP, which had antitrust implications. The EU approved the u s approved, the Japanese approved the Koreans. Despite that, this was competitive with Samsung approved and the Chinese sat on it for 18 months. They sat on it. They didn't act clearly. This was something that should've been a clue approved, but it affected the businesses of Chinese competitors. So they fail to act and call come paid a \$2 billion breakup fee, \$2 billion ain't small potatoes even to a company like Qualcomm.

Stephen Orlins: [07:44](#)

But what that did is it told the business community you're not going to get regulatory fairness. So that perception shifted even more. So when you, when you say that, when you say the business community, um, clearly there was a consensus, you saying there is a new consensus now in business it's a divided consensus. There are those who believe, um, that Trump's policies are killing their business, that we're losing the fastest growing consumer market in the world and they're counterproductive. And there are those who believe that it's terrific that he shaken it up. And it's important that the Chinese go through this structural reform, which we heard talked about in the last panel and that they, that they do. So it's okay to kind of have short term pain for long term gain for something approaching that. Anya, I want about you wanted to intervene, just want to jump in and build on what Steve said

Anja Manuel: [08:40](#)

because I agree wholeheartedly. For me, the inflection point came with the Xi state visit to Obama in 2015 it actually happened even before Trump, as much as we always liked to blame president Trump. Um, and you said it exactly right, it was promised fatigue. So I live in silicon valley, I work with a lot of American tech companies. I would say before 2015 all the questions we were getting is what are we doing wrong? Why are we specific American company not succeeding and what can we do to help the Chinese understand that we're on their side. Then before she went to Washington, there was a dinner in Seattle that I think maybe all of us were at and several of you

hosted and several of our clients said, how can I avoid being in the picture with sheep? And from then on it's really been, well, it's time for them to buck up and do what they need to do and give us market access and protection.

- Edward Luce: [09:40](#) So in, in answer the next question, which I don't think I need to pose, you agree implicitly with this premise that Trump is right to call out China, that this consensus was shifting before Trump was even even nominated.
- Anja Manuel: [09:55](#) I do agree with that. I think the way he's going about it as all wrong.
- Edward Luce: [09:59](#) Okay, we're going to get into the old round [inaudible] I do not agree with his approach. I do not agree with his approach but does trying to need to reform. Yes. I think the pro, the approaches that we're taking are the exact wrong approaches and what where I, in the last panel we heard talking about enabling the reformers, there's still build talked about it. There still are lots and lots of reformers in China and what the policies that we've adopted are, is we are disenfranchising the reformers. We are making sure that the reform that they are seeking to advocate for will not be implemented. So an amendment I want to to get on to Rania and decoupling and bifurcation and all these sort of larger tech look molecular issues. But Tom, you've been involved with your various businesses high as included in China for a long time and you make money and continue to make money. Am I right? Yep. Uh, so it's this, um, and you're about to hire, what is it 50,000 Chinese employees, um, is, is there any reason for you to suppose you are not going to continue any your sector to make money in China?
- Tom Pritzker: [11:08](#) So what I'd say to that is, I think that we have sustained, we have alignment with Chinese interests at the moment. I think that as China develops, we may fall out of alignment and that's when I'm in trouble. And so I think of it as building a business model that has alignment with China's interests. And then how can I make it more sustainable and what am I going to do when it falls out of alignment with them? Cause when it falls out of alignment with them, we're in trouble. And by alignment with them, you mean you're hiring 50,000 people, you're training them. That's good for [inaudible]. And whilst that's the case though, they'll treat, yeah, I think, I think the Chinese look
- Tom Pritzker: [11:54](#) and say, what are you doing to contribute to our national wealth? And if you're doing something to contribute to our national wealth that outweighs the profits you're taking out, I'll

take it. The moment that calculus no longer holds, then you have a different environment. And that that's true with China Inc. And that's true with Chinese partners. And so that's why you see such problems with the partners falling out is the dynamics change and therefore that alignment changes. Okay. So [inaudible], uh, a lot of the trade, um, disputes the Trump focuses on and likes to talk about are essentially 20th century products. Their soybeans, their toys, furniture is, Rufus sort of mentioned that steel aluminium is, I pronounce it, I believe you say aluminum. Um, that kind of thing. You'll focus more, um, as I think many strategic minds are on the 21st century battle. Um, and this fear of these predictions, a bifurcation first made by Eric Schmidt of Google, of alphabet, of decoupling. Um, is that something that you expect will happen?

Anja Manuel:

[13:11](#)

I think it's already happening. And it's a tectonic shift that won't shift back. Even if we get a trade deal. So you see it from toys to motherboards, which are the things that hold all the circuits that run in your computer. A third of American companies that were export oriented have shifted production out of China in the last year. 90% of motherboards were created in China in 2017. Now it's 50% and dropping rapidly. And those are not small shifts. You've got to find a new factory. Sometimes these are huge capital investments. You're finding new supply chains and transporting your goods around the world. So I think that doesn't shift back very quickly, no matter what happens. And it's for a number of reasons depending on the industry. So if you're in toys and apparel, you know Chinese wages are going up. So you want to move to Vietnam and Malaysia. By the way, almost nothing is coming back to the u s our own manufacturing has decreased a little bit in the past year despite the trade war. So the big winners are the other Asian economies and the, um, and if you're in in tech, you're worried about cyber espionage, which is a real issue. You're worried about tariffs and so you have different reasons for moving your supply chain out depending on who you are. But it's happening across the board.

Edward Luce:

[14:35](#)

Tom, did you want to say something? No, it's some, yeah, I'd like to lay some context show for how business should think about whether what they're going to do in China and what the u s government may, how they may think

Tom Pritzker:

[14:52](#)

about, uh, enabling the private sector. Okay. With that. So I think this context is really important. So if we just went to 20,000 feet, I want to go to 30 or 40,000 feet. The context is changing changes under Xi changes as their economy grows different. All businesses are different. So if you think of Uber Doing Business in China, it's different than apple. It's different

than High Ed. It's different than Walmart. And therefore you don't have this common view because some are fed more than others in terms of their businesses. There's been a major pivot. We used to have complementary economies. They made cheap tennis shoes. We got our consumers benefited. That's now pivoted to a competitive environment. They want to be in high tech. They want to compete instead of compliment. I think the important thing to think about is we have very different histories and cultures and values.

Tom Pritzker: [15:55](#)

Margo and I work on the culture side of China. We do archeology. We live in the 11th century. When we're in China, it's really important cause that's their self identity. Their system reflects their cultures and values and their system is profoundly different than our system. World Order from their point of view came from Western values. They're the middle kingdom who says that we should comply with a world order that was organized around Western values. Their system is a party system. Party is over everything. It's over their army. It's over their government. It's over their individual behaviors and they think in terms, they think in terms of that and therefore why should we change to accommodate? You look at, look at our history, middle kingdom. Look at our scale. We're not the ones who need to change. We're now in a world where we're of the same scale that you are.

Tom Pritzker: [17:00](#)

And so let's review who needs to change and where the adjustments come from. Back to say, isn't it that I'm inspired to these boundary different cultures and histories. China is now becoming more of the upholder of global norms in terms of supporting the WTO in terms of not having trade war and arguing against protectionism may be very mendaciously, but it's fair to say they are actually upholding the universal values argument in economics. I think that's the rhetoric. I don't think that's the reality. I think they don't comply with rule of law. I would, uh, yesterday the uh, NATO secretary general talked about some of the key aspects of Western values, democracy, individual. They don't, they don't see it that way. And that's not how they, how they, uh,

Stephen Orlins: [17:50](#)

see the world. That's not their vision of the world. Steve. Again, I think the idea that China is not going to economically change is inconsistent with kind of my 40 years has experienced, I moved to China 40 years ago almost to the day and I've watched the private sector be the engine of growth. What we're now seeing is slowing growth in China. It's the slowest growth in 25 years and that is not because substantially not because of the terrorists, it's because of what was talked about in the earlier

panel. The focus of credit to the state owned sector rather than the private sector. So they've basically taken economics one-on-one and thrown it out and say, oh, we can do this through state owned enterprise funding. The data, these people are well trained. Every economic official who sits at the higher level of China has really had a lot of experience.

Stephen Orlins: [18:41](#)

When they get this data, they're going to understand that these policies are going to fail. Whatever the U S is arguing for, they're going to have to move back towards funding the private sector because for 40 over 37 years, that's where the economic growth has come from. So regardless of what the u s is asking for, and somebody said in the last panel that's good for China, the reforms that we're asking for are actually good for China. What the Chinese government is engaging in now is incumbent protection, incumbent protection. And that's not good. Used to be great when I was an investor in Carlyle, it ain't so good when you're a consumer, when you're, when you want high quality service, et Cetera. So we will actually begin to see a shift when the data is clear and the data is clear now and we're seeing green shoots, we're actually seeing change.

Anja Manuel: [19:32](#)

So let me, I want to justice it just to jump in and I think you hear from Chinese reformers, many of us here spend a lot of time there that she did. Pink isn't listening to them, just like president Trump isn't really listening to some of his advisors. And that makes this very difficult.

Stephen Orlins: [19:47](#)

We're in the financial services sector. We're seeing, we're seeing reform. I mean talk to folks at Goldman Sachs, talk to Morgan Stanley, talk to you bs, talk to Chubb. They have now for years been banging on the door and now they're opening. Five years ago, 1% of China's stocks were owned by foreigners. Now it's up to 4% because the financial regulatory folks have basically been schooled in the United States. They've been schooled in market economy, economics, and they're making these changes.

Edward Luce: [20:16](#)

And do you think that's going to be true for technology too? I mean, I think technology's a different issue because at times on national, a massive issue, right? So massive vision, we are taught, we are taught, you know, when, when, when we studied that the Ricardian theory of comparative advantage, even if your partner is closed and protectionist, you'll you still benefit from being open. I'm not sure that applies to data. Does that, does that apply [inaudible] to artificial intelligence is is we're not just talking about economics and trade, we're talking national security defense systems. We're talking about space,

we're talking about we're moving from the non zero sum world of economics to the zero sum world of geopolitics. How do we, how do we handle that dilemma without having a bifurcated decoupled de globalized world?

Anja Manuel:

[21:09](#)

Well, here's the problem. When you talk about decoupling in tech, it's one global web of innovation, right? So semiconductors are often designed right here in the u s manufactured and South Korea, Taiwan elsewhere assembled into all of the devices in your pockets in China, and then sent back here. Hey, Google has AI labs in the u s in China, in Europe, all over the place. Same with Alibaba, same with Baidu. So the idea that you can just neatly say this is the 1960s in the Soviet Union and I, and I do think a little bit, and I would talk to the Washingtonians in the room. The East Coast sees this a little bit like, well, we just need better export controls and we need syphius to be tougher. And we've done that and there was some reform that was needed. When I see the export control regulations that are coming out now, I worry that they vastly overreach and they will harm our own company's ability to innovate as much as they harmed China's.

Anja Manuel:

[22:09](#)

So the idea that you're going to just break up the global web of innovation doesn't make a whole lot of sense to me because the Chinese will then just innovate with the Europeans, or Google will put its AI lab in Brussels and you'll have the Chinese engineers there. So that to me sounds really hard. What I think we need to be focused on in sue said this a little bit in the last panel so far our, we've been all on the defensive. How do we build a moat around our technology and protected it's time to work on the authentic positive, and we are good at this. I would start with after World War Two, we created the international system that has served us enormously well on trade, but also on technology, on the AE, on all sorts of other things. It's time to make another such effort to set the norms for tech, which no one is doing right now.

Anja Manuel:

[23:06](#)

We need five, 10 countries to get together and say, here's what we're going to say about AI and privacy. Here's how we're going to set the norms for cyber war. Here's how we're gonna think about those things. Those efforts are non-existent. Some academics talk about them behind the scenes, but there isn't really a whole of community effort to do it and we need it. Sue talked about just one more point. Sue talked about stem education. Well, on the OACD Pisa Rankings, China ranks 10th in science and math education in the world and we rank a measly 31st that's pathetic. We can't compete if kids can't do math. So there are all sorts of things that we can do. Domestically. China

spends a lot more on government r and d than we do. And I have to say, and I say this to all my friends in silicon valley, you know, in China, everything that's developed in a private sector lab ultimately finds its way back to the government, the Communist Party in the PLA, not here project maven. We couldn't even cooperate between the defense department on Google on a very basic AI project. So to an extent, I would say to my friends in Silicon Valley, we have to become patriots again and stuff.

Edward Luce: [24:15](#) And yet Google and Google is, Peter Thiel pointed out the other day is cooperating with China on this project. Dragon fly set censored. Such engine standing was, it was canceled though, but it was canceled because of hits. Employee Brag. Well both were right maven. And um, so Tom, those are, those are some very good suggestions from Anya about collaboration rather than bifurcation. Um, what about next question, um, on Trump withdrawing America from the TPP, do you think that is enhanced America's ability to shape how China behaves or do you think it's reduced it? Yep.

Tom Pritzker: [24:56](#) So I think China, I think I disagree with Steve on whether they're going to pivot to the private sector. I think at least under Xi Jinping, right? Under a new leader, it's possible. I don't think so. Under Xi and what I would say is their economic model is a whole of government model. It's built on scale. What are the comparative advantages of scale? So they're able to direct their consumer base to buy domestically. They want to go to 20, 25. And I think the, what we've got to get our arms around is we have to have scale to compete with them. So I think we used to have scale. If you went back 30 40 years, we were the gorilla. Nobody could mess with us in the future. That's not gonna be the case. We're gonna have some scale, but not as much as China. So we need scale to compete with them to undermine that competitive advantage. And alliances to me are the rational way. It's pain the neck, but that's the rational way to respond to China. So that's definitely a yes, he should. We should. Americans should rejoin that to you. TPP.

Stephen Orlins: [26:07](#) Yeah, I think it's the, it could be absolutely the single best lever that we would have to shape Chinese behavior in when China exceeded to the WTO in 2001 people, the narrative today, the fictional narrative to didn't do anything. It's not true from 2001 to 2006 there were enormous changes in Chinese economy to comply with what was put in the WTO accession agreement. Enormous. It was only in 2006 2007 that it read the u s tr reports from those years. It was very complimentary of China's compliance. It was only slowly it began to back away and then

he has been correctly pointed out over the last three years. It's actually, it's actually going backwards. When Bob Froman was negotiating the TPP, the Chinese government came and spoke with us, a group of kind of American economists run by an an event run by the National Committee and said, we believe that if the TPP is concluded, if America becomes, is part of it, we will use that to lay out a path for China to become a member of the TPP.

Stephen Orlins:

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It would be this, just like the WTO, it would be the path for China to reform and we actually went, and I won't say who we saw senior people in the u s government and the view was China was too toxic. We to be tough enough to get TPP through the congress, but and China was so toxic that this would doom it to defeat. So we didn't go down that path, but in my dreams somehow at some point in the future we have some successor to TPP. Uh, the U S is part of it or rejoin the existing TPP and when with some amendments and then we lay out for the reformers in China, this path to excession doesn't have to be tomorrow. WTO At session occurred over 15 years, but we lay out this path and we give the Chinese the opportunity to reform. The Chinese government is not static.

Stephen Orlins:

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Again, these are well trained people. They will understand and the deal that the Chinese Communist Party has with its people, we give you economic growth. You don't challenge our power and the economy is slowing enough now that over time it becomes a challenge and reform and they understand this. The leadership does understand that reform will increase economic growth. But what she, what the president, their president is not willing to do is to make the trade off. You got to give up control, some control for this economic growth and at this point he's not willing, willing to do it. When data gets worse and it is getting worse, that is going to change. Can I just add one little point from date? So I was in China Saturday of this Sunday and had a meeting and there's something called the discrepancy index, which is the difference between published GDP growth figures and what we think are actual GDP growth figures, which are defined by electricity consumption, transportation of riot of other things, imports, exports, which kind of gives you a clear view of GDP and what's happening now. The Chinese always have the public numbers, but what's happening now is that discrepancy is increasing. That growth is not 6.2% as they said on Monday. It's probably in some sectors contraction in other sectors still growing, but probably it's really getting close to zero that is going to force them to make these decisions. Will we allow the private sector to reignite growth?

- Anja Manuel: [30:10](#) So Steve, I hope you're right. I'm an optimist. It's always darkest before the dawn of Man. I don't see the inklings of reform yet.
- Tom Pritzker: [30:17](#) I thought it was always dark. It's before it goes pitch black. Tell him I know you wanted to. Yeah. So, um, I read a paper recently from an economist at black rock. Very interesting. It says, how is national wealth created? Where does it lie and n t national cash flow. And in the old world it was agriculture. Then we have the industrial revolution and it was manufacturing and oil and the world of the future is national wealth is going to be created with technology. And he then goes about trying to value different pieces of technology. He compare his, just the value of gps to all of the auto companies in the world and says, no gps actually I'd rather own gps than all the auto companies in the world. This goes to the issue of TPP. What I worry about is, I think that's correct.
- Tom Pritzker: [31:16](#) I think technology is what's going to drive national wealth. I actually think Xi Jinping understands it and has a big sign over his door that says it's the economy stupid and that's how he behaves. And if that's correct on technology, then TPP has to reflect the economies of the future, not the, not the industries of the past. So I believe, and correct me each of any of you, if I'm wrong, that we have a consensus to next two questions, which is Trump's right to call this out, but wrong to put out of the TPP. Right? So Anya, a specific question about how he's handling the short term negotiations. Weiwei was festival band. Yes. And now Huawei is, you know, in the mix if he can get some 20th century trade concessions. Isn't that precisely the Roman the wrong
- Anja Manuel: [32:05](#) way around? Yes. Yes. Isn't the Denny, it is precisely the wrong way around trade deficits don't really matter that much. Right. That would be my view. Most economists views, look, honestly, I don't, I don't have, I'm not privy into the private discussions of u s t r from what I've heard is that all of the right issues are on the table. The last panel put it very clearly. It's going to be very difficult for China to given on the hardest issues and those are fundamentally how they support their state on enterprises. Very, very difficult to change whole character. Um, on, on Huawei, uh, oh on Paula as a, as a tactic. We have the dual of the executive orders right now. Yeah. And to me it makes no sense at all. So Huawei I would say is a real threat in 5g. So you can just imagine you wouldn't want any company Chinese or otherwise having all of the infrastructure that controls, not just the cell phones that you're all carrying, but the entire Internet of things.

- Anja Manuel: [33:10](#) And as one CEO recently put it to me, while I guess that gives them the ability to shut down our electric grid or make all the self driving cars drive off the road. Okay. So maybe that's a little excessive. But the five gps is really important. Not allowing wowway to have access to our semiconductors. Harder case really hard for us in my deck. Conductor companies not allowing wowway to have access to android really doesn't make any sense whatsoever. And so of course now you have an equal reaction in China where they created in late May and unreliable entities list very vague, very threatening. No companies have been listed. Many American companies live in fears that they'll be first on the unreliable entity list and they'll essentially be out. So it's no way to run a trade war.
- Edward Luce: [34:00](#) Does that mean, oh, all three of you? It was Steve. I'd like you to, I just don't want to be on the record as in any way, shape or form thinking that the president's calling out China on the bilateral trade deficit, um, makes any sense whatsoever. It's a violation of economics one oh one. Anybody who thinks bilateral trade deficits mattered, don't understand that does 100% any economics. In fact, we saw yesterday that what does matter, which is the multilateral trade, uh, the current account surplus, that China's current account surplus, which we used to criticize because it was up to 10% of GDP, is basically going to zero, which suggests they're not following the policies of being a protectionist. Okay? So those are the hard numbers. Let's sort of borrow paraphrase Joe knife, raise it. Let's go to the soft power stuff because this is the mood music that businesses face and all three of you have experienced on the one side and mannequins are watching Canada.
- Edward Luce: [34:53](#) Um, and worrying about the next visa to China, particularly in the tech sector. Um, uh, the Chinese have cool. So watching, um, you know, how executives who work for Huawei or o zed, t, e, Z, t e as you call it, um, might be treated. Um, Chinese students are worried about their visa as Trump is reported to have said each Chinese student as a potential spine. Uh, there's all kinds of stuff at the micro level that is making people afraid. Um, my question to each of you is, and then we're going to get with them, we're going to get some audience questions, is how important is this somewhat curdled muse, music, mood, music that, that we're hearing on both sides, Tom? Yeah, it's
- Tom Pritzker: [35:38](#) profoundly difficult. It creates the wrong environment in which you can get rational reactions to what's going on. I would say the problem, the problem with China, the challenge is one that has to be managed. It's not going to be solved. And when you have rhetoric along the lines of what we're hearing actually on

both sides, it doesn't contribute to helping to manage this bilateral relationship, uh, over time. So there's that. There's another side of me though, that guy who founded Intel I tell was only the paranoid survive from a business person's point of view. I live in a world of paranoia and I think that's healthy for me to live in a world of paranoia because in a competitive world, there are forces out there that are after you. And so I don't really like the idea of national leadership using the rhetoric. On the other hand, from a business community point of view, I think we need to have a deep understanding of where these challenges are.

Anja Manuel:

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I agree. I think the mood music is very negative and I've been surprised at how quickly we flip the switch from let's manage this relationship to, it's all negative and conversation about an Ode Cold War. This requires a whole lot of nuance and at the best of times, our government is terrible of that. We're the country of John Wayne. We see good guys and bad guys and suddenly China has become the bad guy. I see this at Stanford, right? We have the FBI visiting us and telling us basically be ware of your Chinese students. They're all spies. Well, it is certainly true that some Chinese students in the u s are being encouraged to spy and some have, but it's a minority. So you have to actually deal with the problem with which is real without resorting to xenophobia, which w we're in grave danger of doing and it's terrifying and use, and this is on all number of fronts.

Stephen Orlins:

[37:39](#)

Thank you, Steve. Yeah, I agree. America has won by being open by fostering open academic environments, by in fostering research and development and the consequences of kind of singling out Chinese for kind of for not, you know, for potentially being spies. The consequences that outweigh the benefits. We have other methods by which we can determine who was spy is without making it difficult for Chinese students to come to the United States. The number of denials of visas has gone up astronomically. You know the expulsion or the the the firing of a cancer researcher in at MD Anderson, a Parkinson's researcher at Emory medical, and I'm just going, oh my gosh, these are all Chinese. Their labs were run by Chinese because they were also receiving funding from the Chinese government, which was a violation of NIH policy. But the is, it may

Edward Luce:

[38:36](#)

have been a technical violation, but if you Google any of their articles, the first thing says we received funding from the Chinese government, so they didn't put it in their NIH application. That's bad. But it's not caused for closing down the lab. So we have this demonization of Chinese, which is, which is

dangerous, which bad for Americans, it's bad for our society. So we need to find ways to make sure kids are not spying, but without going after them in this broad based way. I mean, to be fair, we're not to be fair, but to give it as a larger context, if you've got three Canadian national super clearly, well two Canadian nationals who clearly know being in any way involved in breaking any laws, being locked up as a tip for tackling, you're gonna, you're gonna be under pressure on the other side too, to reciprocate that. That's terrible policy. That raises the question, which I always ask Chinese government officials, do you know who China's greatest enemy is? China, China. Those, that policy of locking up, of course [inaudible] the Canadians is nuts. Whose America's greatest enemy. I was being mischievous. Um, Tom, one, one more comment before we go

Tom Pritzker:

[39:47](#)

questions and that is a, the conundrum to me in the Sino us relations is I think going forward economics is going to be at the core of the competition. It used to be cold war was military and diplomatic. I think now we have to think of economics in the forefront of the competition and we're not good at that. U S government, this is outside of their zone of comfort. It's in the private sector that this, this capability resides in China. You have whole of government behind that economic competition. So they're able to do that. They have tools that we don't have and we, one of the things we really need to do is figure out a way to make, to better align the business community with the national security and foreign policy community because right now they live in totally different worlds and don't speak each other's language.

Edward Luce:

[40:46](#)

I do have a final, very quick question and then we'll have time for four or five from the floor, which is my highly esteemed colleague, Martin Wolf had a piece, I called him the other day entitled America's looming 100 year conflict with China. Now that the headline was a bit more dramatic than the actual piece, but what he said in it was from the Chinese perspective, America wants to dominate or to continue to dominate and if it fails to dominate, it will separate. Um, my question is if things continue on the trajectory they are on right now, is it that over the top or is that a realistic Steve and I that we'll, we'll separate. I don't, I don't believe it's possible. You don't believe, I believe ultimately no matter what goes w it's possible

Stephen Orlins:

[41:34](#)

we have this decoupling in the technology sector, but a true separation. Also, one of the things which scares me most about this, this visa, um, kind of rejections that are occurring so rapidly is that one of my fundamental bases for optimism ism is the 350,000 Chinese students that are studying in the United

States. And that links us in such a way that we become inseparable. And if the administration can somehow stop this, well that that scares some good in the end. I think the people, the people contacts between the United States and China are far too deep and wide that we can possibly say,

Speaker 6: [42:12](#)

great,

Anja Manuel: [42:14](#)

we are manufacturing a good chunk of this conflict. And both sides I think are equally responsible. You hear it with the nationalism on from she and his senior folks. You hear it from Trump, it is not inevitable that this becomes a new crisis. Not at all. No. 40% of the world's middle class will reside in China by 2030, 20, 35. So if we want our companies to thrive at some level, we're going to have to be doing some business with them. Um, the Obama administration did a fantastic thing when they brought China into the Paris accords at the end of 2014 by the way, China's still in and we're not, there are so many areas of overlap of interests. This isn't at all a situation like the u s and the Soviet Union where there was very little overlap of interests. And by the way, dividing the world into blocks where China leads one in the u s leads another one looks very ugly because if we force, I hear this all the time when I'm in Southeast Asia, everyone says, please don't ask us to, don't force us to choose sides because you'd be surprised how many people will choose the same Chinese side.

Anja Manuel: [43:24](#)

So let's hope it's still avoidable.

Speaker 6: [43:27](#)

Don't be doing that.

Stephen Orlins: [43:28](#)

Yeah. So I think there are a lot of forces that will drive things in different ways. The point I would want to make is leadership matters. A lot. Leadership under sheets in Ping is different than leadership under the next person or the last person. Similarly with Trump or Obama, don't, don't, uh, underestimate the importance of leadership and the direction of, of this relationship. An excellent point. Um, we've got about 10 minutes, um, for, um, questions that ps state you are and ask a question, don't give your, um, biography.

Speaker 6: [44:03](#)

Um, and then that

Audience Member: [44:07](#)

and whatever. So was EDF GMTV uh, I liked your comment Anya, about the need to go on the offensive with regards to rules and, and standards for technology and AI, AI. We had an interesting discussion during the Munich security conference

where Brett Smith of Microsoft was calling for those kinds of regulations, digital Geneva Convention or an idea, all of a sudden a on the table again. And there was this quote of the Chinese scientists saying, well, for the first time ever, this technologies give us the chance to win over liberal democracies. So that I think this place, what did it say at stake here? And my question to you would be to all of you, since the [inaudible] adopted the OACD, uh, principles for AI, who should be the leader in pushing forward with setting those kinds of standards and rules, what body, who in the u s government should and could do that?

Anja Manuel:

[45:09](#)

Oh, cool. This is such an old ticket to start with. This is such a difficult issue because as the u s government, we are, um, woefully under prepared to deal with modern technologies. We don't really have people embedded in each ministry that understands it. Um, we regularly iteratively, so we say, okay, we're here, slap a regulation on it. But then technology develops really rapidly and we're not nimble enough to take that into account, um, on. And it's very different when you're talking about AI versus bio and CRISPR and everything that's coming down. And different technologies need different solutions on AI. I could imagine one way to do it. Amy Webb, who's a computer scientist and scholar here has called for something. She calls it a tech NATO, I wouldn't call it that, but basically a group of 10 countries that would get together as national countries, not under auspices of the UN and say, okay, we're democracies.

Anja Manuel:

[46:10](#)

Here's kind of what we think the broad guidelines are. Here's how you don't infringe privacy. Here's how you handle data appropriately. Here's what you do. China probably wouldn't be one of those 10 initially, but you wouldn't exclude them. You would say, look, here's the bar, please rise to meet it, and that's what we've done with a lot of other international accords. They're never perfect. You know, they're always broken in some sense, but that's how you could start and you could have something like that on every different technology, but we're nowhere near that. That's wishful thinking

Edward Luce:

[46:43](#)

almost. Steve, would you either tell him, oh, Steve likes to take that question. No, go next. I just say that [inaudible] that. How do you enforce compliance becomes an important part of it. That goes back to the scale issue. If we've got the scale that we talked about yesterday in NATO, if we've got the scale that Anya mentioned, you've got a better chance of enforcing any standards and if to just quickly follow up in your answer on your previous panel, talked about having global rules on antitrust,

um, presumably that would be one of the things you'd like to see a u s administration develop.

- Anja Manuel: [47:18](#) Yeah, I know less about that. But antitrust in the tech sense to me doesn't make a whole lot of sense because it's, it's the aggregation of data we're worried about not necessarily market power. It just works in a totally
- Stephen Orlins: [47:30](#) different way. So we need to think about, okay, you have to look towards the next administration obviously cause this one is not willing to participate in those kinds of global forum. That's right. Yeah.
- Speaker 6: [47:40](#) Um, the um, gentleman here,
- Audience Member: [47:45](#) you mentioned several numbers that are interesting in terms of stem. We're like 21 or 31 31 31 and China is [inaudible]. And then you mentioned that you have 350,000 Chinese students in universities in the United States. And I was just recently aware that Lee washing the wealthiest man in China, built a new, is building a new university for training entrepreneurs in technology. So knowing all of these numbers, do you think that it's time for us to reconsider training engineers and technicians of Chinese for China?
- Stephen Orlins: [48:32](#) Good number of them remain in the United States. So if we had, if we had a good visa policy, which basically when you get a phd in a universe in a US university, you automatically have the right to work in the United States. Fewer of them would go back to China. Under current policies, the h one B is being more restricted, so we have more Chinese returning to China. But these concepts, these Chinese make enormous contributions to American universities, American academia, and then ultimately American business. So in no way, shape or form, but I support restricting these people coming to the United States.
- Audience Member: [49:07](#) China has taken some of the top talent, that Chinese talent that were here and given them enormous sums of money to come back to China.
- Stephen Orlins: [49:17](#) It's no question that they're willing to fund people to go back when they graduate from, you know, the best university system in the world. They're willing to fund them to go back and work. That's a cost. We should be willing to pay for the contributions that the other 349,000 make to u s society. If you go to universities and you look at the TA's in the stem fields, there probably a third Chinese. We wouldn't be able to educate our

own people if we lost the Chinese coming in a for reasons I don't fully understand. Uh, Americans just have been unwilling to matriculate through the stem fields and get their PhDs.

Speaker 6: [49:59](#)

Um, uh, yes, the lady of the back there.

Audience Member: [50:05](#)

Thank you. Jennifer. Glass from Al Jazeera. Um, change usually brings opportunity as well. Have, have the ructions over the last three or four years brought business opportunities in China and I haven't is the business community concerned about China's belt and road initiatives as it gains ports in st in Sri Lanka, in, uh, Djibouti and around the world and a in Europe.

Tom Pritzker: [50:28](#)

How are you approaching that as business? Excellent question. Who would like to, Tom, do you want to take the opportunity? Yeah, I'll take a stab up on belt and road. I think that much of the business community frankly doesn't understand it. They, they, what you described. I, I understand most CEOs, it's not in their area of direct interest in that some, it is the infrastructure guys. Um, so yes, it'll bring new opportunities as you build infrastructure. There's lots of opportunities. That's been very helpful. Are there new opportunities in China coming out of the last three or four years? Yes, of course. It's a dynamic country. It's, it's bringing change to the world and as you point out, that change brings opportunity. Um, so undoubtedly there's, there are new opportunities coming out of this

Anja Manuel: [51:20](#)

in the tech sector. I see. I don't see a lot of new opportunities. Most people are retrenching, uh, in finance, as Steve already said, a lot of new opportunities. And by the way, also with Belton road, increasingly you see our financial institutions saying, Oh, maybe we could fund this road and this railroad. Um, that seems like a dangerous proposition to me, but they're thinking about it. Um, on belt and road. I agree with Tom. I haven't heard just the U s companies I deal with aren't so engaged in it. And I would say just in general, our analysis in the u s is always lagging behind a little bit. So we were a little slow to realize how big this issue is and that China is really doing this on a massive scale and it could have consequences in how beholden of Third World countries are to China.

Anja Manuel: [52:08](#)

But now everyone's talking about road and how dangerous it is. And I think in, in its structure, its sows the seeds of its own destruction in a way. So when I now go to South Africa, which was early on belt and road, they say, oh my God, we sold the store to China. We don't want to do that anymore. You talk to countries in South Asia and Central Asia and they all say, oh my God, look at Sri Lanka and that white elephant port. We don't

want to be them. And you see countries being more thoughtful about how they engage with China.

- Tom Pritzker: [52:40](#) One other thought and that is I never want to compete with someone who doesn't care about profit, who doesn't have a profit motive and in a much of China's belt and road, it's not a profit motive. And so I look at that and say, stay away from that world.
- Speaker 6: [52:57](#) Um, yes, just here,
- Audience Member: [53:02](#) Lockheed Martin space, we're watching China enter into the very high tech market of space and satellites in an aggressive fashion, particularly in the last three years, taking a market share that had never been addressed by China in critical infrastructure for telecommunications from space and they're using Belton road investments to influence the acquisition decisions. Do you see a
- Edward Luce: [53:26](#) way where American and European competitors can play on a balanced playing field or is the playing field now entirely tilted what what our government should be doing is rather than declaring that this is dangerous, that that the Bra PR Bri projects are dangerous. We should be arguing for open, transparent and fair bidding for all these projects. That what the financial in the u s financial institutions who are trying to be involved in it are saying is just make it open, fair and transparent and we're good with it. And Construction US construction companies would, I've been telling you the Chinese government is include a US company in each of these transactions. It will do whatever the economic consequences it does wonderful things for the world's perception of Bri.
- Anja Manuel: [54:16](#) Steve, I would just add to that, you brought up a really important hard point, which is that a lot of the Chinese companies are massively supported by the state. So Huawei underbids everybody by 30% or more. And it sounds like you're seeing the same thing in space.
- Edward Luce: [54:33](#) Okay. We've got time. I think for one more question. I did see other hand, there's something, oh, at the, at the back. The lady. Yeah.
- Stephen Orlins: [54:41](#) Thanks. Uh, Priscilla Morigi with a recorded future. Um, so there's been a series of laws over the past few years, national security law, the cyber security law for example, that have passed in China. There are these sort of broad, vague kind of

sweeping laws, right? That have attempted to define the role of the government in the military and the security services in, you know, tech and, and the business community. So on the ground, like what are the actual concerns for foreign businesses in China? You know, about these sort of newly stated obligations, right? To work with the intelligence and security services, you know, from the business communities perspective, like we hear a lot of discussion about possible concerns and what this could mean, right. For foreign businesses. But at this point in sort of the development of these laws and regulations, what are, what is the impact on foreign business? Right. And how is that yeah, that looking, Yep.

Anja Manuel:

[55:33](#)

Maybe I'll take this out. Yeah, you're right to raise the concern and I think saying they're worried about it is an understatement. These laws are so broad that they, the Chinese government can interpret it any way they want. One of them is all technology sold into China has to be secure and controllable. What does that mean? Does that mean the Chinese government has access to all of your code to some of your code? Can you prove that it's secure and controllable outside? Is there a 100% censorship? The answer is yes. Um, more and more you see these laws being used differently. I'm thinking of one example in particular where a US tech company has a JV in China and every board meeting there are new requirements and used to be, well, you can only own 49% in order to sell into any Chinese SOEs. Now you can only own 25% so you got to sell more of your stake. So this is a really powerful lever by which the Chinese are controlling Western technology companies.

Stephen Orlins:

[56:35](#)

And what it's doing is it's, it's inhibiting investments. So companies, technology companies that might otherwise invest decide not to do it because the risk is too high. Therefore the Chinese don't get the benefit of this technology. Therefore their economic growth slows if these counterproductive regulations it. Unfortunately, China is replete with them. I mean, I have forever argued the ban on Facebook, Google, youtube, Twitter, the New York Times, The Wall Street Journal. Bloomberg is bad for China. It's bad for those organizations too. But it's bad for China. It inhibits people's ability to do research, to communicate and do all these other things. Now the president obviously decides he wants that level of control, but in the end, you know, the number of people who have VPNs who go around this is so significant that the control is already eroding. And hopefully there were signs a couple of years ago that we might see some Chinese revision of these restrictions. Now in the tightening and because of the tension in us China relations, this has disappeared. So what one of the things that by kind of

demonizing China by saying it's all bad, that not having this nuance view, we persuade the Chinese to make no concessions whatsoever because it's going to be viewed as too favorable to the United States. So I feel like we've barely cleared our throats. This is a massive and important topic. Um, and, and this is just the first of many conversations I have. Please join me in thanking Tom, Ian,

Speaker 6: [58:08](#)

Steve, the wonderful conversation. [inaudible]

Stephen Orlins: [58:30](#)

we are not taking a formal break between our next session and this session.