

Professor Ding Dou's Talking Points

Given unprecedented ongoing trade disputes between G2 economies, what would be the short and medium-term consequences?

What is President Trump's real motives for launching a trade war? For Votes politics like the midterm elections this November? For the easing of American workers' anxiety about their future? Or is it a deliberate strategic choice to suppress the Manufacture 2025 plan in China? Or just the manifestation of Trump's fluctuating personal moods? Indeed it is hard to give a real or clear answer. Of course, this will affect our understanding on the consequence of the ongoing trade war.

I may take some cues from the perspective of international trade. Since the 1980s, the global value chain has been the mainstream global trade. Almost all countries are part of the global value chain, and the United States is more or less the leader of that value chain, contributing to the world economy as a whole. However, the hurdle with global value chains is the distributive imbalances: between different countries, and between different groups within one country. In the case of the domestic USA, the owners of both capital and technology elements are the beneficiaries, while the owner of labor element is damaged to varying degrees. So the increasing grumbles from America's electorates and President Trump's abrupt policies, are not just a matter of global value chains themselves, but of an imbalance in the trade benefits distribution, and the USA's domestic political and economic systems that determine such trade distribution in USA.

How might we change the imbalance in the distribution of the international trade benefits among countries? Reducing the United States trade deficit is just a superficial approach. When it comes down to the global value chain, it will get much more perplexed. Anyway, the key measure is to increase the productivity of the deficit United State. But this will involve deep structural reforms in the US economy, which is destined to be a slow and painful process. The Trump administration's choice is neither the deep reform over its economic system in the United States, nor the reform over the domestic political and social system, which mostly determines the domestic imbalance of such trade interests.

Trump's final alternative is a simple, crude, easy-to-operate trade war. Undoubtedly, it will deal a heavy blow to the already global value chains. At home USA, it is hard to anticipate that the benefits given to the poor would outweigh the costs accrued to the rich in the wake of the trade war. Moreover, under the ongoing "political correctness" situation in the United States, it is difficult for wealthy Americans to voice their concerns and opposition to Trump policies.

Trump's choice for trade war is arguably wrong, but so what? What are the rest of the world gonna do?

The populism and selfish nationalism declared by the so-called "American First" policy have become the new mainstream politics in the United States, and to a certain extent, seem to have got appalling applauds of the working class in the United States.

The historical precedent is some established populist regime in 1930s, which was enthusiastically embraced by the working class. And more importantly, these populist regimes expanded explosively. Therefore, the next question is, to what extent such Trump's policy would improve America's economic situation and ease social tensions in the substantial sense (hurt others but get own benefits) ? Can it sustain for a long time? From history experiences, populism features shocking power action, and it is easy to get explosive echo in domestic society and then expands quickly and strongly. If its subsequent expansion is somewhat thwarted, populism will soon lose momentum. How can we avoid this aggressive momentum of the Trump-type populism, and then debilitate and defeat it, is a big test to tackle the consequence of the trade war. .

Has China improved TRIPs to meet the demand from the US?

I do not agree with this viewpoint and alike.

Since the introduction of reform and opening up policy at early 1980s, the Chinese government has always facilitated and substantiated its economic links with the rest of the world with joint ventures and cooperative ventures. In this decades-long process, foreign enterprises voluntarily transferred technology, and in the ways abiding by the laws and principles of market economy, which, we know, are to power and protect that all participants could get benefits what they expect. As like any enterprise in the world, Chinese counterparts would like to promote its competitive edge through learning advanced technology and management experience, and the U.S. cooperative enterprises are willing to transfer this technology. This is a market economy process. The U.S. firms also made huge profits from this cooperation. If Chinese firms can't be allowed to learn foreign technology to improve itself from low end to middle or high end in ladder of the global value chains, this sort of international trade would look unfair and biased.

Thousands after thousands Chinese enterprises took part in the global value chains, and I think it is no surprise a handful of them would impinge on IPR, just like the somewhat theft rate in a society. We can blast it, and think ways to prevent it, but we could not deny the tranquil and peaceful society only by it.

In general, I don't think this accusation and alike by the United States is justified and acceptable. On the contrary, I do think it is selfish and jealous, and reveals the deep-hearted fears that some politicians in USA get frustrated to see other countries going better than USA. Such accusations by the United States, and the "America First" guiding policy behind them, are harmful to the international economic order as well as to the ethics of the international economy where all the countries have been living on for hundreds years.

After seeing a stalled TPP, how enthusiastic is China about the early conclusion of the RCEP or CJK free trade deal?

Group heating is very important. I support the alternative of China-Japan-ROK Free Trade Agreement, because its conditions are better. Four points support.

1. China, Japan and South Korea has formed a mature global value chain in many industries.

2. The three countries have already had huge amounts of mutual investment and trade each other. Depending upon it, they has shaped the somewhat relationship of economic interdependence.

3. China and South Korea has run free trade agreement since 2015 December. It is a high level FTA.

4. China, Japan and South Korea have already negotiated this trade zone in the past years. And since this high-level meeting among the prime minister of the three sides a month ago, this negotiation will accelerate.

Therefore, I think, when compared with other free trade arrangement choices, the China-Japan-ROK free trade zone looks more operational and practical.

China does not exclude TPP either. If TPP might show more flexibility, such as the issues like state owned enterprises, investment disputes settlement, and so on, it may also be easier for China to apply for TPP membership.