



**CHINA CLUB**

THE WORLD TRADE CENTER OF GREATER PHILADELPHIA

## A Business Perspective on Current US-China Relations

A Discussion with Craig Allen,  
President of the US-China Business Council

Moderated by Gary Biehn,  
Chair of the International Group and China Business Group, White and Williams LLP  
& Board Chair of the World Trade Center of Greater Philadelphia

On August 19, 2020, the World Trade Center of Greater Philadelphia's (WTCGP) China Club held an informative online fireside chat with Craig Allen, President of the US-China Business Council, moderated by Gary Biehn, Chair of the International Group and China Business Group, White and Williams LLP and Board Chair of WTCGP. The discussion focused on navigating the evolving US-China commercial and trade relationship.

"The WTCGP is pleased to bring to our region leading thought leaders like Craig to share with our China Club Members and guests valuable insight during this historic time in our relationship with China," said Linda Conlin, WTCGP President. As Assistant Secretary of Commerce for Trade Development, I had the honor of working with and traveling to China with Craig and appreciate his distinguished 35-year career as a diplomat and public servant, including serving at the Embassy in Beijing, as Deputy Assistant Secretary for Asia, and Ambassador to Brunei."

Craig began with a look at geo-political issues to better understand the current business and trade environment. China has recently flexed its might across Asia from border disputes with India in Kashmir to island building and threats in the South China Sea. This confrontation, along with the US-China trade dispute, has escalated nationalism in China and across the world. As a result, some US consumer product companies are feeling the pressure through the loss of customers in China.

While some US consumer goods companies are feeling exposed, Chinese people generally prefer to purchase products manufactured in the US and overseas as compared to domestically produced goods. As relations normalize, US consumer product manufacturers should continue to find China a good market.

While Chinese people prefer to purchase goods manufactured overseas, the Chinese government and State-owned enterprises continue to prefer purchasing goods and services from wholly owned foreign enterprises (WOFEs) and joint ventures (JVs), Craig informed the audience. Companies who wish to sell to these entities may find it advantageous to establish such ventures in China. If companies wish to pursue this option, China has recently enacted the Foreign Investment Law which elevates foreign ventures, including WOFEs and JVs to that of a domestic company. According to Craig, these entities can work anywhere in the country in almost any industry now.

China remains a country where US companies see potential. Many members of the US-China Business Council are doing well. Craig informed the audience that he is seeing an increase of companies doing

business in China. While there has been a lot of rhetoric on both sides of the Pacific, China remains an important trading partner of the US, with trade being a bright spot in US-China relations currently.

The United States and China are committed to the Phase One deal. While export targets are ambitious and may be challenging to accomplish, Craig is seeing favorable results regarding IP protection, the Chinese court system and the opening of new industries to international companies including pharmaceuticals. While IP protection is becoming more substantial, Craig stressed that companies still need to safeguard their trade secrets.

Historically, US companies have looked to Hong Kong to safeguard their businesses' IP protection and take legal recourse if necessary. Most companies will find that if they have issues with private companies in China or 3<sup>rd</sup> party countries, such as Japan or South Korea, pursuing arbitration in Hong Kong should not be a problem. However, if a company is working with the Chinese government or State-owned enterprises, they may want to look at Singapore for their arbitration. "If a company was able to do it in China before, they can do it in Hong Kong now, but if they couldn't do it in China before, they can't do it in Hong Kong now," said Craig in reference to IP protection and arbitration.

WeChat is an app that is used in China for communication, payment and posting information and blogs online. It essentially combines WhatsApp, Apple Pay and Facebook into one app, and it is used by almost every Chinese person and business. The United States is poised to ban the app in less than 45 days if there is not a negotiated settlement. While China is not looking at retaliating for banning the app currently, Craig stressed that by banning the app, it will make conducting business harder in China for US companies and will give an advantage to Chinese and other international companies. When businesspeople are again able to travel to China, WeChat is an essential tool for them to communicate with clients, pay for food and market their products and services.

Traveling to China from the United States is challenging currently. People need to quarantine for two weeks when they arrive in China. If they want to travel to Beijing from another area in China, they must again quarantine for an additional one week when they arrive in Beijing. People traveling from China to the US also face the same issues and need to quarantine for two weeks. Should people wish to travel, and are willing to quarantine for weeks on end, they may still find it challenging to obtain a visa. At the present time, Craig expects that it will not be until spring of 2021 that he will be traveling to China.

Some US companies are moving parts of their manufacturing to Southeast Asia and other areas. There are people who will look at this as evidence that there is decoupling happening, however, Chinese companies are also moving some of their manufacturing to the same areas. This manufacturing migration started several years ago due to increased labor costs in China. Companies will continue to balance their need for supply chain reliance with efficiency for years to come, but this does not mean that they are exiting China. They are looking globally and ensuring that their clients and customers will always obtain the products they need in an efficient manner, even in the face of future pandemics, natural disasters or other incidents that may have impacted their production in the past.

Tensions may run high between the United States and China currently, however, Craig stressed that City to City and business to business relationships remain an area that connect and bond the two countries. WTCGP Board Chair Gary Biehn agreed, noting, "I am encouraged to hear Craig Allen's observations regarding the Sister City relationship that Philadelphia enjoys with Tianjin, China." Craig stressed the importance of Tianjin as a strong commercial partner, emphasizing that city to city and business to

business relationships are smart and effective strategies notwithstanding the current challenges at the US/China national level.

The United States and China are in a transition period. There is heightened rhetoric and China is exercising its power in the South China Sea and along its borders. International companies, however, are not looking at this as the closing of the book on the United States and China prospering through mutual trade, but rather as the opening of a new chapter where each is dancing with the other to better understand their future relationship. As Craig stated, "With each accounting for 20% of global GDP in the future, it is hoped that the US and China will find a new equilibrium. For now, and the foreseeable future, trade will continue between China and the United States, and companies will continue to flourish on both sides of the Pacific."

#### **About the US-China Business Council**

The US-China Business Council (USCBC) is a private, nonpartisan, nonprofit organization of over 200 American companies that do business with China. Founded in 1973, USCBC has provided unmatched information, advisory, advocacy and program services to its members for over four decades. Through its offices in Washington D.C., Beijing and Shanghai, USCBC is uniquely positioned to serve its members' interests in the United States and China.

#### **About the World Trade Center of Greater Philadelphia**

The World Trade Center of Greater Philadelphia (WTCGP) is one of over 327 World Trade Centers in 90 countries around the globe. A non-profit and membership-based organization, the WTCGP accelerates global business growth for companies in Southeastern Pennsylvania and Southern New Jersey by providing customized, one-on-one trade counseling, market research, educational programs, trade mission support, business networking events, and powerful connections to customers and partners worldwide.

Since 2002, the WTCGP has served as a catalyst for regional economic growth and job creation, helping area companies generate over \$2 Billion in incremental export sales, supporting over 26,600 jobs.

#### **About White and Williams LLP China Business Group**

For two decades, the China Business Group at White and Williams has offered a multi-disciplinary team of lawyers who assist publicly- and privately-held businesses and private equity firms with comprehensive domestic and international strategic planning. The Group provides a wide range of services to United States clients doing business in China, as well as China-based clients doing business in the United States. They advise on a broad range of business matters, including U.S. and international business transactions, cross-border litigation, tax and regulatory compliance, preparation of formation documents, preparation and negotiation of contracts including joint ventures and more.