



CHINA CLUB

THE WORLD TRADE CENTER OF GREATER PHILADELPHIA

US-China Relations under the Biden Administration

On February 18, 2021, the World Trade Center of Greater Philadelphia's (WTCGP) China Club hosted Anna Ashton, Vice President of the US-China Business Council and Gary Biehn, Chairman of the WTCGP and Partner and Chair, China Business Group and International Group at White and Williams LLP for a discussion on US-China Relations under a Biden Administration. The event was attended by China Club Members and invited guests from the business community, representatives of PA State government, and non-profit organizations. An experienced hand on China, Ms. Ashton provided her perspective on priority issues to anticipate in the US-China bilateral and commercial relationship, with insight shared from US-China Business Council Members. China Club Members then shared their current experience in the market, addressing issues of concern and potential solutions.

Overview of the current market in China

The Chinese economy is expected to continue growing in 2021 with an expected growth rate of 8.1%. While the United States and other countries are still dealing with the impact of COVID-19, China has bounced back and is reporting growth in their economy. Ms. Ashton explained that part of the reason for China's economic growth, despite the pandemic, was through their use of temperature taking on a large scale, contract tracing, and monitoring through required apps on cell phones. "One benefit of a burgeoning surveillance state is it is easier to contain COVID," Ms. Ashton told the audience.

The Biden Administration Priorities

Ms. Ashton and Chairman Biehn addressed the recent February 10th call between President Biden and President Xi Jinping. President Biden noted potential areas of cooperation, including climate change and nuclear proliferation, while calling out China on issues such as unfair trade and human rights abuses, issues that, in addition to the impact of COVID-19 in the US, have contributed to what is now a 70% unfavorable view of China held by Americans in a recent poll conducted by Pew.

Understanding that tackling COVID-19 is the key to economic growth, President Biden has indicated that his administration will first focus on domestic issues before turning to international issues, but "domestic issues are not fundamentally separable from China," Ms. Ashton said.

There are people who have suggested that the Biden Administration is looking to put ideological issues to the side when negotiating trade with China. Ms. Ashton does not believe this is necessarily true and that ideological issues are "like a looming weather system hovering over the hill." The Administration will not be able to completely put those aside.

One area where President Biden will continue to focus his efforts is on bringing back manufacturing in certain strategic industries including high-tech and healthcare. These industries are not only of strategic importance to the United States but will also support the Administration's focus on domestic issues

including employment. President Biden's remarked on February 4 that "every action we take in our conduct abroad, we must take with American working families in mind," Ms. Ashton noted.

China became the EU's largest trading partner in 2020 surpassing the US. President Biden has indicated a focus on multilateral communication in relation to China policy. This multilateral communication should include the EU and President Biden's front-runner for US Ambassador to China, former US Ambassador to NATO, Nicholas Burns, demonstrates the Administration's appreciation of EU ties and commitment to multilateral communication on China policy.

Tariffs

Increased tariffs with China have negatively impacted companies across the United States. Ms. Ashton expressed that, generally, there is not an appetite for wholesale rollbacks of tariffs currently in place unless China is willing to give something additional in negotiations. However, whereas President Trump focused on punitive measures against China, it is believed that President Biden will focus more on policies on the US side of the equation to increase US competitiveness. We "may well see subsidies for certain industries," Ms. Ashton informed the audience.

Securing the Information and Communications Technology and Services Supply Chain: Executive Order (E.O.) 13873

The Information and Communications Technology and Services Supply Chain (ICTS) is a critical element to US security and a national priority. Anna explained to attendees that the Biden team has preference for an "approach that is high fences around small gardens" that places high scrutiny on specific sectors while not interfering with noncritical sectors. There is a "sense that the Biden Administration "is closely reviewing" the final rule on ICTS and that it is possible that President Biden may make changes to the Interim Rule.

In addition to E.O. 13873, there is also a "draft executive order on supply chain that could be alternative or be companion" to the interim final rule," Ms. Ashton added. This draft executive order is believed to reference the medical supply chain explicitly and is unclear if it will expand beyond that area.

Travel to China

International travel has been restricted for close to a year. "China has strict quarantine requirements and it is only practical for people who are going there for an extended time to travel to China currently," Ms. Ashton informed the audience. In a country where personal relationships are key to business success, business people are keen on seeing customers and partners in person. There is no indication of exactly when business will be conducted in person again.

On the issue of Hong Kong, when international business is able to be conducted in person again with ease, it is important to note that the Hong Kong Security Law's target is not business people, but human rights activists and journalists primarily. It is understandable that business people are concerned, however, Ms. Ashton expressed that no major corporations or business people she knows of have concrete plans to exit Hong Kong yet.

Insights from Companies

Though an important market, conducting business in China can be challenging and even more so now. Despite the inability to travel to meet customers and colleagues and the complexities of conducting business across borders with policies that do not always capture those nuances, US companies are nonetheless finding ways to persevere and enhance their operations. While in-person interactions are vital, video calls have allowed for an increase of multinational meetings and communication. Companies also expressed that it is important for the Administration and Congress to understand the impact on business of any trade actions or policies, and what these businesses confront on a day-to-day basis to grow internationally. According to WTCGP President Linda Conlin, “organizations like the US-China Business Council and the WTCGP can serve as both an important resource for thought-leadership and a conduit to policymakers so that the views of these individual businesses are heard.”

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, (including, import, export and CFIUS), preparation and negotiation of international joint ventures, international supply, licensing, distribution and agent agreements and more.