Huawei case planned to pressure China

Washington is using the CFO's detention to increase the US' leverage in ongoing trade negotiations

Editor's note: At the behest of the United States, the Canadian authorities detained Meng Wanzhou, chief financial officer of Chinese telecom giant Huawei, while she was in transit at Vancouver airport on Dec 1. Calling for Meng's release, China has urged the US and Canada to explain the case. On Dec 11, Meng was granted bail by a Canadian court and faces possible extradition to the US. What impact will the case have on China's ties with the US and Canada? Two experts share their views on the issue with China Daily's LIU JIANNA. Excerpts follow:

Detention a blow to Sino-US relations

There is no doubt the detention of Meng was planned before the much-anticipated summit between the two countries' leaders took place on Dec 1. Or, rather, like the China-US trade dispute, the incident is part of the US' larger surgical strike plan against some Chinese high-tech companies. So is the proscription on the sale of products by some US companies to Chinese chipmaker Fujian Jinhua Integrated Circuit Co.

The frequent targeting of Chinese high-tech companies signifies not only the US administration's economic and trade policies, but also a big shift in the US' overall China policy.

So the essential task now is to find ways to cut the losses and prevent the situation from worsening.

The radical changes in the economic environment mean Chinese enterprises, especially those in the 5G industry, should make comprehensive long-term preparations.

To begin with, they should make greater efforts to globalize their operations and corporate structure, because globalization is the lifeline of high-tech companies. Even Huawei, one of the most advanced and global Chinese companies, could fall foul of certain governments and should therefore take precautionary measures.

In addition, Chinese enterprises should extensively follow business and international rules. In a highly interdependent world, China cannot afford to disintegrate with the US or other countries. And abiding by international rules is essential to the success of Chinese companies in an increasingly intertwined world.

Besides, by following the market rules, Chinese companies can let the market play the leading role in their development.

Furthermore, that Canada has complied with the US to detain Meng shows that Western countries still have a common and binding understanding of basic values and rules, as well as similar political and social systems.

The West acts as the most important basis for the US' supremacy while Western countries such as Canada, Australia and New Zealand view the leading role of the US and the West-dominated world order as conducive to their interests.

Under these circumstances, China should objectively analyze the international situation bearing in mind that its rise in the global community not only brings advantages and honor, but also entails lots of risks.

Zhu Feng, dean of the Institute of International Relations, Nanjing University.

US using Meng case to make a deal

Meng's detention, together with Washington's actions vis-a-vis other international incidents and events including the death of Jamal Khashoggi, a Saudi Arabian journalist, reflects the US' disrespect for both reason and international law.

The US administration has again adopted an apparently pragmatic, but effectively self-serving, approach to international relations and rules — taking advantage of the ones that benefit it while rejecting those that impede its agendas, as can be seen in extending its laws' reach to beyond borders in the Meng case.

Caught in the middle of building a new world order, every other country including the US' allies recognize its wrongs. Yet they can do nothing about it.

Washington is using the Meng case to put more pressure on China and increase the US' leverage in the ongoing trade negotiations. In the remaining days before the deadline of 90-day tariff truce expires, China should focus on the negotiations and avoid being distracted by such incidents staged by the US.

The recently gained momentum in the trade talks should not be derailed.

The US' somewhat rogue behavior has sparked anger among some Chinese netizens, with some of them giving a call to boycott US brands represented by Apple and Qualcomm. However, we should realize that China is not at the same economic and technologically advanced level as the US.

More important, in this increasingly interdependent world it is neither reasonable nor practical to disintegrate with the US. Yet the trade conflict has taught us a lesson: that it is extremely important to develop core technologies.

And for that to happen, the government and enterprises both have to greatly increase their investments in technology research and development.

Chen Fengying, a researcher in global economy at the China Institutes of Contemporary International Relations.

Tensions still a risk to global growth

With a US-China trade truce, the 'muddling through' scenario prevails but can easily reverse to escalation

By DAN STEINBOCK

Before the G20 Summit in Buenos Aires, United States President Donald Trump had threatened to impose tariffs on an additional $267 billion of Chinese goods. He had also indicated he would raise the existing tariff rate on $250 billion of Chinese imports from 10 percent to 25 percent on Jan 1.

After Buenos Aires, the White House said that, after a "highly successful meeting", Trump had agreed to leave tariffs on Chinese products at a 10 percent rate after Jan 1, while China agreed to buy a substantial amount of products from the US.

The US and China agreed to put on hold new tariff increases. The White House said China has agreed to start purchasing substantial US agricultural, energy, industrial and other products from the US to reduce the trade imbalance; and that the US and China agreed to try to reach an agreement on several trade issues "within the next 90 days".

The first impression is that the meeting between Trump and Chinese President Xi Jinping may have achieved a critical truce, de-escalation of tensions, and possibly a path toward a long-term compromise.

Recently, the World Trade Outlook Indicator of the World Trade Organization (WTO) suggested that trade growth is likely to slow further into the fourth quarter of 2018 and below-trend trade growth in the coming months. Since the onset of Trump's tariff wars in the spring, elevated uncertainty has haunted the global economy.

According to the WTO, merchandise trade volume growth was expected to reach 4.4 percent in 2018, which is still below the 2017 level. But Trump's tariffs are likely to further weaken the outlook. According to the United Nations, global investment flows were projected to resume growth in 2017 and surpass $1.8 trillion in 2018. Thanks to the US neo-protectionism, they fell to $1.5 trillion last year and the current status quo looks gloomier.

Three scenarios illustrate the rising economic stakes of Trump's tariff wars that have rapidly expanded from a bilateral trade conflict to a potential global trade war.

In July, the US and China imposed 25 percent tariffs on $34 billion of each other's imports and levies on another $16 billion of goods. In this $50 billion "muddling through" scenario, the economic impact of the tariffs would have been limited to 0.1 percent of China's GDP and 0.2 percent of the United States' GDP, respectively.

In the "America First" scenario, the stakes will quadruple to $200 billion, with soaring collateral damage. In China, it could shave off 0.4 percent of GDP; in the US, 0.8 percent of GDP.

If the stakes of the White House's tariff war were to escalate to $500 billion — Trump's pre-Buenos Aires goal — the potential collateral damage would increase tenfold from the first scenario. In this global trade frictions scenario, China's GDP could take a hit of 1 percent, but that of the US would suffer a 2 percent impact.

As the global economy has passed its peak, thanks to rising interest rates and global trade tensions, each trade friction scenario implies different growth prospects.

In the "muddling through" scenario, both full trade frictions and "America First" prospects could be avoided. A good start would be a bilateral tariff truce starting in early 2019. But it is also predicated on successful bilateral diplomacy that will lead to positive prospects in the second half of 2019.

In this case, global growth prospects would remain close to the baselines of the Organisation for Economic Cooperation and Development and the International Monetary Fund, around 3.5 percent and 3.9 percent, possibly higher if confidence can be restored.

In the "America First" scenario, neither truce nor diplomacy would prevail. After spring 2019, continued friction would result in progressive disruptions in the global economy. Global prospects would dampen as the world's GDP growth in 2019 would sink to 3 percent or below.

In the global trade friction scenario, diplomacy would fail, while "America First" escalation would spread across the world economy. Risks to the global outlook would overshadow world GDP growth, which would plunge to 2-2.5 percent for years to come. That would pave the way to a 1930s-like scenario.

After Buenos Aires, the global trade frictions scenario has been temporarily suspended. Yet the "America First" scenario has not been fully reversed.

We've been there before. After the Xi-Trump Florida summit in April 2017, Washington and Beijing announced a 100-day "Action Plan" to improve strained trade ties. Yet only two weeks later, Trump issued a memorandum, which directed Commerce Secretary Wilbur Ross to investigate the effects of steel imports on national security — and that became the first shot in the bilateral trade conflicts last spring.

With the truce, the "muddling through" scenario prevails momentarily, but it can easily reverse to escalation, even a global trade war.

The author is the founder of Difference Group and has served as research director of international business at the India, China and America Institute (US) and a visiting fellow at the Shanghai Institute for International Studies (China) and the EU Centre (Singapore).