U.S.-China Trade Dynamics and Potential Impacts on Cambodia

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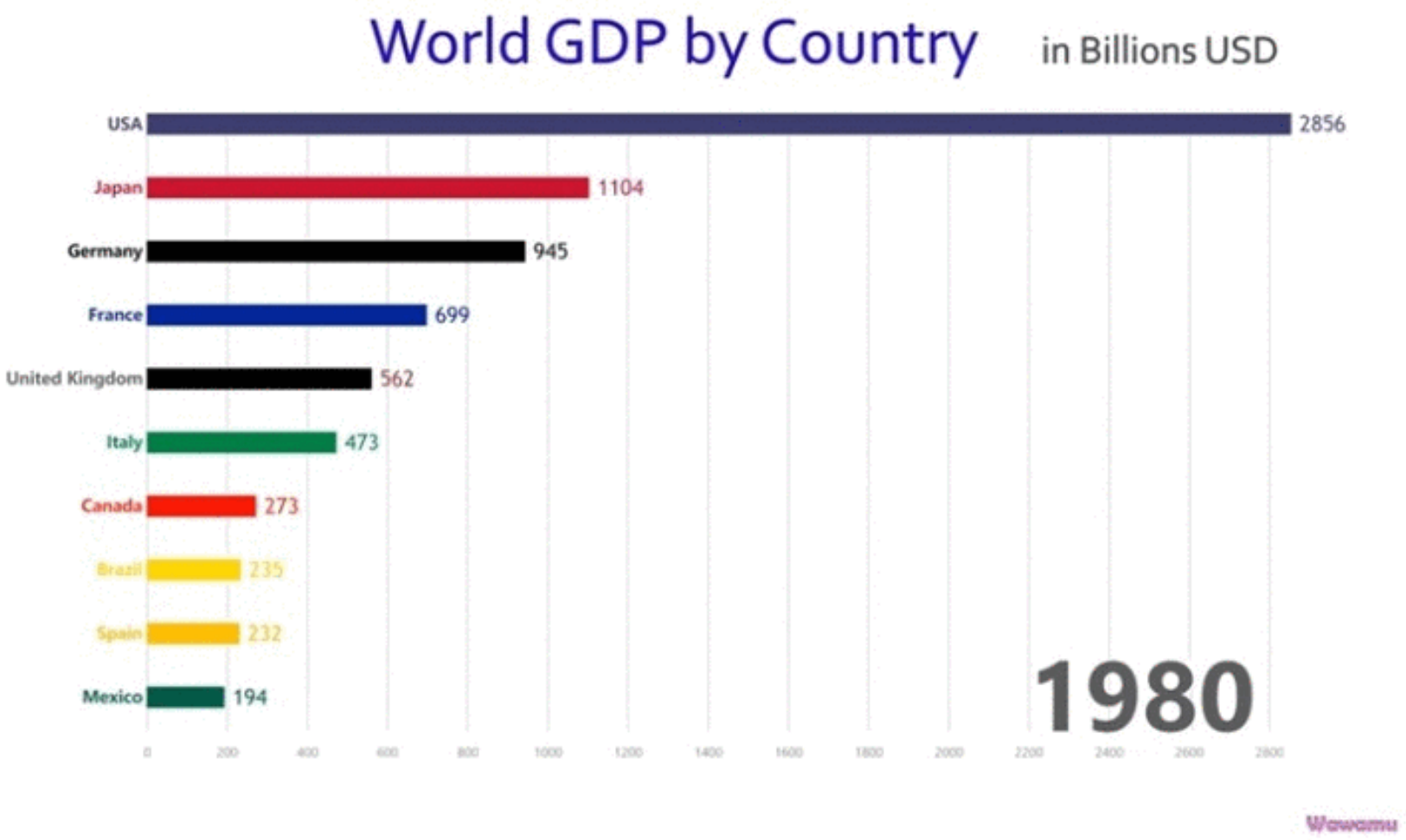
April 4, 2019

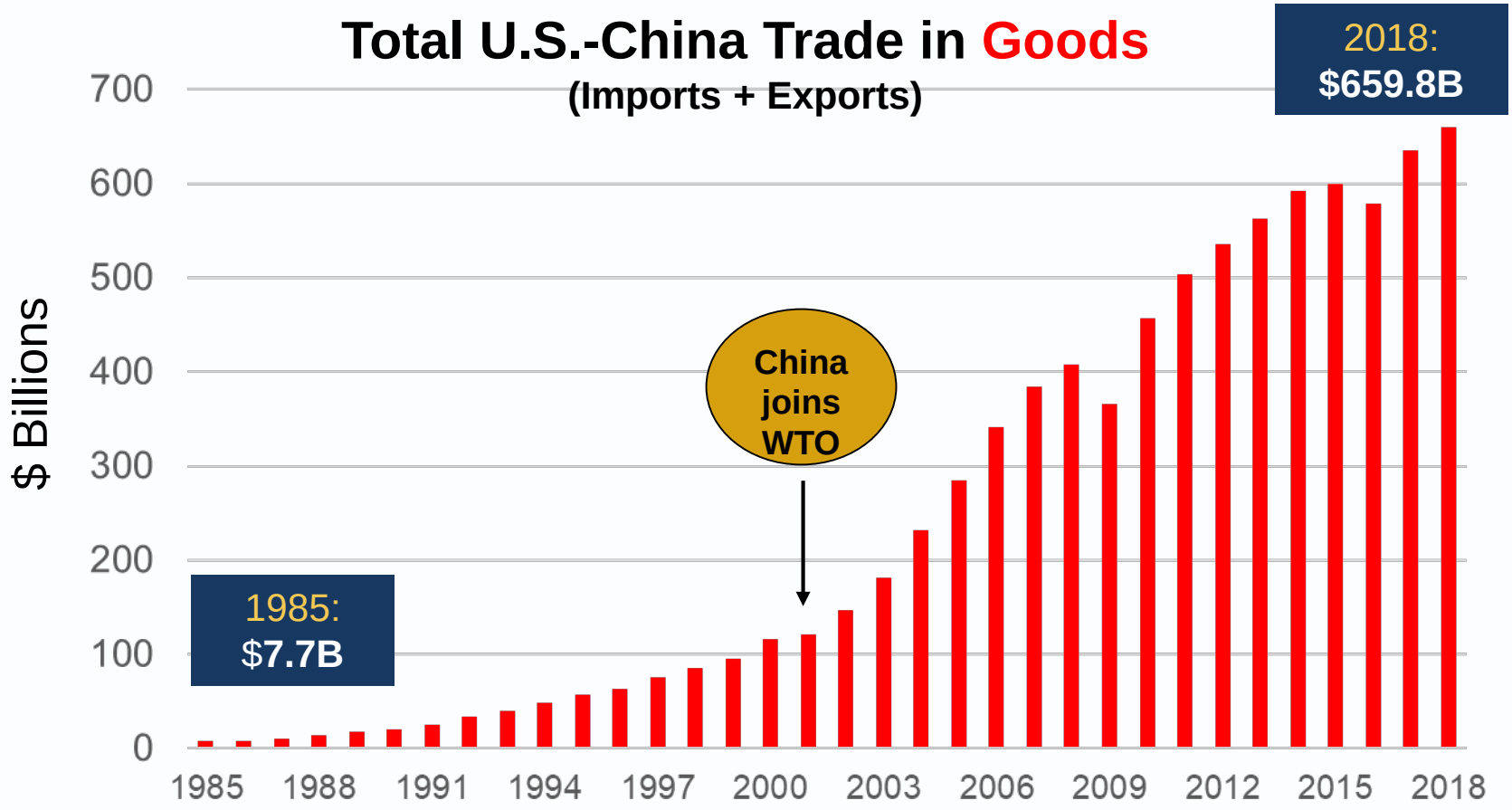
Main Themes

1. **U.S.-China Economic Relations: Time For a Rebalance**
2. **Making the U.S.-China Trade Relationship More Fair, Reciprocal, and Rule Bound**
3. **Potential Short and Long Term Impact on Cambodia**
4. **U.S. Approach to the Indo-Pacific**

How have global GDP rankings changed since 1960?



China is an important U.S. trading partner



Source: U.S. Census Bureau

. . . but trade has become unbalanced over time

Source: U.S. Census Bureau

Unfair Chinese trade policies have harmed U.S. businesses

- Theft of IP, trade secrets and commercial information
- Laws and regulatory processes that discriminate against foreign companies
- Forced tech transfer or forced provisioning of licensing at non-market terms that favor Chinese industry
- Government directed acquisition of cutting-edge technologies to support to Chinese companies
- Subsidies and special treatment for SOEs and “national champions”
- Foreign investment restrictions

Example: Chinese state-owned enterprises (SOEs) have expanded their market reach

- China has more than 150,000 SOEs in operation
- Since 2015 SOE investment has grown faster than private-sector investment, reversing a decades-long trend
- China's 200 biggest SOEs account for 9% of global revenues in coal mining, 6% in car-making and 5% in construction

Economist.com

Example: Cyber-theft from U.S. computer networks

Bloomberg

Cybersecurity

Chip Hack a Sign of Chinese Cyber Threats to U.S., Officials Say

By Tolulope Ojorunnipa and Billy House
October 5, 2018, 3:51 AM GMT+7

- Attack aimed at about 30 companies including Amazon, Apple
- Spies said to compromise components manufactured in China

NEWMAN SECURITY 12.12.18 01:10 PM

IF CHINA HACKED MARRIOTT, 2014 MARKED A FULL-ON ASSAULT

Chinese Officer Is Extradited to U.S. to Face Charges of Economic Espionage

Tuesday, February 14, 2012 As of 12:00 AM
THE WALL STREET JOURNAL | TECHNOLOGY

TECHNOLOGY | FEBRUARY 14, 2012

Chinese Hackers Suspected In Long-Term Nortel Breach

Article | Stock Quotes | Comments (65)

BY SIOBHAN GORMAN

For nearly a decade, hackers enjoyed widespread access to the corporate computer network of Nortel giant telecommunications

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China's hackers are stealing secrets from U.S. firms again, experts say

A report by the cybersecurity firm CrowdStrike says China is ramping up efforts to steal U.S. intellectual property under Trump.

It’s not just an issue for American businesses

*“Our businesses should have the **same opportunities** in China as Chinese industries enjoy in our countries. . .We are looking forward to China demonstrating that it will not waver and will deepen its opening-up and reform policy in order to **create a level playing field** for foreign businesses in China.”*

Ambassadors to China: Jean-Maurice Ripert (France)
Dr. Clemens von Goetze (Germany)
November 2018

The U.S government has acted to encourage China to trade fairly

Jan 2018: Anti-dumping duties on solar panels and washing machines

Mar 2018: Tariffs on steel (25%) and aluminum (10%)

Jul 2018: Tariffs on $50 billion in Chinese goods related to their sensitive technology industrial policy

Jul 2018: WTO dispute settlement regarding discriminatory IP licensing

Sep 2018: Tariffs on $200 billion in response to China retaliation; planned tariff increase to 25% (from 10% frozen) if trade negotiations fail

Trade negotiations with China are ongoing

The United States seeks a fair and reciprocal trading relationship

U.S. Objectives of Trade Negotiations

- Our goals are to change the current trade dynamic to **ensure that China plays by the rules** it agreed-to when it joined the WTO in 2001.
- We seek a **level playing field** for U.S. businesses, workers, and farmers, whose interests have been harmed by China's anti-competitive behavior.
- China should **end unfair and anti-competitive trade and investment practices** and honor its commitments to open its markets.

Possible impact on Cambodia?

Possible short-term economic impacts to Cambodia

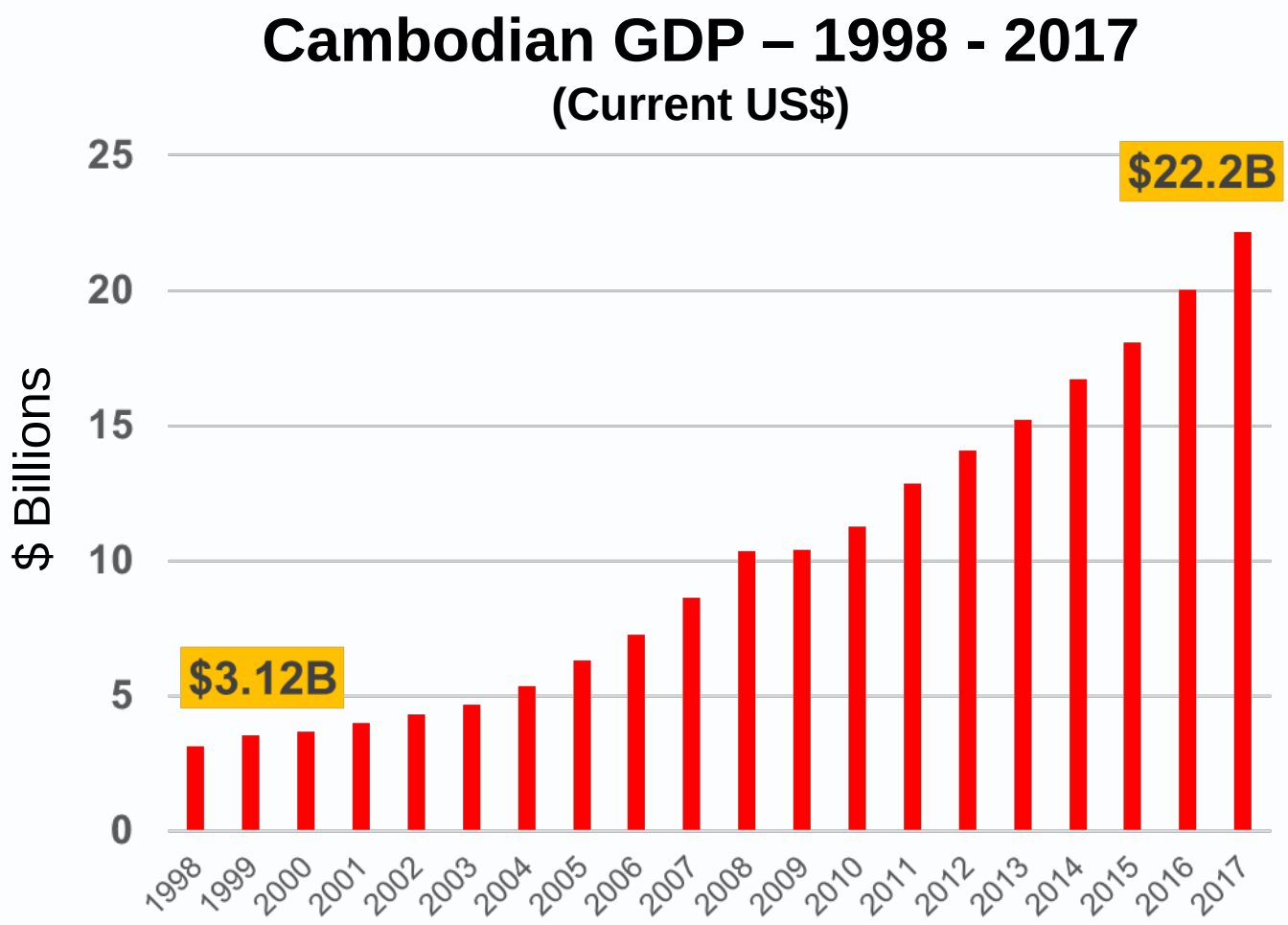
Opportunities	Risks
- Increased investment	- Transshipment risks
- Increased exports	- China slowdown
	- Potentially shifting trade patterns

Longer-term risks to Cambodia are significant

"Given Cambodia's increased dependency on China for its FDI, tourism, and official development assistance, a sharp downturn in the Chinese economy will diminish Cambodia's growth outlook"

Cambodia Economic Update, October 2018
The World Bank

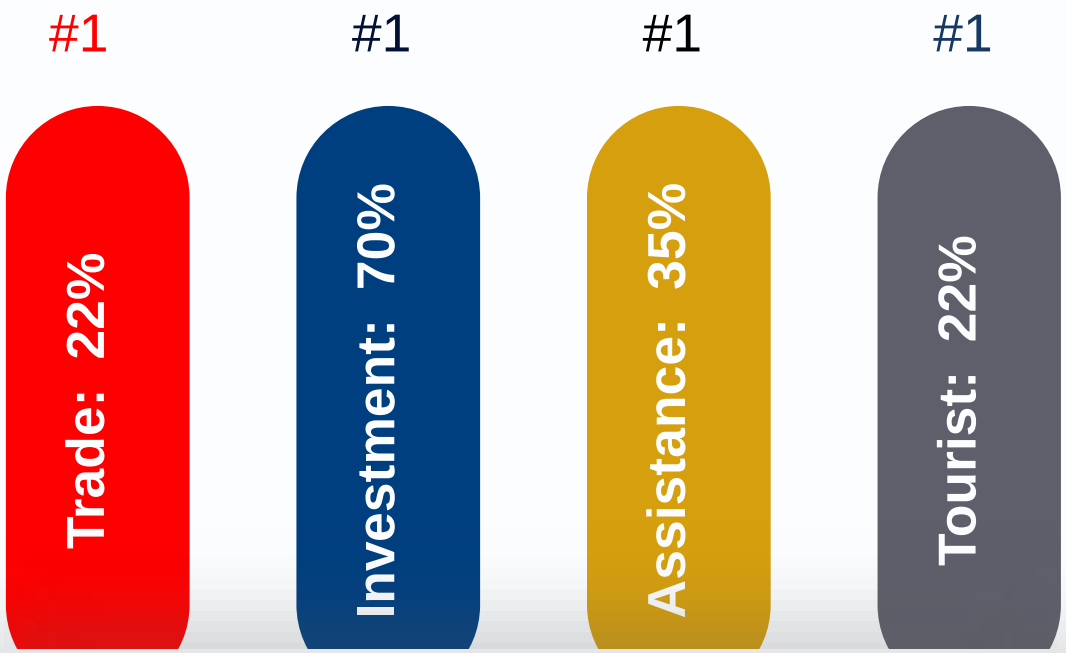
Cambodia has had undeniably strong growth over the past two decades



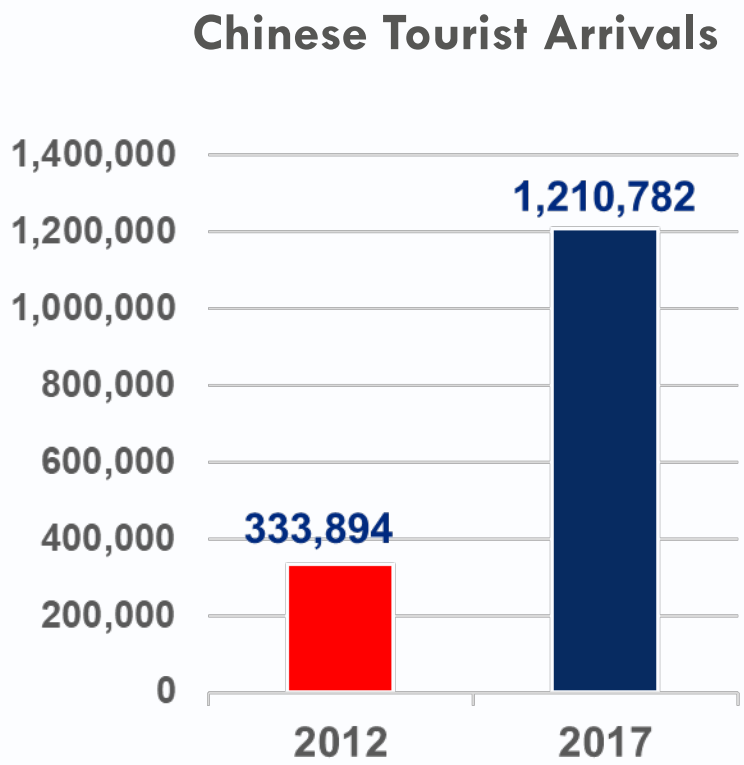
Source: World Bank

But now, the country is economically dependent on China

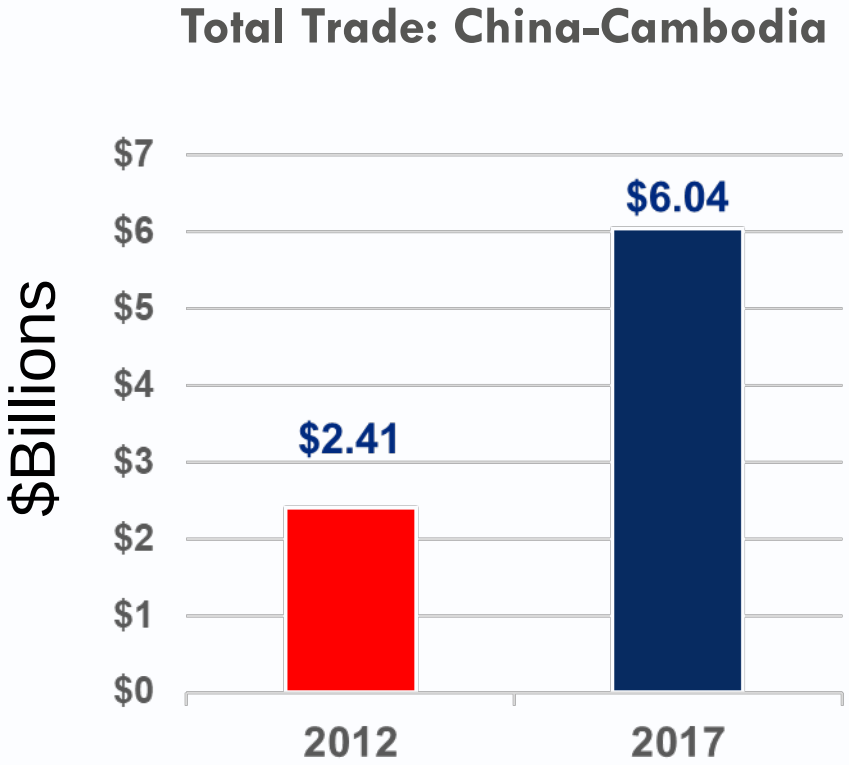
Key Levers of Cambodia's Economy



China's increasing role in Cambodia's economy: tourism and trade

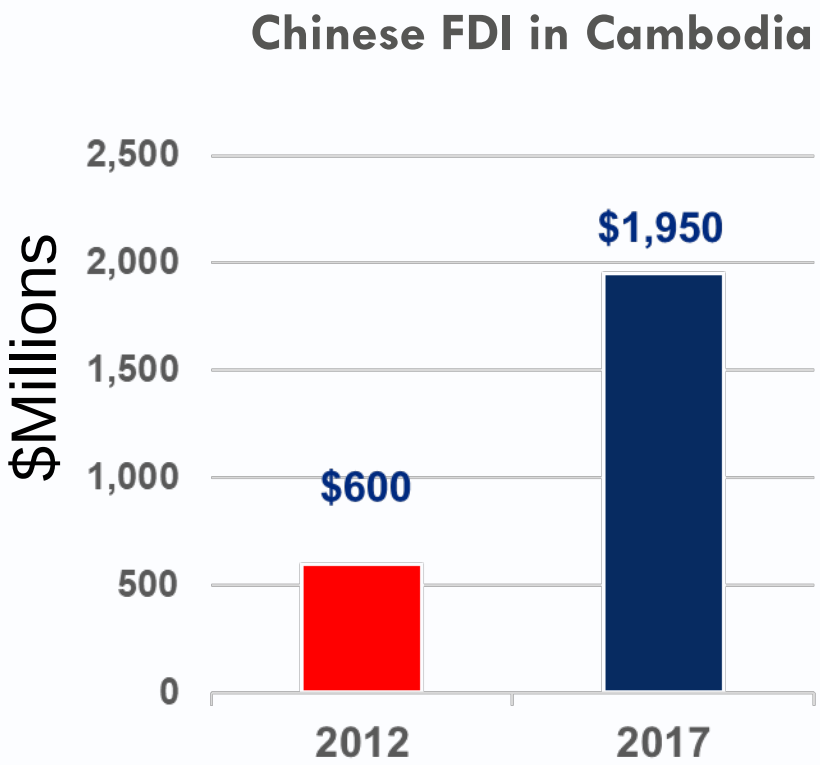


% of Total	9%	22%
Rank	3	1

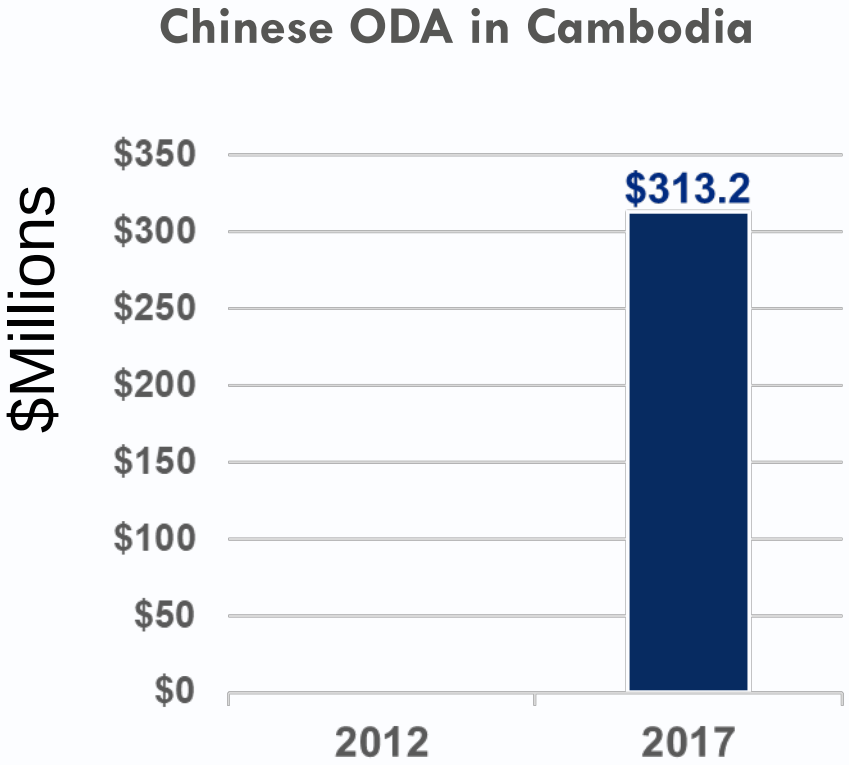


% of Total	10%	22%
Rank	1	1

China's increasing role in Cambodia's economy: assistance and investment

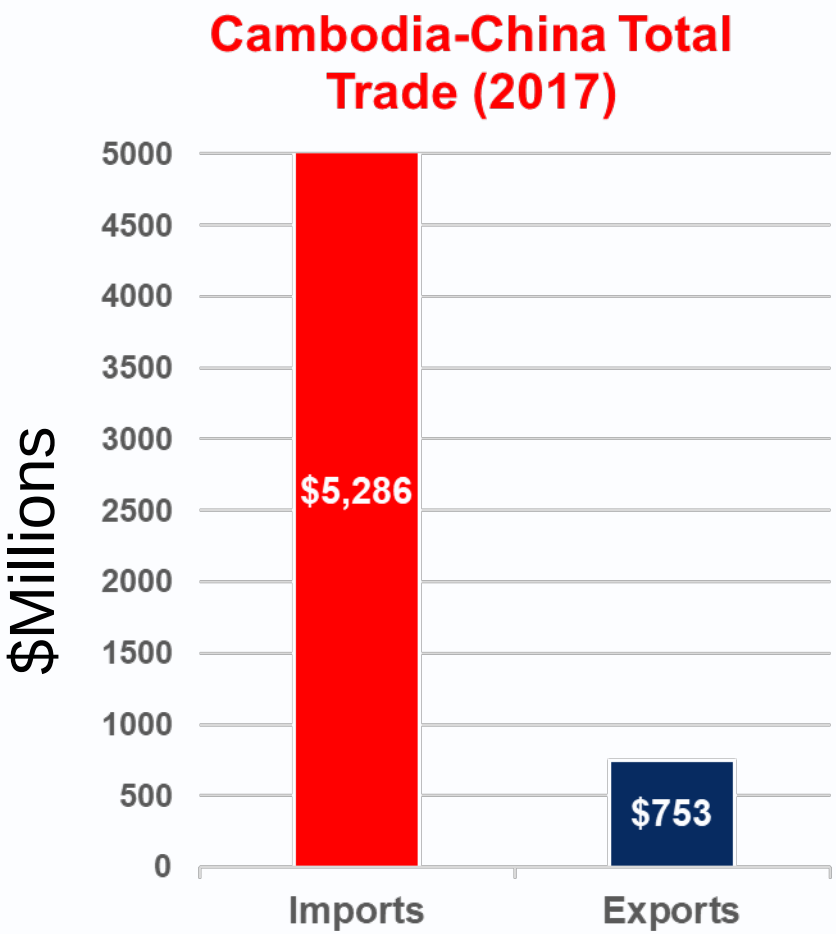


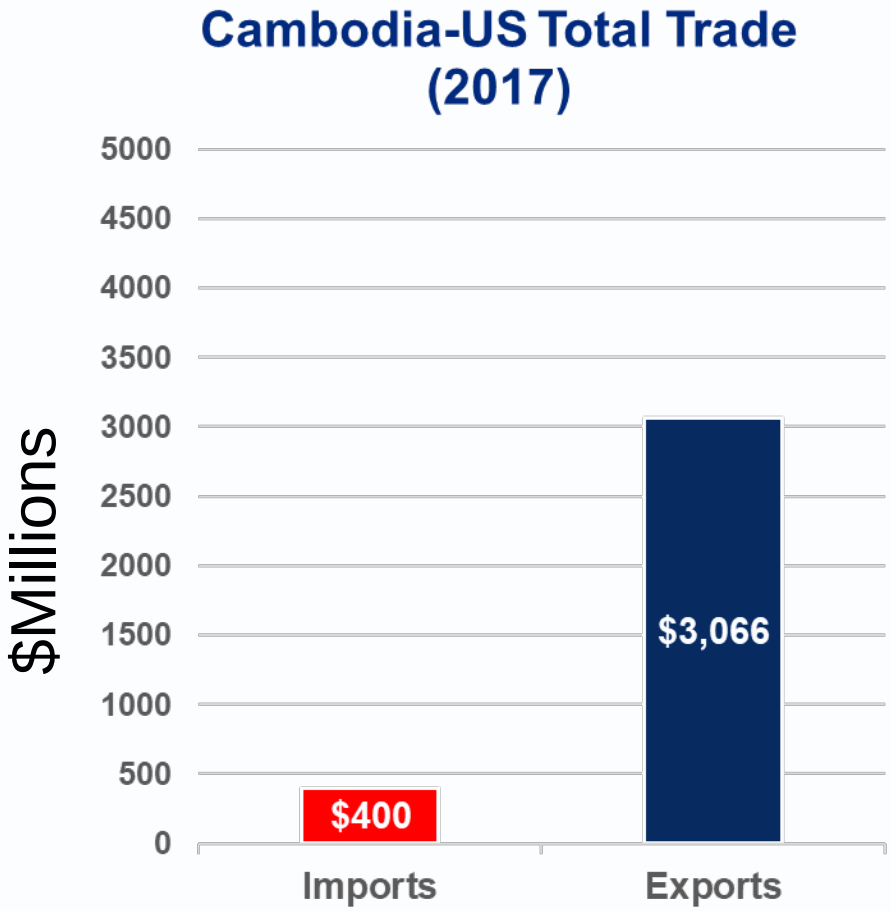
% of Total	21%	70%
Rank	1	1



% of Total	NA	35%
Rank	NA	1

As Cambodia's largest trading partner, trade is largely imbalanced





The U.S. approach: Openness, reciprocity, and fairness in the Indo-Pacific

FREE

Freedom of states from coercion. Protect sovereignty, strengthen regional architecture, resolve disputes peacefully in accordance with international law.

Free people. Promote fundamental rights and democratic values.

OPEN

Open trade and investment. Enable free, fair, and reciprocal trade. Encourage open investment environments and market economics.

Open connectivity. Ensure open sea lanes, open airways, open cyberspace. Foster connectivity to drive regional integration and economic growth.

SECURE

Secure partners. Build a flexible, resilient network of security partners to promote regional stability, advance maritime security, and address shared threats such as transnational crime and terrorism.

Questions?