

U.S. Briefing A: American Businesses and Consumers Benefit from Trade with China

In this simulation, you will be part of a team of negotiators representing the United States in trade talks with China. ***Your goal is to represent the interests of American businesses and consumers who benefit from trade and investment with China*** and to ensure that any agreement reached between the two countries will reflect these interests.

If no agreement is reached by the end of negotiations, tariffs on \$200 billion worth of Chinese goods will increase from 10% to 25%. To put this figure in perspective, the United States imported approximately \$522.9 billion worth of goods and services from China and exported \$187.5 billion in 2017.

Why Trade with China Serves U.S. Economic Interests

Trade with China has benefited Americans much more than people realize:

China is a major export market for the United States: In 1978, when the two countries reestablished normal diplomatic relations, China barely registered as a destination for U.S. exports. Last year China was America's third largest export market. Millions of U.S. jobs depend on America's ability to trade with other countries. Half of all U.S. manufacturing jobs depend on exports, and one in three acres of American farmland is planted for international sales.

Automation and structural change in the U.S. economy – not China – account for the changing composition of jobs in the U.S. manufacturing sector. Over the forty years since “normalization” with China, far from contracting, U.S. manufacturing output has more than doubled. Meanwhile, about 2.6 million American jobs are now linked to exports, imports, and investment flows between the U.S. and China. These jobs are threatened by the recent and proposed trade actions.

American businesses—including manufacturers, farmers, ranchers, and technology companies— benefit from imported goods from China to lower the costs of production. Apple, for example, cannot be the competitive company it is today without the global production chain enabled by free trade. The American public also benefit from lower consumer prices. Imports from China have kept U.S. consumer prices low, saving an average American family an estimated \$850 each year.

Although immigrants and foreign students are not part of international trade statistics, the United States have long benefit from a “trade surplus” in talent. Immigrants to the United States account for [107 Nobel laureates](#) in science, medicine, and economics, and a quarter of workers in research and development. 86% of Chinese doctoral graduates from U.S. schools choose to work in America at least ten years after graduation, contributing significantly to the innovation economy.

Simply put, tariffs are a tax on American consumers and businesses; they will hurt the US economy just as it regains strength in recent years. For the interests that you represent, tariffs are the wrong answer to address the ongoing concerns in U.S.-China trade relations.

Concerns about U.S. China Trade and Investment Relations

Because the interests you represent ultimately stand to benefit from economic cooperation with China, you are mostly concerned with enhancing the United States' benefit from trading with China and expanding American firms' access to the Chinese market. In other words, your main concern is to **level the playing field** between the U.S. and China in the global marketplace:

One of the key drivers of current trade tensions is the fact that many American businesses lament the lack of a level playing field between foreign firms operating in China and their Chinese competitors. This disparity manifests in the lack of market access and artificially inflated cost of entry for foreign firms. Issues such as lack of consistency in policy implementation and interpretation, and of clarity of laws and enforcement still persist in the daily operations of American businesses in China. For example, China's antitrust laws have been used to bully foreign carmakers into cutting the price of spare parts, whereas legions of state-owned firms have been left to enjoy their monopolies and oligopolies. A foreign pharmaceutical company was fined heavily under anti-corruption laws, over sales practices that local analysts say were common across China's health-care industry.

China's massive subsidies to strategic and emerging industries also disadvantage American firms in the global marketplace. China's drive for "indigenous innovation" and decrease reliance on foreign technology in Made in China 2025 (MiC 2025) point to an industrial policy to favor domestic products and services over foreign ones. Its new rules on internet security also seem to have a techno-nationalist bent, which may help local technology firms an edge over American competitors in government procurement.

Although another concern for the current administration is the sustained trade deficit between the US and China, it is not the most important issue from your perspective. Economists disagree whether trade deficit is an inherent problem for the U.S. economy and to what extent tariffs can help reduce it. A larger trade deficit can be the result of a stronger economy, as consumers spend and import more while higher interest rates make foreign investors more eager to place their money in the United States.

Formulating a Negotiation Strategy: Seek Trade and Investment Reciprocity

As the U.S. and China take their seats at the negotiating table, it's critical they focus on finding those solutions to address China's unfair trade practices for the long term. The United States must urge the Chinese government to increase regulatory fairness, predictability, and greater transparency, creating a level playing field based on reciprocity in investment regulations and fairness for foreign companies in China. Beijing should be reminded that Chinese companies currently do not face similar policy barriers in the U.S. that American companies regularly experience in China.

To achieve any kind of lasting breakthrough in the China-United States relationship, both sides must be prepared to make difficult concessions. The U.S. should seek out and expand areas of mutual interest with China. Remember that, for the interests that you present, trading with China brings concrete economic benefits and you want to avoid further escalating tensions in trade.

Policy Recommendations:

The United States should call on China to address the lack of reciprocity in its trade and investment policies (recommended allocation of national point values):

High Priority Asks (20-40 points)

1. **China to issue an improved nationwide negative list for foreign investment** and allow the U.S. to identify existing investment restrictions that deny U.S. investors market access (the negative list sets apart some sectors that are not open for foreign investment, a shorter negative list is better from a U.S. perspective)
2. **Remove or reduce investment restrictions identified by the U.S.** on a timetable to be decided by both nations (this would improve market access for U.S. companies in China and remove regulatory barriers for foreign investors in sectors such as financial services; agricultural biotechnology; new-energy and combustion vehicle manufacturing; cloud computing and telecommunications services; internet-related services; and legal services)
3. **Eliminate laws and regulations, such as licensing or procurement, that treat foreign entities less favorably than domestic Chinese firms**, whether private, state-owned or state-controlled (this would create a level playing field and strengthen the ability of U.S. companies to compete in the Chinese market)
4. **Eliminate specific policies and practices linked to forced technology transfer** (An interlocking and burdensome set of policies—including not only caps on foreign equity ownership but more importantly procedures related to administrative licensing, standards, procurement, data localization, and competition and security reviews—currently results in foreign companies being coerced or induced to transfer technology as a precondition for market access, or denied market access if they fail to do so. These practices hurt innovative U.S. firms while helping their Chinese competitors).

Low Priority Asks (10-20 points)

5. **Increasing import of American agricultural and energy products** (a purchase agreement involving products that the U.S. produces such as soybeans, natural gas, oil would help reduce the trade deficit between the U.S. and China, help American exporters, and help Chinese consumers)
6. **Strengthen intellectual property protection**, trade secret protection, and counterpiracy enforcement (again these practices hurt innovative U.S. firms while helping their Chinese competitors)
7. **Cease government-sponsored or tolerated cyber espionage and intrusions into U.S. commercial networks** (China has abandoned the “hacking truce” negotiated under the previous U.S. administration since trade tensions escalated in 2018, this ask simply calls on China to honor its prior commitments as part of any new agreement)
8. **Cease subsidies and other forms of assistance that support industries targeted in the MiC 2025 plan and other emerging and strategic industries** (this would correct the market distortions that favor Chinese strategic industries in global competition and put U.S. companies at a disadvantage)

In exchange, the US can offer concessions such as:

Costless Concessions (0 points points)

1. **Reduce tariffs on Chinese imports to 2017 levels** (there are currently 25% tariffs on \$50 billion and 10% tariffs on another \$200 billion of Chinese imports and retaliatory tariffs of 10-25% tariffs on \$110 billion of U.S. imports, these tariffs hurt both consumers and businesses in both countries and should be walked back as part of any deal)
2. **Refrain from restricting visas for Chinese students and professionals** (many Chinese study and work in the U.S., even though some have been linked to espionage and political meddling, the U.S. can promise to deal with these cases through law enforcement rather than adopting a “whole of society” approach to the problem)

Minor Concessions (-10-20 points points)

3. **Lift bans on high technology exports such as integrated circuits and aircraft to China** (these products are important to China’s economic development and lifting export bans would be profitable for U.S. producers of these products)
4. **Give equal treatment to Chinese companies in national security review** (Chinese investors worry about the expanded power of the Committee on Foreign Investment in the United States (CFIUS) foreign investment review process would be used to block Chinese investments in the U.S., a promise not to abuse the national security review process is an important part of reciprocal market access)
5. **Open government procurement to Chinese technology products and services** (the U.S. government is the largest customer in many sectors, another important part of reciprocal market access is to open up government procurement to foreign competition)

You have no position on the following issues (will not lose or gain individual points):

Asks

1. **China to refrain from military development of man-made islands in the South China Sea**, commit to not occupy other contested shoals, and agree to establish confidence building measures to lessen the risk of accidental military conflict
2. **China to help identify and discourage Chinese firms that evade U.S. sanctions against Iran and North Korea** (companies such as Huawei and ZTE have violated American sanctions against Iran and North Korea, the U.S. has refrained from putting sanctions on these companies as a gesture of good will to China during trade talks but can revisit the option in future)

Concessions

1. **The U.S. to agree not to send warships or military personnel to Taiwan** or to conduct military exercises with Taiwan in return for Beijing not to undertake provocative military actions in the Taiwan Strait
2. **The U.S. can agree to take a more limited approach in defining its export control regime** regarding the export of dual-use technologies (the U.S. export control regime is under review at present and the U.S. can take steps to reassure China that it will not be abused to ban most or all high technology exports to China but limited to those that have important military applications)
3. **The U.S. to recognize core Chinese national interests:** keeping national unity of mainland China and Tibet, Xinjiang, and Hong Kong is very important to Beijing but problematic for Washington from the perspective of human rights

Win Conditions:

Agreement is considered reached when ALL members from BOTH country teams sign the **Joint-Statement** paper

Individual Victory: The individual who has the **best negotiation performance, most optimal individual demands and concessions** with regards to the **best individual points ratio** on the **Position Paper** will be declared winner as the individual negotiator. This can occur regardless of which team wins, and regardless of whether agreement is reached or not. (Moderator will take in consideration of each individual role)

Team Victory: The country team with the most National Points will be declared winner of the Simulation. This can only occur if agreement is reached.

Impasse: If no agreement is reached by the end of negotiation, both country teams will receive -20 National Points. Moderator will then determine which country team is ahead based on National Points negotiated at that time. Individual victory is still possible under impasse and preferable to making costly concessions to achieve team victory.