



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

**Michael Newbill**

**Chargé d'affaires**

**U.S. Embassy Phnom Penh**

**April 4, 2019**



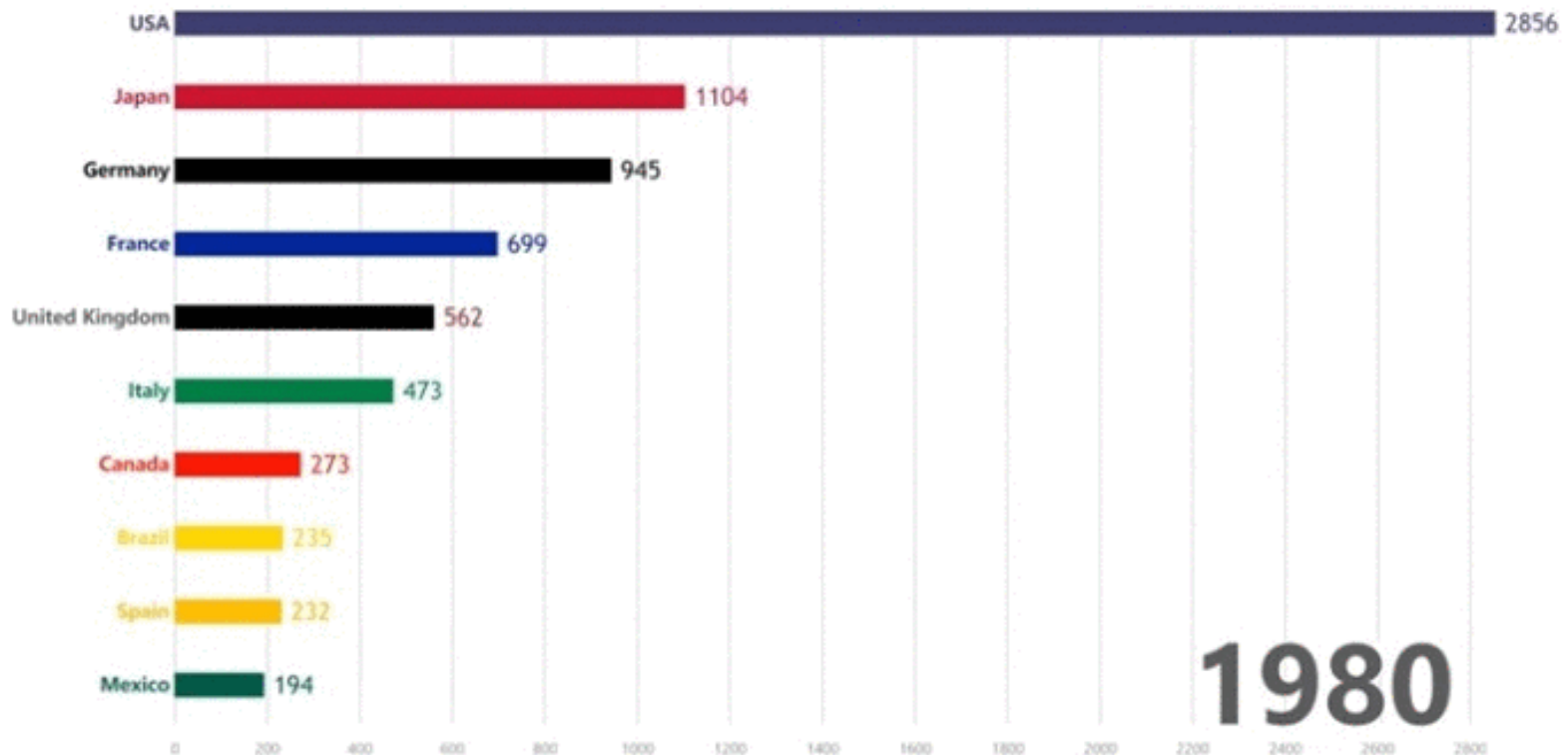
# Main Themes

- 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**



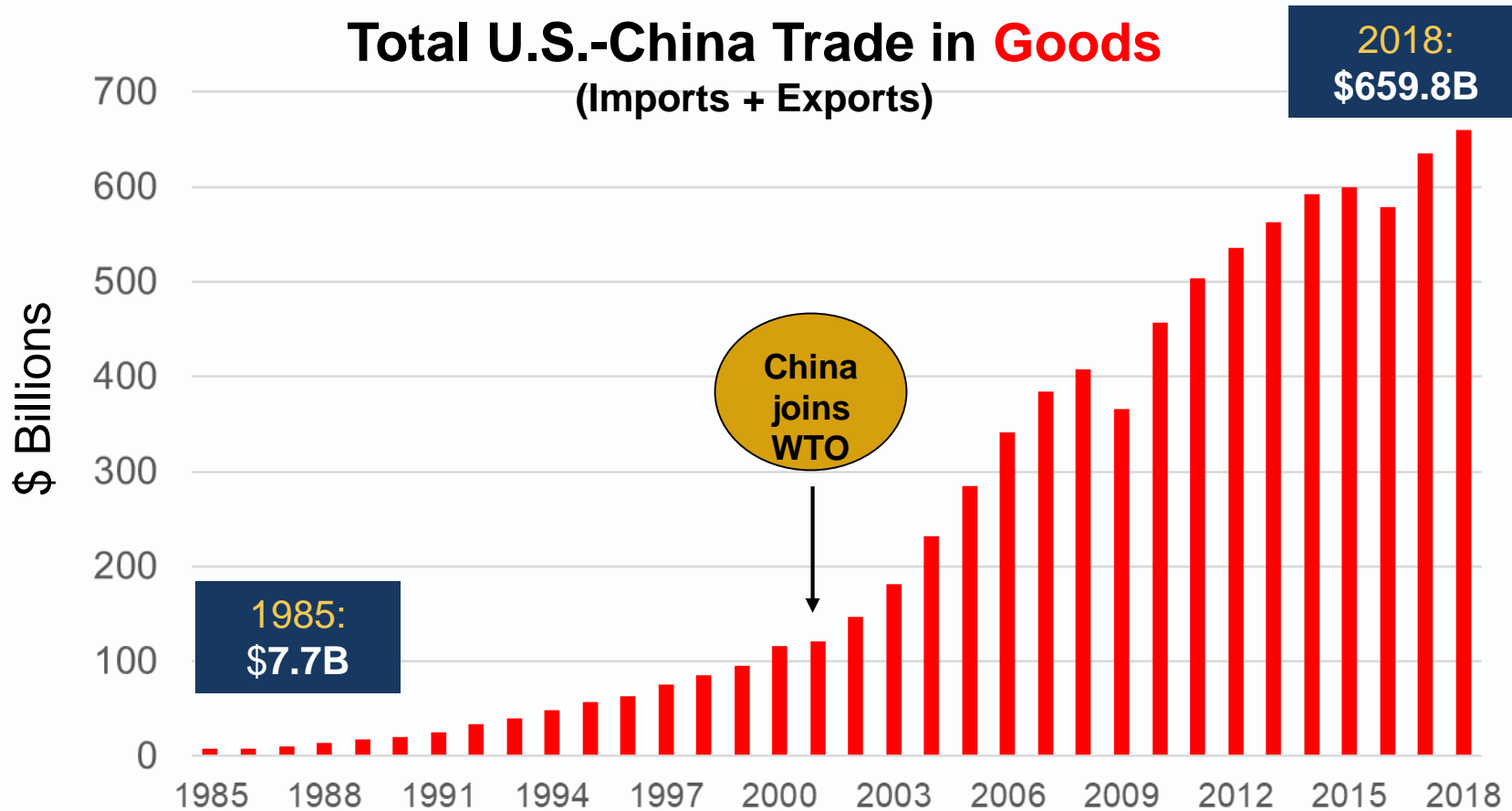
# How have global GDP rankings changed since 1960?

## World GDP by Country in Billions USD



1980

# China is an important U.S. trading partner

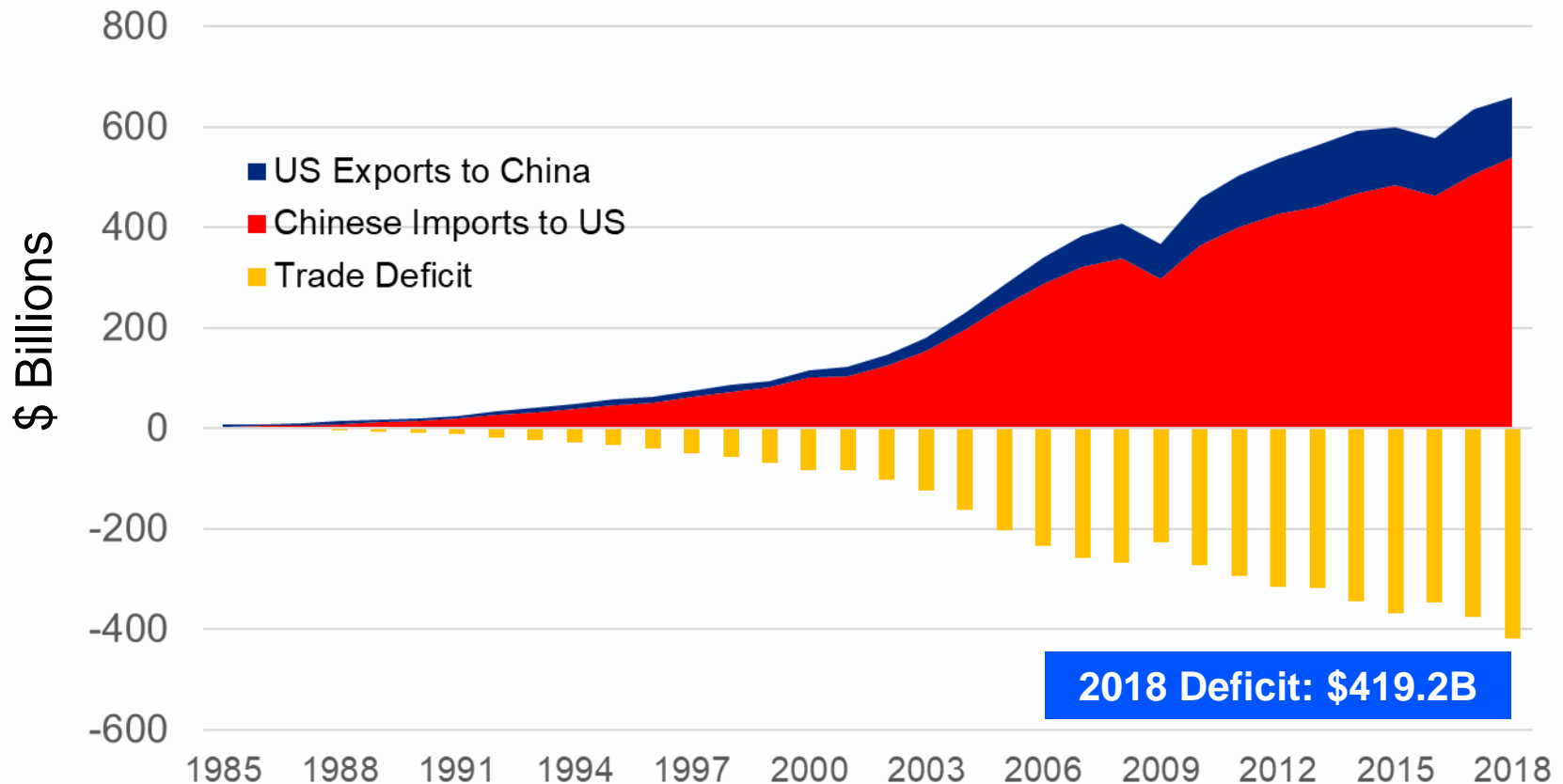


Source: U.S. Census Bureau



# ... but trade has become unbalanced over time

## U.S.-China Trade in Goods



2018 Deficit: \$419.2B



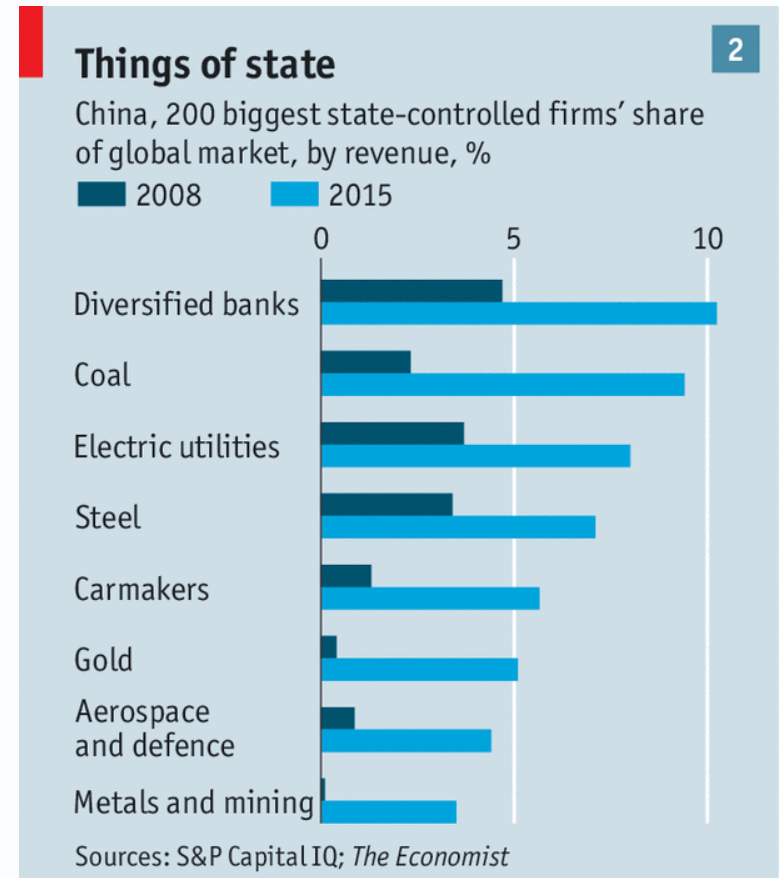
# Unfair Chinese trade policies have harmed U.S. businesses

- 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 the Company & Its Products | Bloomberg App users Remote Login | Bloomberg Terminal Demo Request

**Bloomberg**

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

By [Tolluse Olorunmba](#) 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

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

Tuesday, February 14, 2012 As of 12:00 AM

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, a major telecommunications equipment manufacturer.

Available to WSJ.com Subscribers

MORE IN TECH »



**NEWS**

POLITICS U.S. NEWS BUSINESS WORLD TRAVEL ARTS

**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

- Increased investment
- Increased exports

## Risks

- Transshipment risks
- China slowdown
- Potentially shifting trade patterns



# Longer-term risks to Cambodia are significant

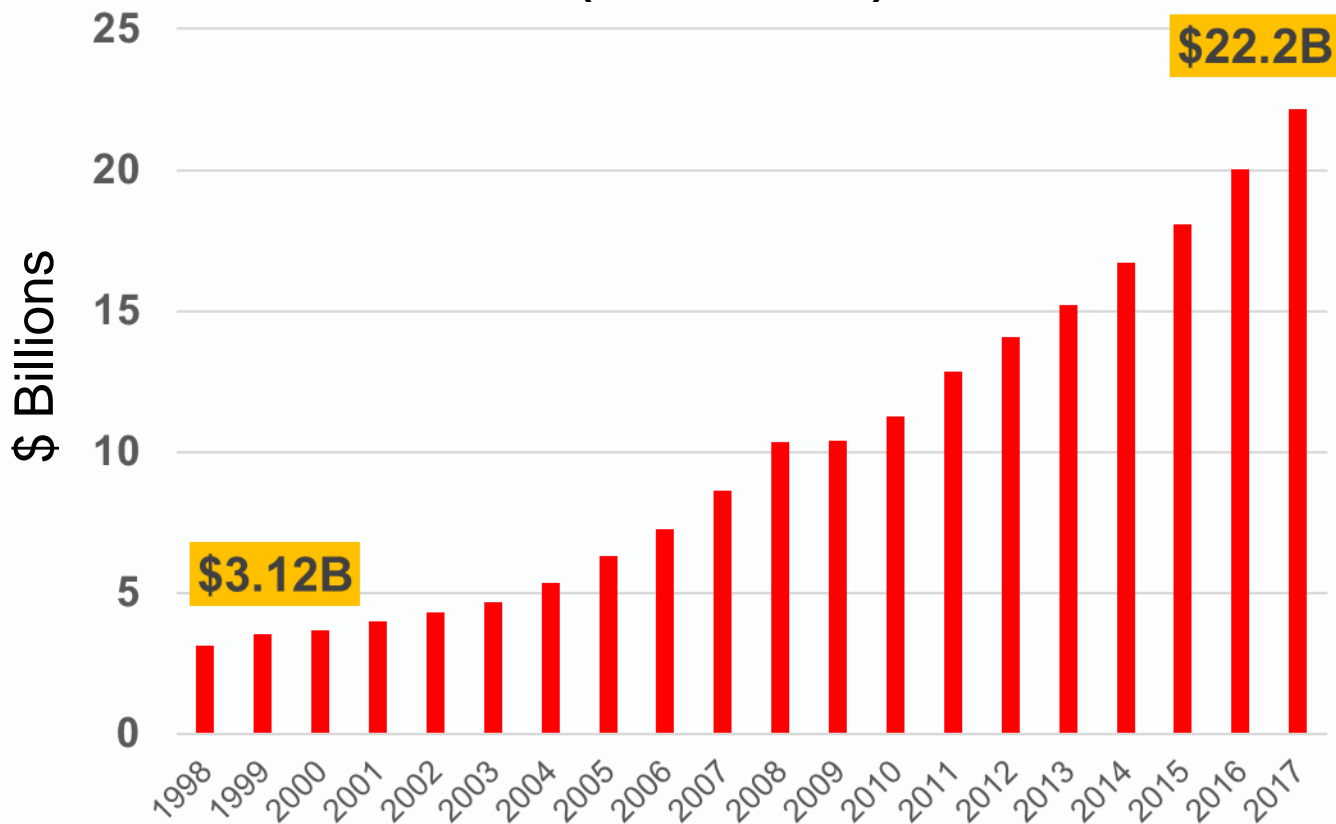
*“Given Cambodia’s increased dependency on China for its FDI, tourism, and official development assistance, a sharp downturn in the Chinese economy will diminish Cambodia’s growth outlook”*

Cambodia Economic Update, October 2018  
The World Bank



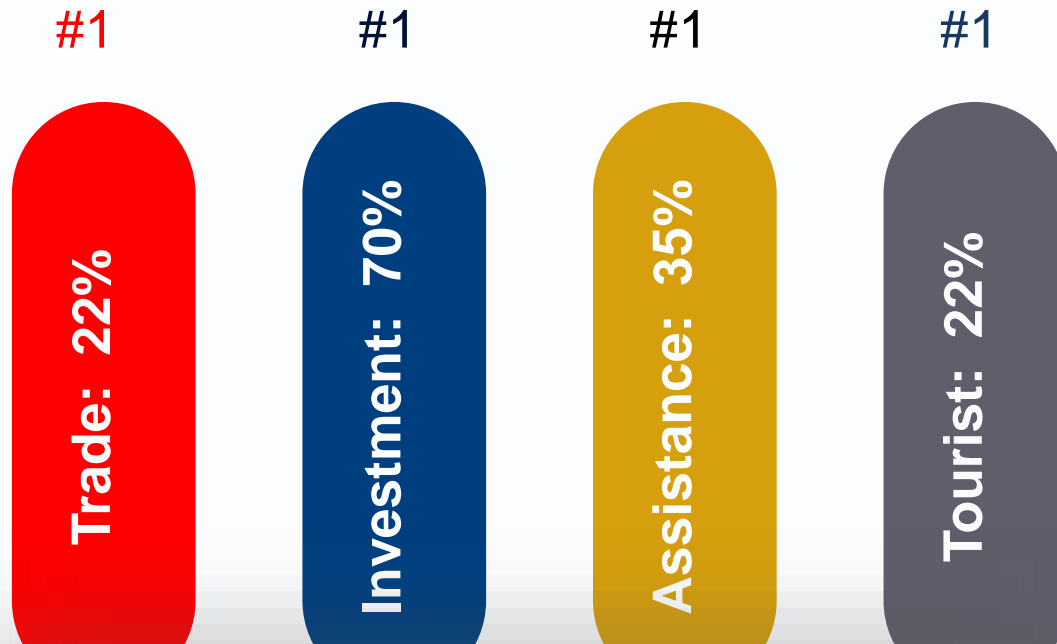
# Cambodia has had undeniably strong growth over the past two decades

## Cambodian GDP – 1998 - 2017 (Current US\$)



# But now, the country is economically dependent on China

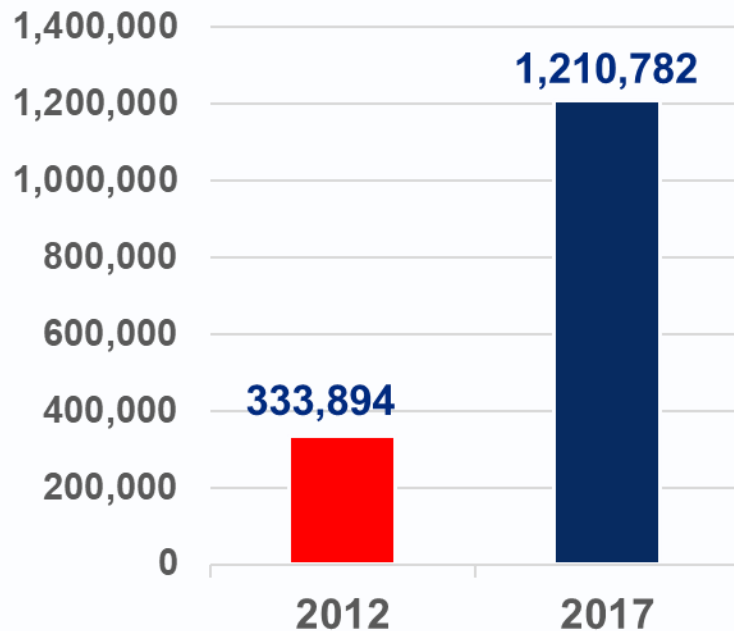
## Key Levers of Cambodia's Economy





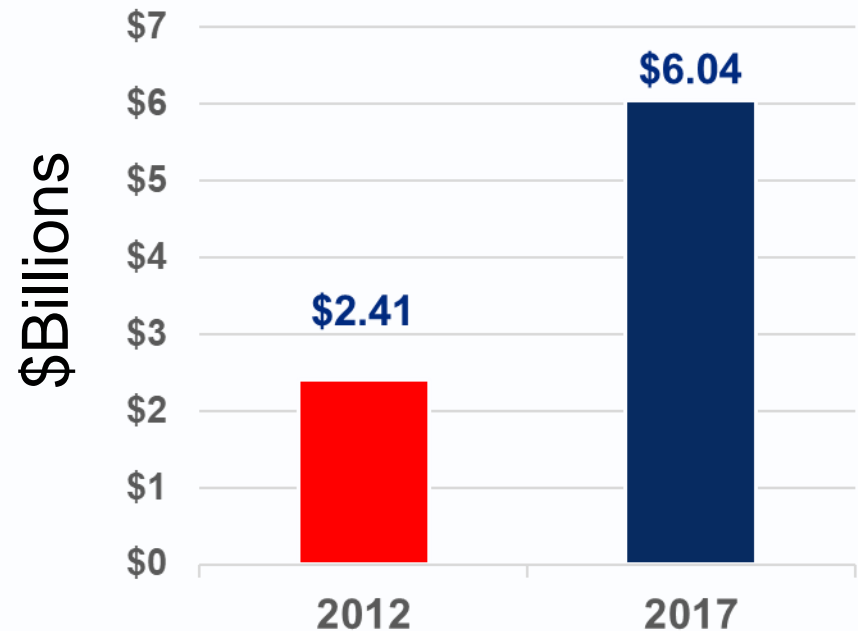
# China's increasing role in Cambodia's economy: tourism and trade

## Chinese Tourist Arrivals



<b>% of Total</b>	9%	22%
<b>Rank</b>	3	1

## Total Trade: China-Cambodia

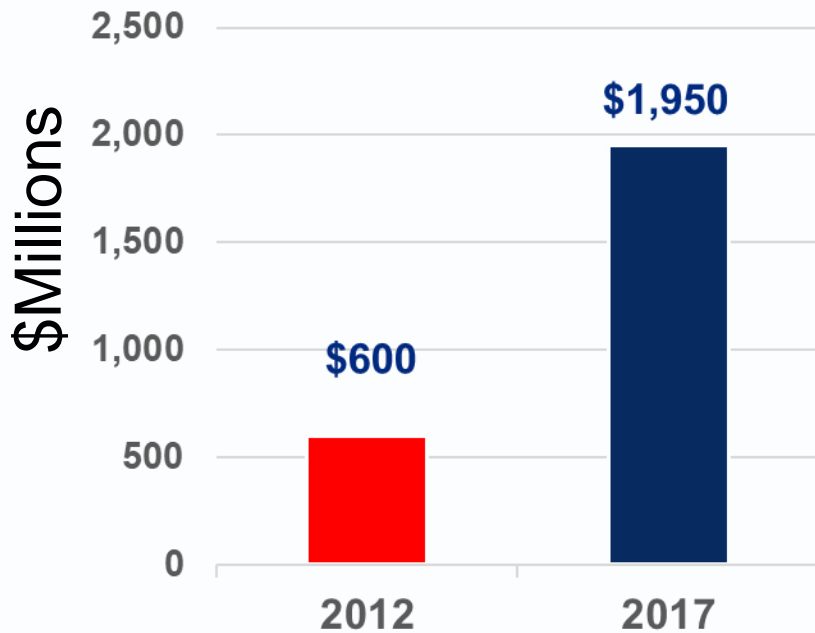


<b>% of Total</b>	10%	22%
<b>Rank</b>	1	1



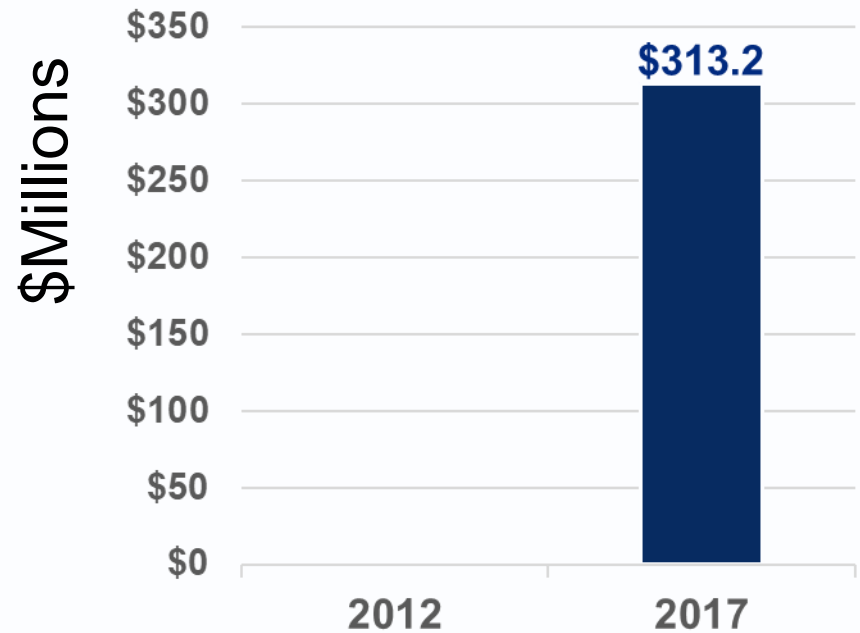
# China's increasing role in Cambodia's economy: assistance and investment

## Chinese FDI in Cambodia



<b>% of Total</b>	21%	70%
<b>Rank</b>	1	1

## Chinese ODA in Cambodia

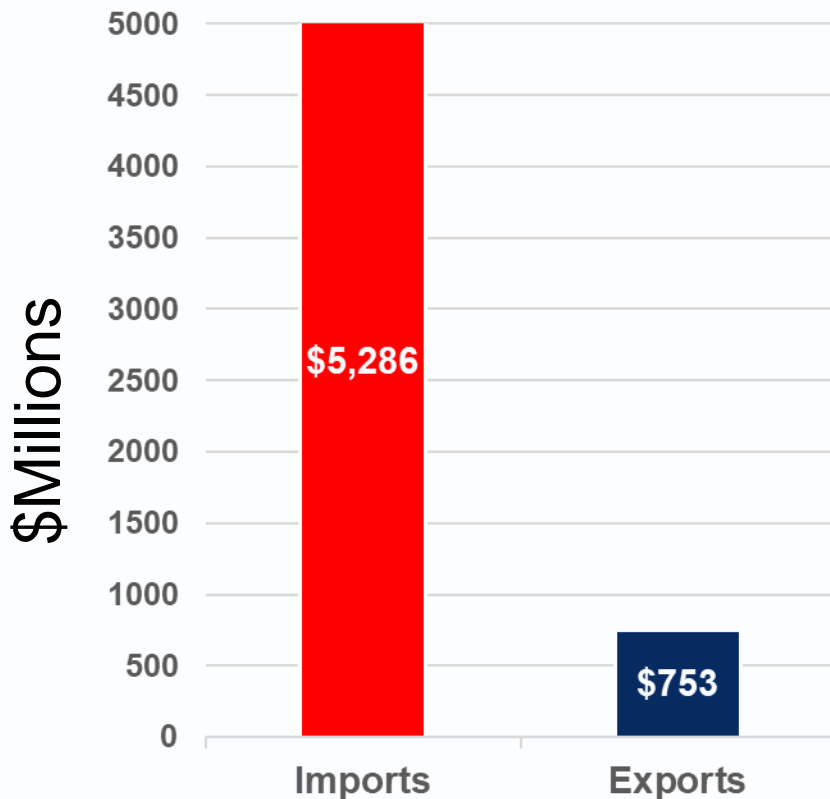


<b>% of Total</b>	NA	35%
<b>Rank</b>	NA	1

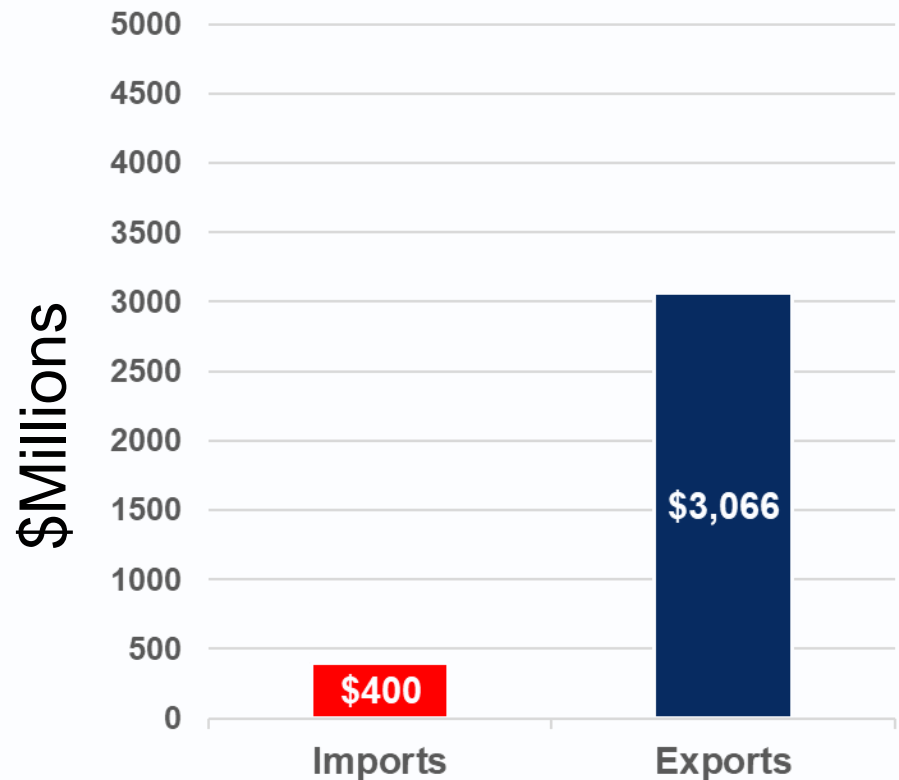


# As Cambodia's largest trading partner, trade is largely imbalanced

## Cambodia-China Total Trade (2017)



## Cambodia-US Total Trade (2017)



# 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?**