

## **Celico Delivers Masterclass in US-China Trade Relations at CONECT T&T Conference**

By George Lauriat, Managing Editor, *AJOT*

Amy Celico, principal at the Albright Stonebridge Group [part of Dentons Global Advisors] was a featured speaker at the annual CONECT (Coalition of New England Companies for Trade) Trade & Transportation Conference in Newport, Rhode Island April 11-13, 2023.

For those in attendance at the Viking Hotel venue, Celico delivered a masterclass in US-China trade relations. And that wasn't surprising given her credentials. She formerly served as senior director for China Affairs at the Office of the U.S. Trade Representative Office and had also served as deputy director of the Office of the Chinese Area at the U.S. Department of Commerce and head of the Trade Facilitation Office at the U.S. Embassy in Beijing, not to mention working in the US Consulate in Shanghai. There was a time when Celico would have been introduced as an 'Old China Hand' but such expressions, much like the West's former fascination with China, are out of fashion. As she said of her career, "I introduce myself much more succinctly as a one trick pony. As for the last 35 years, I've just been focused on China."

### **The Terms of Trade Have Changed**

Her experience working and living in China gives Celico a frame of reference that few have, particularly when it comes to the trading relations with the U.S. From Celico's perspective, the terms of engagement with China have dramatically changed, "For many years in the government and outside of government for companies who wanted to trade with China, of course, the primary issue was, is the market open? Are the rules fair? Am I going to be treated the same way that Chinese companies are treated in the market? Those kinds of issues around intellectual property protection, technology transfer, the size of the market for different industries, that was what we navigated with our clients."

But as Celico points out the relationship between China and the U.S. dramatically cooled. And American companies operating in China have been struggling to adapt on the fly.

Celico says of the new dynamic, "What is the biggest challenge for your business presence in China as an American company? The US-China relationship has been the number one issue, because... this relationship is in the worst shape it's been, in my professional career working on China, which spans back to the late 1980s."

In looking back on how China became the “factory to the world”, it is worth linking the accession to the country’s joining the World Trade Organization (WTO) in 2001. As Celico relates, “I was working at our consulate in Shanghai in 2001 when China joined the WTO, which opened up so many opportunities for American companies and for Chinese companies on the global stage. And when I was at the State Department, the Commerce Department, and the office of US trade representative, it was all about, how do we ensure that China is getting integrated into the global rules-based trading system?”

But for many reasons, China never fully embraced the global rules-based trading system. While foreign companies chafed at the problems protecting IP (Intellectual Property) and Byzantine regulatory regimes, China’s industrialization and potential markets were too attractive to ignore. And China GDP grew to be the second largest in the world, to only that of the U.S.

### **What’s Different Between Washington and Beijing?**

For Celico, the short answer is the rise of China’s President Xi Jinping, “*Why are the US and China, world’s largest and second largest economies, at odds with one another?*”

One of the fundamental reasons, I think, is that this guy, Xi Jinping is very different from his predecessors — his predecessors who saw China’s integration into the global rules based system, as good for China. Where Xi Jinping says, *China doesn’t just need to take the world’s rules, we should be shaping them, and we should be shaping them in ways that are good for China.* And that is a challenge for Washington DC.”

Celico believes that there has been a fundamental shift in China’s perception, specifically within the Chinese Communist Party (CCP) of US-China relations...and it isn’t solely without cause: “In Beijing’s view, the US is set on constraining China’s ability to continue to grow and become a global power and compete with the United States on an equal footing. And so why did they think that?”

Well, five years ago we [the U.S.] did start a trade war that made it more expensive... for Chinese products to come into the United States. [While the tariffs] didn’t stop trade flow it certainly did make [U.S.] companies think about whether they needed to diversify out of China to try to avoid those tariffs. In addition to that, the Biden administration not only has continued those tariffs, they’ve also been very, very focused on putting restrictions of US, especially US technology products, but also investment going from the United States to China that could aid China’s military development.”

## Navigating the River of Change

So, what does the widening and frequently maddening rift between Washington and Beijing mean going forward for companies engaged in trade with China? From Celico's perspective understanding and recognizing the risks is part of the operational planning necessary to continue in the China market in these uncertain times, "What does it mean for us? It means that selective decoupling is going to mean that us, all of us, who had interests in China, who want to continue to have China as part of our global business operations, have to manage Beijing, to make sure we are not the target of retaliation in the event of some kind of US-China disagreement."

If a company or individual falls afoul of Beijing, "How does Beijing react?"

Typically, they punish a company. They don't have that many tools, so, right now they [Beijing] just launched an investigation into an American semiconductor company, [which was] certainly in retaliation for the export controls that the U.S. put on American companies sending semiconductor technology to China. And so, we want to make sure we are not that — rather we, as American companies, have an interest in the China market that China sees as a positive."

And as Celico explains this isn't a one-sided strategy, "And the exact same thing has to be done in Washington, you need to talk about whether, why, or how your business does not intersect with national security concerns, so you should be allowed to continue [doing business with China]."

And Celico says the third option for companies should they be unable to satisfy the dictates of Beijing or Washington is to "selectively decouple" or "de-risking...by diversifying their global supply chains."

Undoubtedly as Celico outlines, these are difficult and dangerous times to be working in China trade, but Celico's message is clear for companies that want to remain engaged in the China trade, "You have to be working at demonstrating to the stakeholders in Washington and the stakeholders in Beijing, why this almost \$700 billion trade relationship is good for the US and good for China, even if it's not going to be the same relationship that we had five years ago, 10 years ago, 15 years ago with China."