The U.S. and China: Ever Closer, but Less Trusting

Clayton Dube cdube@usc.edu Asia/Pacific Business Outlook April 8, 2013

china.usc.edu USC US-China Institute OF SOUTHERN CALIFORNIA

Strategic Trust

Parties recognize common interests are greater than differences

Parties work to minimize the impact of inevitable differences

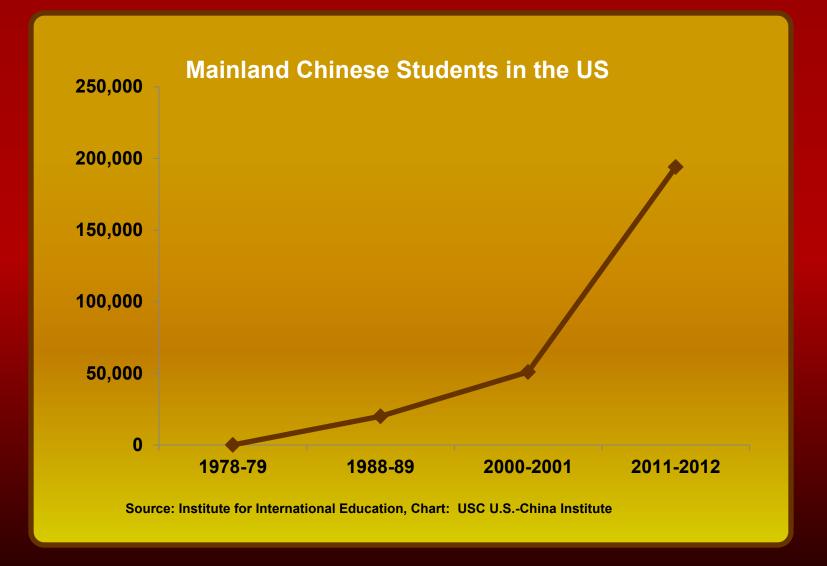
develop long-term beneficial interactions

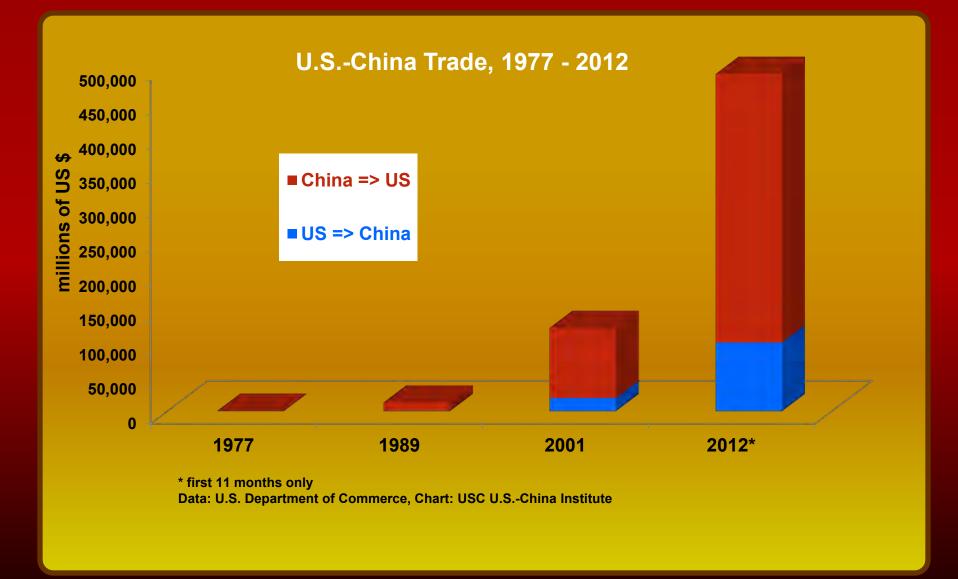
Ken Lieberthal & Wang Jisi, 2012

Strategic Distrust

Parties recognize common interests are greater than differences

Parties work to minimize the impact of inevitable differences





Is there mistrust?

Negative views

1/3 of Americans hold negative views of China

almost 1/2 of Chinese hold negative views of the U.S.

> 1/2 of Chinese/Americans have a negative opinion of the other's influence in the world

COMP SPECIAL: CEOs & COACHES | EDDIE LAMPERT: SEARS SUCKER?



It's not just Google. Secrecy, regulations, and a bias toward domestic companies are scaring business away from China

Bloomberg Businessweek April 2010; September 2011



China is buying Australia's resources as fast as it can, making Australians rich-and nervous p44

In the second

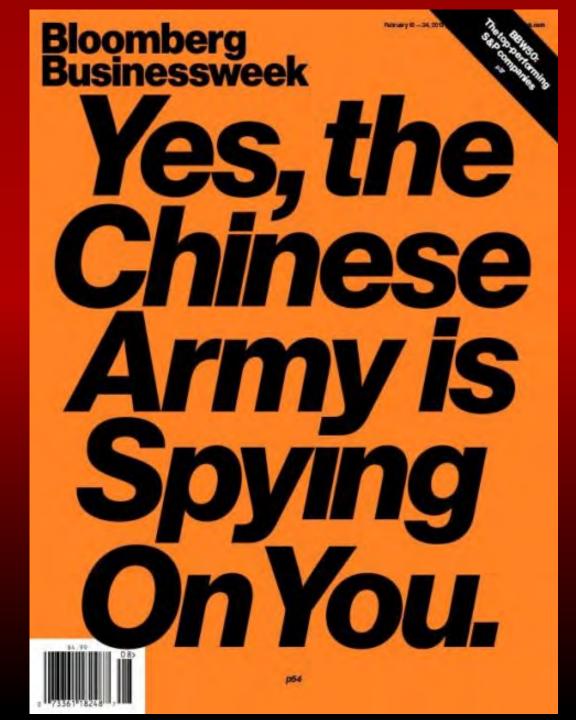
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Time, September 2012





Bloomberg Businessweek, October 2012



Bloomberg Businessweek, February 2013

Threat perception

1/2 of Americans see China's growing power as a threat

4/5 of Americans see China's increasing military strength as a threat

1/2 of Chinese believe the U.S. is trying to hold China back

生活周刊 *Life Weekly*, September 2012

2012.9.17 2012年第37期 www.lifewaak 国美生活目刊

诸岛角力: 东亚为何不平静



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78. "三合一"保钓

财经 *Caijing,* September 2012



Shenzhen Satellite TV, September 2012





At Time 201 峨眉毛峰 20 菊花菜 30 所叶青 33 飘雪 中市。 48/ 的鱼岛是中国的 !! Diagu Islands belongs to CHI



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The Economist, September 2012

INSIDE THIS WEEK: INTELLIGENT LIFE

The Economist

SEPTEMBER 22ND-28TH 2012

Has Romney blown it? Why the car may have peaked in the West Latin America's jails from hell The economics of a duchess's breasts How to make money from sport

Could China and Japan really go to war over these?

Economist.com

"Sadly, yes"

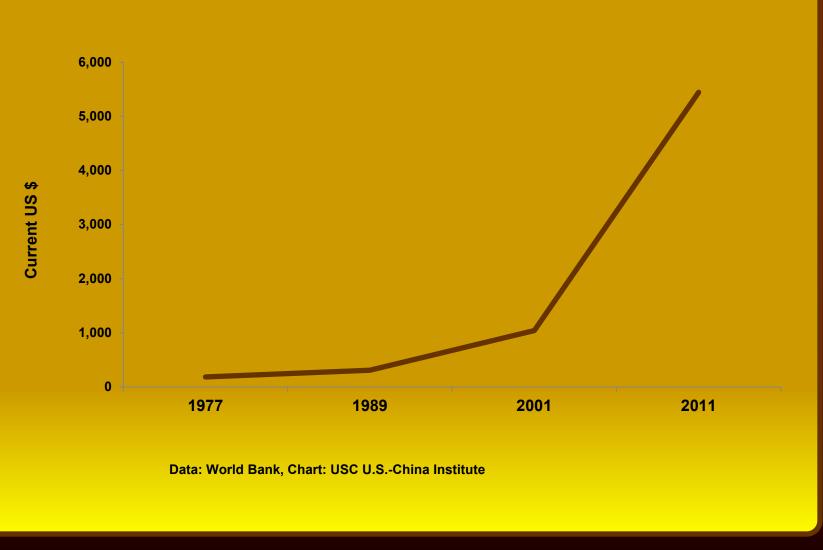
Once the greatest source of stability, economic ties are now central worries

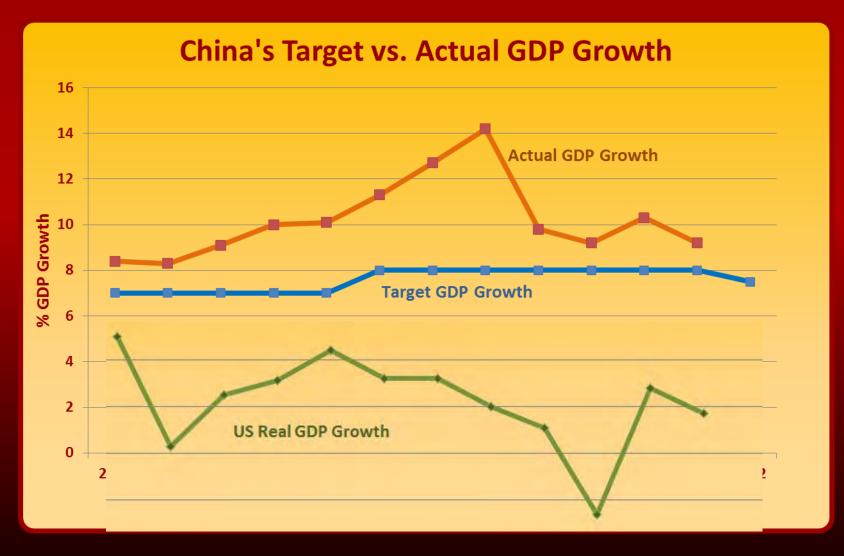
Americans China's impact = serious problem 71% job losses 78% China-held debt 61% trade deficit

Chinese

29% exchange rate dispute25% trade imbalance25% Taiwan

China GDP Per Capita







USC U.S.-China Institute

California was the top U.S. exporter to China in 2011: \$14.2 billion

computers / electronics waste & scrap transportation equipment machinery chemicals

- 2. Washington: transport/crops
- 3. Texas: chemicals
- 4. Louisiana: crops
- 5. New York: waste & scrap

U.S. companies in China aiming for the Chinese market

Dominant Brands in 2011	Market Share
Yum! Brands (KFC)	40%
General Motors	13%
Microsoft	99%
Boeing	52%
Nike	?
Coca-Cola (Sprite)	62% (27%)
Proctor & Gamble (hair care)	55%
Intel	15%
Starbucks	70%
Apple (tablets)	51%







California / All Industries / 2000 to Q3 2012

Total Deals: 163 Total Value: \$1.4 Billion

Investment by Industry (in \$mil)

Aero, Auto & Transport: 6 deals / \$14 Consumer Products: 20 deals / \$105 Electronics and IT: 62 deals / \$878 Finance & Bus. Services: 14 deals / \$17 Fossil Fuels & Chemicals: 7 deals / \$22 Health, Bio & Pharma: 12 deals / \$35 Hospitality & Real Estate: 6 deals / \$172 Industrial Machinery: 4 deals / \$24 Logistics: 6 deals / \$7 Metals and Minerals: 8 deals / \$14 Renewable Energy: 18 deals / \$114

Investment by Type (in \$mil) Greenfield: 110 deals / \$251 Acquisitions: 53 deals / \$1,153

Investment by Ownership (in \$mil) Government: 32 deals / \$126 Private: 131 deals / \$1,278

Is mistrust increasing?

Relatively few (10%) hold very unfavorable views

The share holding favorable views (≈ 35-43%) isn't increasing

despite growing interaction/interdependence

The share who see the other as hostile is increasing

What are the sources of mistrust?

Structural shift – changes in relative power

Different political and value systems

Weak communication and implementation of agreements

Playing to domestic audiences

中国新闻周刊 *China Newsweek.* October 2012



CHINAWATCH

----ADDED TO BE SUPPLYING

DIAOYU ISLANDS BELONG TO CHINA

Diacyta Islands, which include Diacyta Island and its affiliated Islands, have been an inherent territory of China since ancient times, and China has indisputable sovereignty over the

China. A President of the second seco

Discyu Islands had long been under China's jurisdiction in the Ming (1368-3644) and Qing (3644-1911) dynasties.

And the second second second

Chinese and foreign maps show that Disopu islands belong to China.

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Japan grabbed Diaoyu Island from Order U. Mill, the Degrad and Manual 1 for Deg-ments and the set former of the two couples from a differences are used in tags." Since the product they In SALE, same planned for tartie of Hamps Stated to

Discyu Island was returned to China after the Second World War.

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Japan's so-called "nationalization" of Diacyu Island severely intringes upon China's sovereignty and rejects and challenges the outcomes of the victory of the World Anti-Fascas War.

China's will to defend national sovereignty and territorial integrity is firm and its resolve to uphold the outcomes of the World Anti-Fascist War will not be shaken by any force.

21-21-04

Name initial loss in collins i stand



THE REPUBLIC OF CHINA (TAIWAN) PROPOSES: THE EAST CHINA SEA PEACE INITIATIVE A major termental caryons in trawing in the East Chara Sea.

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- and. Sink your approval to Mag Caluf could believe pe 2. The Discrystal Manda, along with Talwar, became the territory of Ging China (1644-1912).
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- 7 The Republic of China (Taiward) never recognized Japanese An ecoerclipity over the Islands after WWB.
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[] The U.S. did not transfer the Islands' sovereignty to Japan In 1872.

- June 2021, the U.S. has recented that the conductory of above regions of Gauss Administric Support does not a constrainty of provider of seconorgapy (See U.F. has maintained a probar of secondary such that retransmitted there is not make a position we that globular seconorgapy of these indexed.

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- sugament by environd measures. Separty claim of senergary over the Nearystal Islands is invalid at sums (New the court under international for more the islands was near torse and/or find without even).



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Practical revolutions of corporation generally accessed in one of the four ways regentation, and anisotration, and impairs. These approaches are not occurrently reasonally each adve, but trans all beats with negotiative

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STAGE 1 Shelve reminish disputes through meaningful dislague STAGE 2: Share resources through joint development

- Kry Inser
 - · East China Sea code of conduct

 - Joint conservation and management of the East China See's living resources Joint exploration and exploration of the Sant China See's non-Bridg resources Joint mathies extendite research & provincing of the mathie generiterment.
 - Joint exercises to insignate conventional and unconventional security in the East China Sea

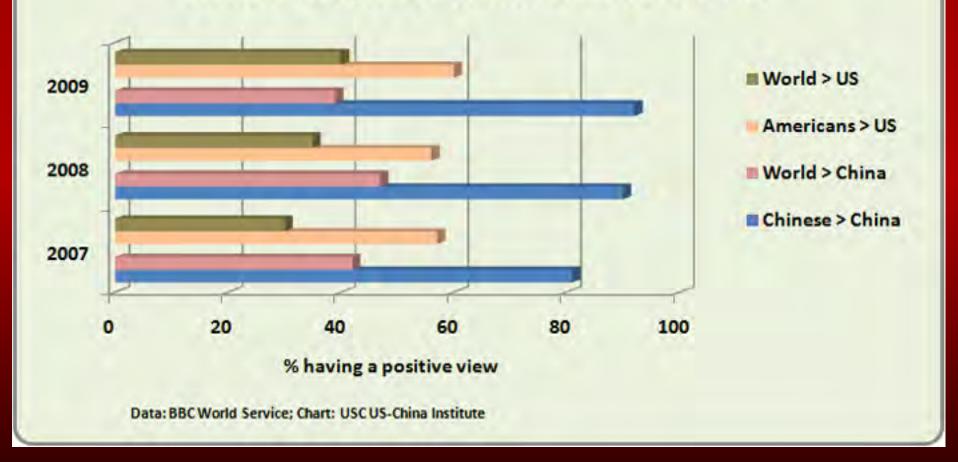
Over the long ran, we can more from these parallel studie of Islands' datagese (between Tanner and Japan, Tahum and the Chinese mainland, and Japan and the mainland) to one mack of tellateral negotiations.

We sincerely hope the U.S. government and its people will approve this peace initiative.

TABELECONOMIC AND CULTURAL OFFICE IN LOS ANCELS



Views of Self, Views from Abroad: 2007-2009



人民网 2009.12.24。

"腐败问题突 民众承受底线"	82.3%
corruption	
"贫富差距拉大,分配不公激化社会矛盾"	80.6%
increasing income gap	
"基层干群冲突"	63.2%
grassroots conflicts	
"高房价与低收入的 矛盾"	62.8%
housing too expensive for many	
"诚信危机,道德失 范"	61.7%
crisis of trust, absence of moral standards	
"民主政治改革低于公众预期"	52.3%
democratic reforms don't meet expectations	
"环境污染,生态 坏"	51.6%
pollution and ecological damage	



Huanqiu 环球, published by Xinhua News Agency 2012.11: "5 main elements of a becoming a 'world power'" 2013.3: "Xi Jinping – diplomatic tensions"



What is being done?

Huge variety of activity

diplomatic education culture media corporate civic (people to people)

soft power





Daping Village elementary school students get "Dangerous"

Bai Shuying, channels Michael Jackson on China's Got Talent

- web: china.usc.edu
- email: cdube@usc.edu
- phone: 213-821-4382
- fax: 213-821-2382
- mail: Clayton Dube USC U.S. – China Institute University of Southern California 3535 S. Figueroa St., Figueroa Building 202 Los Angeles, California 90089-1262