

UNEDITED TRANSCRIPT

2018 US-China Forum — November 1

Opening Remarks

**BALA
SRINIVASAN:**

Good morning, everyone. Welcome to the University of Chicago. My name is Bala Srinivasan and I'm Vice President and Deputy Provost here at the University. This morning, it's my great pleasure to introduce the 13th president of the University of Chicago, president Robert J Zimmer.

We're especially glad to have him here to open the China forum today because since taking office in 2006, President Zimmer has led a powerful renewal and expansion of the university's founding commitment to global engagement. Under his leadership, the university has opened centers in Beijing, Delhi, and later this month, a new campus in Hong Kong. These enhance study abroad programs for undergraduate students, establish programs partnerships and initiatives in numerous countries across the world, and worked to increase opportunities for international students here on our campus in Hyde Park.

This expansion with our Beijing and Hong Kong presence underline our distinctive and special focus on China that allows us to engage deeply, directly, and consistently in varied areas of our academic enterprise. We're grateful to President Zimmer's continued leadership and support to make events such as this one possible. Now please join me in welcoming President Robert Zimmer.

[APPLAUSE]

ROBERT ZIMMER: Thanks very much, Bala, and good afternoon. On behalf of the University of Chicago, it is my pleasure to welcome you to the 2018 US-China Forum.

I want to thank the honorable Tung Chee Hwa and the China-US Exchange Foundation for their support and partnership on this series. The foundation is represented here by executive director, Mr. Audie Wong, and I would like to thank and welcome him.

For the fourth consecutive year, the US-China Forum has brought together leaders from academia policymaking and execution and the private sector for evidence driven discussions on issues of importance to both China and the United States, and by extension, the world. The topic of this year's forum is China's role in the global economy, including China's global economic strategy, and its impact, risks with respect to financial stability trade dynamics between the US and China, and more.

The several speakers who will address this audience over the next two days represent a broad array of experience and expertise in China and the United States. They are coming together to build a nuanced picture of China's economic role in the modern world. We'd especially like to recognize former secretaries of the treasury, Hank Paulson and Bob Rubin. Former US ambassador to China, Max Baucus. Former Chinese ambassador to the United States, Zhou Wenzhong. Chair of the board of the Center for Strategic and International Studies, Tom Pritzker. And the many other eminent researchers and experts who will be joining us.

We're very pleased to have such a wide variety of perspectives contributing to this conversation, which is being organized by the Becker Friedman Institute for Economics here at the University of Chicago, which is led by Milton Friedman Professor of economics, Michael Greenstone. I'd like to thank Professor Greenstone, Eric Hurst, and their team at BFI for their efforts in putting today's event together.

So the US-China Forum is part of a broad fabric of the engagement of the University of Chicago in and with China, which has been a very important focus for us. Over the past decade, the University of Chicago has recognized and acted upon the importance of a deep, intellectual, and educational engagement with China. The massive economic, social, cultural, political, and demographic changes taking place in China, and the rapidly growing engaged and influential Chinese scientific and academic community, both in China and in the Chinese diaspora, are having an enormous impact on Chinese society itself and on the world.

For universities such as ours, with the ambition to understand and address the most important challenges of our times and their deep cultural and historical contexts, these changes have become important to our own thinking.

The meaning and impact of the changes are important for our faculty to understand in the context of their own disciplines and for our students to engage for a deeper understanding of the world its cultures and history, and how it may evolve into a future that they will be deeply involved in. For both faculty and students, these changes signal the importance of building collaborations in China for the long run. For the university as a whole, it creates opportunities to learn a great deal build less than collaborations and further develop ways in which our expertise and capacity can contribute to positive changes in the world.

So the rapid evolution of China and the ongoing evolution in the United States also make the necessity of much deeper mutual understanding and interaction between the United States

and China particularly important. A key part of this understanding needs to be the understanding of different cultures with different underlying assumptions. Without this, problematic misunderstandings will inevitably multiply.

The university's current work in with and about China that we've expanded greatly over the past decade has a deep historical base. In 1914, the university's second president, Terry Pratt Judson, led a Rockefeller Foundation commission that helped to establish the Chinese medical board, which was instrumental in the establishment of Peking Union Medical College.

In 1980, China's first course in modern economics was taught in Beijing by a group of economists that included University of Chicago professor and Nobel laureate, Theodore Shultz. Among the 91 Nobel prizes awarded to University of Chicago faculty members, alumni, or researchers, Chicago physics alumni Yang Chen Ning and Lee Tsung-Dao became the first Chinese nationals to win the Nobel Prize.

A signature moment in our commitment to work in China over the past decade was the 2010 opening of the University of Chicago Center in Beijing. Since its opening, over 12,000 people, including our faculty, students, alumni, and most of all, Chinese students, academics, and visitors have participated in programs there. The upcoming opening of our campus in Hong Kong at the end of this month builds upon this representing our firm commitment to the extension of the University of Chicago's collaborative arrangement with Hong Kong and the greater Bay Area in China, as well as other East Asian partners, alumni, and community at large. And again, I want to emphasize that this represents a lasting and deep commitment to the university.

The Becker Friedman Institute for Economics at the University of Chicago, the organizer of today today's event, was launched in 2011 to provide a collaborative platform for the broad and diverse university of Chicago economics community. This includes faculty, and students, and researchers from the Griffin Department of Economics, the Harris School of Public Policy, the Booth School of Business, and the School of Social Services Administration. The Institute supports not only the highest level of economics research, but also focuses on the translation and dissemination of that work to policymakers, business, leaders, and other interested stakeholders.

Later this fall, Becker Friedman too will launch a dedicated research initiative in China called BFI China. BFI China will build new research partnerships between Chicago economics faculty

and colleagues in China in a range of areas in which economic thought and analysis is important. In this way, the 2018 US-China Forum today is a natural companion and lead in to this major initiative.

In all of our work, the University of Chicago's committed to open discourse and rigorous and intense inquiry with a shared understanding that this is a defining feature of the university's work in research and education. Our most important contributions to discovery, education, and impact on society rests on this environment which fosters the development and testing of new and imaginative ideas about fundamental issues. Today's event builds upon the university's long tradition of cross-border collaboration and open dialogue in this framework.

So we look forward to a stimulating, collaborative, and engaging discourse at the 2018 China-US Forum now and looking forward for many years to come. Thank you very much,

[APPLAUSE]

**MICHELLE
CARUSO-
CABRERA:**

Hi, everyone. Thanks for coming. Great to see this room so packed. I'm Michelle Caruso-Cabrera, longtime chief international correspondent for CNBC and a CNBC contributor, helping to MC the day. I'll moderate some the panels over the next two days. It's going to be a great, great forum. And as such, the team here-- was very honored to have-- they asked me to do some opening remarks, kind of set the stage for where the relationship between US and China stands right now. Thanks so much.

So the timing of this conference could not be any better. China's role in the global economy is growing every day. And it is of course, of enormous consequence to billions of people and their livelihoods. China's role in the global economy is controversial. In some places, it is derided. In some places, it is welcomed. Nowhere is it unnoticed.

The country's growth statistics are still enviable to the rest of the world even as their GDP has slowed to less than 7% growth. Their currency is closely watched every day in the international markets as traders wait to see where the central bank will set the exchange rate. The economic stability of the country and its debt markets key for the international commodity markets.

Investors and corporate executives watched with trepidation the increasing level of tariffs between the US and China to see if they're going to cause havoc in the international supply chains of the world. And China's Belt and Road Initiative, an unprecedented level of planned

spending by China in overseas infrastructure, is spreading influence and also controversy.

And Made in China 2025 has led to new legislation here in the United States, which greatly restricts technology transfer to China, and also, investments by the Chinese into the United States.

And the timing of the conference also comes as the Trump administration finally puts sharper edges on its policy toward China, having evolved from what I call the large amorphous cloud of discontent that helped to get him elected.

Just last month, Vice President Mike Pence spoke at the Hudson Institute, and that speech is now being described as ushering in a new Cold War with China. In that speech, the Vice President accused the country of using quote, "an arsenal of policies inconsistent with free and fair trade, including tariffs, quotas, currency manipulation, forced technology transfer, intellectual property theft, industrial subsidies doled out like candy to name a few. These policies have built Beijing's manufacturing base at the expense of its competitors, especially America."

The US Congress has just passed a new law that I mentioned that greatly increases scrutiny of any Chinese investments spearheaded by Steven Mnuchin, the current Treasury Secretary. And then there was another prominent policy speech.

Secretary of State Mike Pompeo spoke to the US chamber of commerce in July, outlined America's Indo Pacific Economic vision. In those remarks, he announced, in not so many words, that the administration is reimbursing foreign aid, but American style, as a tool of US influence in Asia and Southeast Asia. Pompeo didn't say so explicitly, but it was clear to those who heard it, this is the US response to China's massive Belt and Road initiative.

The BRI, a cornerstone of China's role in the global economy, as the country plans to spend billions, perhaps a trillion dollars overseas on infrastructure projects around the world. Exact number is unknown, perhaps even to the Chinese government. But from the US to Australia, the BRI is shrouded in suspicion, described as debt trap diplomacy, economic imperialism, with the ultimate goal being the control of physical assets like ports and key geographies for military purposes.

In the face of all this criticism, the Chinese government consistently maintains the BRI is about connectivity, cooperation, and the promotion of international capacity building. And they

consistently reject accusations of hidden intentions.

We are on the verge of, for the first time ever, of China perhaps participating in an international debt restructuring. Either via the Paris Club, or more likely, the International Monetary Fund.

Because China has extended to loans to places like Pakistan, Venezuela, Ecuador, Sri Lanka, other lenders to those countries, if there is going to be a restructuring, will want what's called in the business equal burden sharing from everyone. Are the Chinese willing to be transparent about their levels of lending and take haircuts on their debt alongside everybody else.

There is a potential for a showdown in this area already, when it comes to Pakistan, for example, which is seeking help from the IMF in the wake of accepting large and what many see as now crippling loans from the BRI. The largest funder of the IMF is the United States. And the world was put on alert when Secretary of State Mike Pompeo said this in an interview last July:

"We will be watching what the IMF does. There is no rationale for IMF tax dollars, and associated with that, American dollars that are part of the IMF funding, for those to go to bail out Chinese bond holders or China itself."

**MICHELLE
CARUSO-
CABRERA:**

By the way, those remarks came in an interview with me last July. Can see the whole thing on CNBC.com and also on the State Department web site.

What I find startling about this moment, despite all the controversy surrounding the Trump administration in the US, there seems to be almost no controversy about the White House's attitude toward China. There is disagreement on the tools being used, how they are going about it, but almost no contention on either side of the aisle that China is a problem.

Here's last week's cover of *The Economist*. I'm sure most of you have seen it, this esteemed institution. Lead story is *China versus America, A Dangerous Rivalry*. In the opening essay, page 11, you could have knocked me over with a feather, because I read not once, not twice, but three times, Trump is right, as in correct. To wit, Mr. Trump is also right that America needs to reset expectations about Chinese behavior.

Even more startling. Mr. Trump's unique ability to signal his disregard for conventional wisdom

seems to have been effective. The Chinese, says *The Economist* are quote, "wrong footed" as a result. If you read *The Economist* frequently, they're no fan of the Trump administration. So to hear this from them I thought spoke to a certain moment here in the United States.

Even former Obama administration officials laud President Trump's pressure on China when it comes to North Korea. No less than the former Treasury Secretary, Jack Lew wrote in the most recent issue of *Foreign Affairs*, President Donald Trump, to his credit, has been more willing to squeeze China for concessions on North Korea, which is another area of discussion for China's role in the global economy.

So with that, let's get on with what is this very important conference asking very important questions. What excites me the most about this US-China Forum is the partnership participation of so many from China. We speak here in the US about all these issues that I mentioned constantly. But we need to and want to hear from the Chinese themselves. Their perspective will certainly widen our view and the prism through which these issues are examined.

The topics in this conference are aimed at having full, open, thoughtful discussions. What is the role of the business community in US-China relations. That's going to be the first topic today. What are the goals of BRI. What's it like to be on the receiving end of BRI investments. We have two prominent ambassadors to discuss the role of diplomacy in diffusing trade tensions, and a panel of some of the most informed economists and financial experts that will examine the state of financial stability in China.

And what is trying to doing when it comes to the intersection of the environment and finance, and how will their efforts affect the rest of the world. The questions being asked here today affect not just the China, not just China and the US, but the entire world. Thanks so much.

[APPLAUSE]