

Dear Policy+ Members,

It was great to see those of you who made it to the [luncheon with Clyde Prestowitz](#). For those who could not make it, please see the meeting highlights below:

## China and Japan

Both countries took **similar approaches** to strengthen their economies - heavily protected industries, high-tech designated as one of the "key" industries and an undervalued currency. Both China and Japan saw industrial protection as a "source of power," which is essential for national security.

But there are also some **subtle differences**, such as the fact that Japan values long-term relationships as its society is very tight-knit; despite the Reagan administration wanting to take a tough stance on Japan, policies were softened by various departments (e.g. State Department).

## Free trade = win-win?

Prestowitz believes that a major factor contributing to Trump's presidency was the failure of free trade policies. For many years, people have argued that free trade produces a win-win situation.

However, globalization seems to have exacerbated **wealth disparity** with the losers feeling that they have not been fairly compensated. Economists never considered an **alternative to free trade**. Countries such as China and other rising

powers are getting more realistic, with an emphasis on global power and economic capabilities.

Now, the validity of previous free trade policies is being questioned by many.

### What does Trump want?

Trump seeks to re-negotiate trade agreements with major trade partners. The new model now is **bilateral** instead of **multilateral**, as we observed in the revised NAFTA deal (now called "USMCA").

Prestowitz believes that many are mistaken about the purpose of tariffs. It is not about "reducing the trade deficit" (as Trump claimed) or "making China cave in." Rather, it is about **decoupling from China** economically and politically.

### What can China do?

Understand that **midterm elections** will not have a major effect on ongoing trade tensions.

Engage with a **wider range of voices** in the US, rather than the "policy elites" in DC.

Try to walk in America's shoes - the US would **also** like to develop those "key" industries, so does every other country. Successful negotiations are possible if both sides have something to gain.

### What can Policy+ members do?

Start to think of the US government as a friend and ask for support.

Engage actively with local industry associations like AmCham China!

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As always, send us a quick message if you have any questions or comments. We are also rolling out a podcast that features our President Alan Beebe and Prestowitz. Please stay tuned!

If you have not read our newest **report on the Greater Bay Area**, please see [here](#).

Happy Halloween!

--AmCham China Policy Team

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