

June 24, 2019

No Light Yet at the End of the Tunnel: Highlights from 2019 AmCham China DC Outreach

Each spring, AmCham China arranges a group of approximately 20 senior business executives based in China and chamber leaders to meet with government officials and important interest groups in Washington, DC. This year, from April 29 to May 3, this delegation received considerable attention on Capitol Hill and various areas of the Trump administration. AmCham China delegates held meetings with 39 Congressional offices—including individual meetings with nearly 20 of 100 Senators—as well as members from several Congressional committees. At a time of heightened US-China tensions, the delegation observed that DC elites are committed to getting tougher on China but appear to lack a well-coordinated strategy.

This Policy+ report paints a fuller picture of the changing Beltway attitudes towards China. It synthesizes first-hand information gathered by the AmCham China delegation and insights from our Washington DC-based partner C&M International and within the context of the broader US – China relationship. Instead of presenting highlights from each meeting, we decided to group them by working groups so that P+ members can have a better sense of how these organizations drive sentiment and policymaking related to China in DC in perspectives.

Key Takeaways

Congress is increasingly hawkish towards China compared with AmCham China's visit just one year ago, as trade tensions converge into other aspects of the bilateral relationship. Despite broad agreement between Democrats and Republicans that China is a major issue, there is limited consensus on strategy and approach.

While Washington DC elites agree that the US must re-evaluate its relationship with China, a coordinated US strategy towards China does not appear apparent within Congress or the Trump administration.

Aggressive US posturing in trade negotiations, combined with lack of clarity on U.S. strategy, contribute to growing uncertainty in the future of the US – China relationship.

Get Tougher

Despite differing views on the best approaches and tactics, the delegation observed that there is general agreement in Congress that the US needs to get tougher on China. The delegation met with several congressional caucuses and groups that criticized China heavily on a range of issues, including

trade, human rights, military build-up, and sovereignty claims. These meetings suggest that trade tensions are gradually converging into other aspects of the bilateral relationship.

Leadership on the Hill

The Hill leadership is important because their views on China and trade have an overarching impact on how the rest of the Congressional members fall in line. These leaders are increasingly becoming more hawkish on China.

Whom we met: Young, Office of the Speaker of the House Nancy Pelosi (D-California), Office of the House Minority Leader Kevin McCarthy (R-California), Senate Majority Leader Mitch McConnell (R-Kentucky), Senate Minority Leader Charles Schumer (D-New York), Vice Chair of Republican Conference and Senator Joni Ernst (R-Iowa).

“We cannot allow economic interests with China to blind us to the moral injustices committed by China,” said Pelosi at a congressional hearing in early June 2019.

Views on China and trade: Pelosi, the de facto leader of the Democratic Party, views human rights issues in China in a [personal](#) way. When the chamber’s DC delegation met with Pelosi’s staff, they mentioned that Pelosi wants to hold China accountable; she feels that a fast deal might not be a strong deal. They also said that the Chinese Embassy frequently invites Pelosi to speak. Meanwhile, both Schumer and McConnell support some of the administration’s tough stances. Schumer also supports a ban of telecommunications equipment purchases from Huawei on national security and competition grounds.

“Hang tough on China, President. Don’t backdown. Strength is the only way to win with China” [tweeted](#) Schumer after Trump announced he would proceed with more tariffs on May 6, 2019.

McConnell and his Republican peers seem more circumspect of the administration’s approach on China trade issue but have come to terms that tariffs may be the best solution for now. In meeting with McConnell and his staff, the chamber’s delegation learned that the animosity towards the current administration is so intense that it is difficult to get bipartisan agreement even on benign topics. That said, the Hill seems to be aligned with the administration on taking a more aggressive approach towards China.

“I wish I had something positive to tell you....but good luck [with China]!” said McConnell at the meeting with the chamber’s delegation in DC.

Indeed, even if a trade deal were to work out between the US and China, it is unclear whether China-hardliners Pelosi and Schumer would rally behind Trump then. Some [argue](#) that US lawmakers would likely weigh in on the trade deal and set the tone for the upcoming 2020 presidential election.

Congressional- Executive Commission on China (CECC)

Background: CECC, a bipartisan commission established in 2000, tracks China’s progress on human rights and rule of law. The commission was created as a compromise between pro-trade groups and human rights advocates in Congress, who opposed granting China the status of permanent normal trade relations (PNTR). Representative Jim McGovern (D-Massachusetts) and Senator Marco Rubio (R-Florida), both very vocal about human rights issues in China, are the current co-chairs of the CECC. McGovern has a record of speaking out against issues in Tibet. He authored the Reciprocal Access to

Tibet Act of 2018, which was signed into law late last year. This Act prohibits any Chinese nationals who are involved in restricting foreigners' access to Tibet from entering the US. McGovern maintains a very close relationship with Nancy Pelosi, the Speaker of the House and top-ranking House Democrat, who joined McGovern on a visit to Lhasa, Tibet in 2015. The relationship between McGovern and Pelosi may be giving CECC more influence on Capitol Hill.

Whom we met: McGovern, Senator Todd Young (R-Indiana), Senator Steve Daines (R-Montana), Senator Jeff Merkley (D-Oregon).

Views on China: All commissioners we met were opposed to “decoupling” with China, arguing that decoupling is a “non-starter” and “not in US interests.” However, the commissioners expressed growing concern about China’s rising power and the implications for liberal democracy, global human rights and internet governance. Some raised concerns about US firms [indirectly](#) assisting the build-up of China’s surveillance state and military capabilities. Others saw artificial intelligence (AI) and the Belt and Road Initiative (BRI) as a challenge to US economic and national security.

With the US-China relationship at an inflection point, these members of Congress believe that the US should re-prioritize human rights issues in the China relationship. This objective has been marginalized in the President Trump administration’s approach towards China, even as the human rights situation in China reportedly worsens. Many members we met also said that while the bilateral relationship is too important to fail, now is the time to find a new balance.

US-China Economic and Security Review Commission (USCC)

Background: Established in 2000, the USCC is a bipartisan congressional commission that tracks bilateral national security and trade issues and makes China-related legislative recommendations to Congress. The USCC is known for its alarmist and hawkish stance on China. Following meetings in Washington, DC, a USCC delegation visited Beijing and met with Policy+ members and AmCham China leadership over breakfast in May 2019.

Whom we met: Chairman Carolyn Bartholomew, Vice Chairman Robin Cleveland, and Commissioner Michael Wessel (note: at the breakfast meeting with the USCC delegation, AmCham China met with additional commissioners, including Thea Lee and Larry Wortzel).

“We are no longer considered outliers, and it’s not because we have changed our views. It’s because the debate has shifted,” [said Bartholomew in a report by the South China Morning Post on November 14, 2018.](#)

Views on China: USCC was once marginalized in the DC policy community but its positions now [resonate](#) with the Trump administration’s approach towards China. As a result, USCC is garnering more public attention and support from the growing ranks of officials who support a more aggressive approach toward China. A Democratic commissioner we met noted that he/she is able to receive more access to Trump than with President Obama (while he was president). This underscores that in an era of intense partisanship, challenging China is one of the few issues that unites Democrats and Republicans.

The chamber’s delegation learned that USCC is now being called upon increasingly to provide research briefs and memos for Congressional hearings related to China, perhaps even more so than those traditionally produced by the Congressional Research Service (CRS). A more prominent role for the commission could lead to Capitol Hill’s positions toward China becoming more hawkish in the future. Perhaps as China’s recognition of this trend, USCC commissioners acknowledged they have had trouble

receiving visas to visit mainland China for the past three years. However, we note prominent commissioners was able to receive visas for their recent visit in May.

US-China Working Group (USCWG)

Background: Founded in 2005, the USCWG aims to strengthen diplomatic ties with China and educate members of Congress about China through discussions with Chinese officials. Before trade talks stalled, USCWG members [met](#) with Li Zhanshu, Chairman of the Standing Committee of the National People's Congress (NPC) and separately with AmCham China in March 2019. Some Capitol Hill insiders are questioning the viability of this traditional working group model, as more hawkish groups like USCC have become more prominent.

Whom we met: Representative Eddie Bernice Johnson (D-Texas), Representative Darin LaHood (R-Illinois), and Representative Rick Larsen (D-Washington). LaHood and Larsen are the current co-Chairs of the USCWG.

"I want to address maybe how we can go about [approaching China] ...and use an American football analogy... We are playing a lot of defense right now in our approach, instead of thinking about what offensive tools that we already have and what tools we can develop to play offense. Not necessarily offense against China, but just offense for its own sake to keep the US out in the world..." [said](#) Larsen at an event hosted by Brookings Institution on March 7, 2018.

Views on China: It has been more than a year since Larsen made that speech, and it appears that both he and LaHood have since become more hawkish towards China, especially when it comes to trade. In the past, both Larsen and LaHood were strong advocates of engaging with China for mutual economic benefit. Given that Larsen's district is home to a Boeing facility and LaHood's is home to Caterpillar and a strong agriculture base, the ongoing trade tensions are significant for their constituents. However, both representatives [expressed](#) their support for a deal that would be fair for the entire country, which would require substantive and structural changes from China, even if it came *at the cost* of their districts.

"What we don't want is a purchase agreement; we could have had a purchase agreement six months ago, if that's what we had wanted...the real goal of the talks that are underway is how we get China to abide by the same rules as the rest of the industrialized world" [said](#) LaHood at the China trip debrief.

Although LaHood and Larsen are generally aligned with the Trump administration views on trade, they expressed skepticism about Trump's broader approach. In our meetings they indicated that there is a need for a well-coordinated strategy from the US government, especially in communications and diplomacy. They blamed the administration's public diplomacy for being too negative and marginalizing positive stories.

Strategize Better

The delegation observed that most members of Congress in both houses, regardless of party affiliation, agree that the US should take a tough stance on China in trade negotiations. Across meetings, the delegation was told that Congress would rather see no deal than a weak deal, and that Beijing should make structural reforms as part of a deal. This refrain highlights the US legislative branch's conviction in seeking a level playing field with China. However, this aggressive posturing, combined with an [unclear and uncoordinated](#) strategy from the US government, points to future uncertainty in the bilateral relationship.

Did you know that...

AmCham China Chairman Tim Stratford also have a football analogy for the bilateral trade relationship?

China: an American-style football player that is well-protected with subsidies and state protections

Competing against

The US: an English-style football player with no protections

House Ways and Means Committee (W&M)

Background: W&M is one of the most powerful committees in the House. Chaired by Representative Richard Neal (D-Massachusetts), it presides over matters related to tariffs and taxation. On February 27, 2019 W&M [hosted](#) a hearing that featured USTR Ambassador Robert Lighthizer. In this hearing, the committee members expressed their unified support for the administration's focus on structural issues in the trade negotiations but disagreed over tactics and approaches. That said, the tough posturing against China seems to be the only thing that W&M appreciates about Trump. The committee recently [subpoenaed](#) US Treasury Secretary Steve Mnuchin to turn over Trump's federal tax returns, which Mnuchin has refused to do so thus far.

"This hearing is our opportunity to make clear what Congress stands for on US-China trade, and what the American people need to see...this Administration must hold out for a good deal – a structural deal. The future of America's economic prosperity is at stake" said Neal at the US-China trade hearing in late February 2019.

Whom we met: Office of Representative Jason Smith (R-Missouri), Office of Representative Kevin Brady (R-Texas), and Office of Representative Adrian Smith (R-Nebraska) (note: LaHood of USCWG is also a W&M member).

Views on China and trade: Based on the meetings with several W&M members, it appears members of Congress are increasingly torn between their belief in free-market principles and the need for punitive measures such as tariffs to address long-standing China issues. However, two things are certain across the aisle: one, a deal with China must involve structural reforms; two, a purchase deal to reduce the trade deficit is not a priority. Nevertheless, committee members are not clear what constitutes success. Structural change in China, as Ambassador Lighthizer acknowledged in a February hearing, will not happen overnight. Even with a united front on Capitol Hill, the committee recognizes the US will likely be in perpetual negotiations with China.

Not all committee members support retaliatory tariffs, in part because their constituents – whether farmers, ranchers, businesses or consumers are paying the price. However, this does not necessarily translate into lack of support for Trump. As one Representative from the Midwest explained, "American farmers support Trump's tactics, even though they are suffering. Other Presidents have talked, but this one is actually doing something."

House Foreign Affairs Committee (HFAC)

Background: HFAC oversees activities and policies of State, Commerce, and Defense Departments as well as reviews all legislation and policy implementation related to export controls, sanctions, arms sales, and international educational exchange. As the purview of this committee is not directly related to traditional constituent interests, many members that are active in the HFAC join because of personal interests, expertise, or ambitions to run for President. Notably, Representative Greg Pence (R-Indiana), the older brother of Vice President Mike Pence, and Representative John Curtis (R-Utah), who speaks fluent Mandarin after spending two years in Taiwan, are committee members.

Whom we met: Curtis, Representative Ami Bera (D-California), and Ranking Member of HFAC and Representative Ted Yoho (R-Florida).

Views on China and trade: HFAC members we met expressed divergent opinions of how the US should approach trade with China but generally supported the administration's focus on China. One

commented that the administration focuses on the right questions regarding trade, but not offering the right solutions. At the same time, another HFAC member expressed very hawkish views on China and fully backed Trump:

“The best way I see it is for you [American companies] to all move out of China. I call it the ABCs: Anywhere But China.”

He called for American businesses to withdraw from China to make Beijing “understand that the pushback will last well beyond the current administration,” an outcome that other HFAC members might have trouble standing behind.

The bottom line is that these HFAC members we met believe that the US needs to step up in protecting its own interests, whether in trade, security, or technology.

Senate Committee on Finance (SCF)

Background: This committee has jurisdiction over customs, trade agreements, tariffs, and import quotas. It also oversees the USTR, the International Trade Administration under the Department of Commerce, and the Foreign Agricultural Service.

Several Senators on the committee are well-versed in the challenges and opportunities of the bilateral relationship. While some have called for a sophisticated approach to China that prioritizes American exports, others have called out China’s unfair trade practices and supported tariffs. Several Senators including Young and Portman sit on both the Committee on Finance and Committee on Foreign Relations.

Whom we met: Daines, Young, Office of Senator Tom Carper (D-Delaware), former USTR Representative and Senator Rob Portman (R-Ohio), and Committee Chairman and Senior Chuck Grassley (R-Iowa).

“As part of reaching an enforceable structural agreement, I urge the administration to give China certainty about what we want and exactly what we want. From what I’ve heard, I believe giving Beijing the security of an unwavering negotiating position will help unlock China’s last-best offer,” [said Portman on the Senate floor on April 10, 2019.](#)

Views on China and trade: Some Committee members we met have seen their home states negatively impacted by trade tensions, but they still want to push for an enforceable deal. They cautiously support Trump’s trade approach with China but believe the administration needs to be more consistent in communications towards China and US constituents.

Senate Committee on Foreign Relations (SCFR)

Background: This Committee handles all legislation related to US foreign policy, with oversight power for the Department of State and all diplomatic nominations. Vetting and processing these nominations takes a significant portion of the committee’s time and remains a key focus area for each new Congress. Furthermore, SCFR is known for having Presidential candidates on the panel, including Tim Kaine, the Democratic Party’s 2016 Vice Presidential candidate, and Cory Booker, who is currently seeking the 2020 Presidential nomination for the Democrats. Many other members either might run in the future or have made presidential bids in the past. As a result, members of this committee are more likely to speak out against China.

Whom we met: Young, Portman, Senator Chris Murphy (D-Connecticut), Office of Senator Cory Gardner (R-Colorado), Senator Tim Kaine (D-Virginia), Office of Senator and Committee Chairman Jim Risch (R-Idaho), Office of Senator Jeff Merkley (D-Oregon).

Views on China and trade: The Committee has become increasingly hawkish in its approach on China economic and national security issues. For example, Chairman Risch is a strong supporter of the current administration. Recently, Risch [spoke out](#) against China's violations of the intellectual property rights of Idaho-based chipmaker Micron. Others expressed a need to reset the broader relationship with China and other Asian countries, and that a trade deal is just the beginning.

"We are trying to figure out how we can do better and compete but while maintaining our values" said Gardner at the meeting with the chamber in Washington, DC.

Other members prefer a pragmatic approach towards China, while "catching up" with China in areas such as AI, quantum computing, and infrastructure. One SCFR member felt while Trump is successfully increasing attention on China, he is "doing it all wrong."

Run faster

While officials from the Executive branch conveyed similar messages as Congressional members, one prominent expert we met suggested government agencies have "been given a hunting license to push back on China in all areas, but absent a coordinated strategy." However, some agencies such as the National Security Council are increasingly [at odds](#) with the President's personal advisors (e.g. John Bolton). Internal division within the Executive Branch plagues the Trump administration on a range of issues, including China.

Whom we met: Department of Agriculture (USDA) Under Secretary Ted McKinney, Department of Commerce Deputy (DoC) Assistant Secretary Ian Steff and Deputy Director General of the U.S. & Foreign Commercial Service Dale Tasharski, Department of State (DoS) Deputy Assistant Secretary of State Hanscom Smith, and National Security Council (NSC) Senior Director for Asian Affairs Matt Pottinger (a former journalist [based](#) in Beijing) and Director for Asian Economic Security Josh Cartin.

Views on China and trade: Meetings with four major US government agencies all point to one conclusion—the protracted trade negotiations are only the beginning. USDA officials told the DC delegation that farmers are "patriotic free traders" who have seen enough in the past to understand that now is the time to set things right. As a result, even though farmers are [suffering](#) from tariffs, they are willing to shoulder the pain and wait longer for a deal.

"We at the Trump administration have updated our China policy to bring the concept of competition to the forefront. It's right there at the top of the president's national security strategy" said Pottinger at a weekend event at the Chinese Embassy in DC on September 30, 2018.

NSC officials agreed that the agreement would just be the closing of one chapter and the opening of another. They called on American businesses to diversify supply chains regardless of negotiation outcomes to insure against future disruption. They also suggested that there is general alignment between the administration, both sides of Congress, and the business community on China.

"Not a cold war...[but] we must recognize that the relationship was driven by the idea that China was converging with global norms and standards. That is no longer the case" said DoS officials to the chamber's delegation.

Additional readings

If you still want to know more about what is happening to US-China relations and the bilateral trade, please read:

[Remarks](#) by Deputy Assistant Attorney General Adam Hickey of the National Security Division at the Fifth National Conference on CFIUS and Team Telecom;

[Conversation](#) between Council on Foreign Relations and Director of Federal Bureau of Investigations, Christopher Wray;

[Report](#) on "Made in China 2025" by Committee on Small Business and Entrepreneurship;

Three media interviews featured AmCham China Chairman Tim Stratford by the [Washington Post](#), [New York Times](#) and [Wall Street Journal](#).

DoS officials defined China as a “strategic competitor” who has joint areas of cooperation with the US. They also signaled that the US foreign policy towards China could be shifting—given that the perception of China being a global partner has vanished in DC. That said, DoS also recognized that longstanding issues such as Taiwan must be handled with care and consistency. Regarding trade, DoS officials believed that things were worse six months ago.

“If you want to win a race, you can either run faster or trip your competition. Why don’t we just run faster” said a member of the chamber’s DC delegation to Commerce officials.

It was mostly the chamber’s DC Outreach delegates speaking during the meeting with Commerce officials, who did not offer their own thoughts or object to the view that in order to win the competition with China, the US must invest more in technology and innovation while setting boundaries to protect itself.

Buckle Up

As the light in the tunnel of the bilateral relationship dims, the US and China are facing one of its darkest moments since the normalization of relations in 1979. The confrontation, which began over trade, is now converging into other areas of the relationship, including military, security, technology, and social and cultural issues. American businesses in China are at risk of being caught in the middle of potentially escalating tensions.

Based on our visit, it appears that most DC politicians are adopting a more aggressive attitude towards China. They prefer a delayed but enforceable deal, one that forces Beijing to implement structural reforms. While structural changes would generally benefit US business, the road there promises to be bumpy. As the US has not been able to develop a coordinated strategy towards China, this uncertainty will continue to challenge the business community.

P+ members must stay up to date with events and trends in DC and coordinate closely with headquarters on the impact of escalating US-China tension on operations in China. P+ members are also encouraged to leverage AmCham China resources and opportunities fully, such as the annual DC Outreach, to adjust business strategies, support planning and advocate to important US policymakers that are taking proactive actions to redefine the US-China relationship.

Appendix:

For a full list of meetings AmCham China delegation attended on the Capitol Hill, please see below. * An asterisk indicates the meeting was held with the Member of Congress.

US Senate

1. Office of Majority Leader Mitch McConnell (R-Kentucky) / Chief Economic Policy Counsel*
2. Office of Senator David Perdue (R-Georgia)*
3. Office of Senator Maria Cantwell (D-Washington)*
4. Office of Senator Todd Young (R-Indiana)*
5. Office of Senator Rob Portman (R-Ohio)*
6. Office of Senator Cory Gardner (R-Colorado)*
7. Office of Senator Steve Daines (R-Montana)*
8. Office of Senator Joni Ernst (R-Iowa)*
9. Office of Senator Tim Kaine (D-Virginia)*
10. Office of Senator Marsha Blackburn (R-Tennessee)*
11. Office of Senator Mike Braun (R-Indiana)*
12. Office of Senator Tom Carper (D-Delaware)*
13. Office of Senator Charles Schumer (D-New York) / Trade Policy Advisor
14. Senate Finance Committee / Chairman Chuck Grassley (R-Iowa)/ International Trade Staff
15. Senate Foreign Relations Committee/ Senator Jim Risch (R-Idaho) / Staff Director
16. Office of Senator Jeff Merkley (D-Oregon) / Legislative Assistant
17. Office of Senator Kamala Harris (D-California) /Legislative Director
18. Office of Senator Rick Scott (R-Florida) / Senior Policy Advisor
19. Office of Senator Chris Murphy (D-Connecticut) / Director of Strategic Initiatives
20. Office of Senator Cindy Hyde-Smith (R-Mississippi) / Senior Policy Advisor

US House of Representatives

1. Office of Representative Eddie Bernice Johnson (D-Texas)*
2. Office of Representative Collin Peterson (D-Minnesota)*

3. Office of Representative Jim McGovern (D-Massachusetts)*
4. Office of Representative Ted Yoho (R-Florida)*
5. Office of Representative Rick Larsen (D-Washington)*
6. Office of Representative Darin LaHood (R-Illinois) *
7. Office of Representative Ami Bera (D-California)*
8. Office of Representative Adrian Smith (R-Nebraska)*
9. Office of Representative Carol Miller (R-West Virginia)*
10. Office of Representative John Curtis (R-Utah)*
11. Office of the Speaker of the House Nancy Pelosi (D-California) / Trade and National Security Policy Advisors
12. Office of the Minority Leader Kevin McCarthy (R-California) / Trade and National Security Policy Advisors
13. Office of the Majority Leader Steny Hoyer (D-Maryland) / Policy Director and National Security Advisor
14. House Ways and Means Committee / Representative Kevin Brady (R-Texas) / Trade Counsel
15. Office of the Majority Whip James Clyburn (D-South Carolina) / Legislative Correspondent
16. Office of Representative Jason Smith (R-Missouri) / Legislative Assistant
17. Office of Representative Mike Johnson (R-Louisiana) / Legislative Assistant

Congressional Research Service

- Mary Irace, Head, International Trade & Finance
- Shayerah Akhtar, Specialist in International Trade
- Rachel Fefer, Specialist in International Trade
- Ian Fergusson, Specialist in International Trade
- Susan Lawrence, Specialist in Asian Affairs
- Wayne Morrison, Specialist in Asian Trade
- Andres Schwarzenberg, Spec. in International Trade