

Beat: Politics

## COUNT DOWN TO CHINA'S G20 SUMMIT 2016

### WHO WALKS THE WALK?

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**USPA NEWS - Forty-five years ago, after two hostile decades which began with the support of the US for China's enemy, Korea, President Richard Nixon shook the world when he announced that he was going to accept Premier Zhou Enlai's invitation to meet with him in the People's Republic of China.**

He ended his announcement by saying:

"I have taken this action because of my profound conviction that all nations will gain from a reduction of tensions and a better relationship between the United States and the People's Republic of China."

Next week, September 4&5 2016, President Barak Obama will travel to Hangzhou, China, for the G20 Summit where he will likely hold his last bilateral meetings with President Xi. They will include talks on market access, intellectual property protection, and cyber-security concerns which continue to be a priority for this administration, and most likely for the next president. While White House officials explore opportunities to strike a deal with China on new mutual rules for cyber-security, develop an "international framework" designed so that the Internet does not become "weaponized", policy uncertainty is undermining confidence of many American companies as they are not seeing significant changes in the business environment.

China, the world's second largest economy, is on the fast track and plays an important role in the economic health of American companies and farmers. It is a \$400 billion market for US companies, tied with Mexico as the second-largest foreign markets for American goods, services, and farm products after Canada. China is rapidly transitioning from a low-cost manufacturer to high-tech economy. Alibaba for example, one of country's iconic E-commerce companies, noted a \$25 billion IPO in 2014 and became the largest global IPO ever.

Despite the challenges of a slowing economy and increasing domestic competition, China does remain a priority market for American companies as 91% of companies say China growth prospects are the same or better than other emerging markets. US goods exports to China reached \$113 billion (2015), making it the third-largest export market for US goods behind Canada and Mexico, America's NAFTA partners.

Secretary of State John Kerry has called the US-China relationship "most consequential" relationship as the US seeks to do three things: broaden and deepen practical cooperation on issues of shared concern; directly confront and narrow our differences wherever we can; and where we can't, to manage those differences peaceably.

However, the biggest driver of reduced confidence is the policy and regulatory environment in China, followed by the market slowdown and profit margins squeezed by increasing competition, rising costs, and overcapacity. The United States has invested in a system designed to protect the rights of all nations to pursue their interests, irrespective of their size or strength, fought with China over our opposition to cyber-enabled theft for commercial gain by state actors. China and the United States now agreed to many cyber commitments, including an agreement that neither government will conduct or knowingly support cyber-enabled economic espionage for commercial gain. It remains to be seen who walks the walk and who talks the talk at the G20.

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**Editorial program service of General News Agency:**

**United Press Association, Inc.**

**3651 Lindell Road, Suite D168**

**Las Vegas, NV 89103, USA**

**(702) 943.0321 Local**

**(702) 943.0233 Facsimile**

[info@unitedpressassociation.org](mailto:info@unitedpressassociation.org)

[info@gna24.com](mailto:info@gna24.com)

[www.gna24.com](http://www.gna24.com)