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**Ping Pong Diplomacy:  
US-China Supply Chain Relations Today**

**By**

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**Advisor: Dr. John L. Kent**

**An Honors Thesis in partial fulfillment of the requirements for the degree  
Bachelor of Science in International Business in Supply Chain Management**

**Sam M. Walton College of Business**

**University of Arkansas**

**Fayetteville, Arkansas**

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## I. Introduction

“The wide world is all about you: you can fence yourselves in, but you cannot forever fence it out.” The masterpiece that is *The Fellowship of the Ring* by J.R.R. Tolkien holds many timeless words of wisdom, the one quoted above being a good summary of this paper. This business thesis will tell the story of ping pong diplomacy, globalization, and how this diplomacy can be revived in a modern world where U.S. – China contentions continue to threaten supply chain stability.

## II. The Story of Ping Pong Diplomacy

The tale of ping pong diplomacy started when an 18-year-old ping pong player missed his bus and had to board the bus with China’s national ping pong team. Glenn Cowan was part of the U.S. team and in 1971 both teams were competing at the 1971 World Table Tennis Championship in Nagoya, Japan. Zhuang Zedong approached Cowan and gifted him silk cloth embroidered with the Huangshan Mountains. Zhedong and Cowan are pictured in Figure 1 after stepping off the bus, with Cowan holding the silk cloth.



Figure 1

Two days later, the U.S. team had an official invitation to China to play friendly matches and see China. So, from Japan the U.S. team left for China embarking on an incredible journey as the first American visitors in decades. Since the Cultural Revolution in 1949, the People’s Republic of China and America had little to no contact. This could also be said for China’s foreign relations with anyone at the time. The only reason China’s team competed in Japan was because Zhou Enlai, the first premier, hoped to bring China out of their self-imposed isolation. Zhou Enlai himself, as well as other officials, greeted the American team as they arrived in Beijing. The exhibition matches were attended in masses, the Beijing one with around 20,000

people. Outside of matches, the American team were given tours around China's landmarks such as the Great Wall and the Forbidden city, and they experienced the culture through performances, food, and a look into "Mao's China" at steel mills and a farming community (National Museum of American Diplomacy, 2021). Already in the same month as this visit, President Nixon lifted trade restrictions and the travel ban to China.

Alternatively, the Chinese ping pong team were extended an invitation to the United States funded by the National Committee which was "a public, nonpartisan, educational organization... dedicated to educate the American people about China and to foster exchanges" (Eckstein, 1993). However, it took China over eight months post the U.S. team's visit to respond over which time China's international position in the international community shifted into a more positive light. It is also noted in *The Journal of American-East Asian Relations* that the reciprocal visit was very much dictated by Chinese politicians, and less so about the "people-to-people visit" the American trip was advertised as. One of the biggest pain points, as will be discussed later in Dr. John Kent and David Firestein's article, is the interference of politics in furthering diplomatic discussions.

China's visit to America, while overall successful, faced some turbulence. Throughout the trip, the team encountered several protesters against the blooming relationship with China that Nixon was attempting to foster. There were a few cultural differences that unintendedly offended the Chinese entourage, including mishaps where signs would say Republic of China as opposed to the People's Republic of China. There were also instances where Taiwan was cited or represented as independent from China which caused a lot of anger for the Chinese delegation, an issue which pervades to this day. The matches and exhibitions went well and with many in attendance. After the Chinese delegation left, the exchange between China and America grew on every level and became normalized by 1979. And that is the story of how the game of ping pong was the catalyst and ship through which China and the U.S. set sail on to build relations. But let us fast forward to the 21<sup>st</sup> century.

### **III. Relations Today and China +1 Strategy**

The road from the start of diplomacy to now has not been smooth, fraught with events such as the Tiananmen Square Massacre and the U.S-Sino Spy Plane Standoff. Between a multitude of acts and agreements, China became the largest U.S. Foreign Creditor. Resentment between China and America has been growing and only further escalated by COVID-19. Looking back in 2009, Obama had started his presidency and stated: "The relationship between the United States and China is the most important bilateral relationship of the 21st century" (Associated Press, 2009). Certainly, a true statement as China became the world's second largest economy by 2010.

While Obama engaged with Chinese leadership with a "keep your enemies' closer mindset", Trump did not care to put on a façade and took action against China to protect the U.S. particularly in the technology sector. In March of 2018, the Trump administration announced tariffs on Chinese imports worth around \$50 billion which targeted the steel, aluminum, and clothing industries, among others. China retaliated with their own tariffs on a range of U.S.

products. Following several more back and forth tariff policies, the incident with Huawei occurred in which the chief financial officer was arrested in Canada as requested by the U.S. and was followed by the Trump administration banning U.S. federal agencies from using Huawei's technological equipment and warning other countries not to use it since it may be used for spying purposes. The trade war continued to escalate with the U.S. banning the use of foreign made telecommunications for national security and naming China a foreign currency manipulator.

Then COVID-19 hit the world, and this further breaks the trust between the two countries, the extent to which will remain to be seen. In the last of Trump's days as President, America took a formal stance on the Uyghurs in the Xinjiang region labelling it as a genocide. All this to say there has been little advancement in diplomatic ties and economic repercussions are coming to head, bringing in an age of decoupling and the China Plus One strategy. The ongoing trade war and COVID-19 brought to light for companies the weaknesses of their supply chains and the dangers of not being geographically diversified. As a result, businesses started to seek alternatives to China since a large portion of manufacturing and production occurs in China. From the American Chamber of Congress, the Figure 2 illustrates how confidence in Chinese economy has changed in the past 4 years, falling from 81% to 59%.

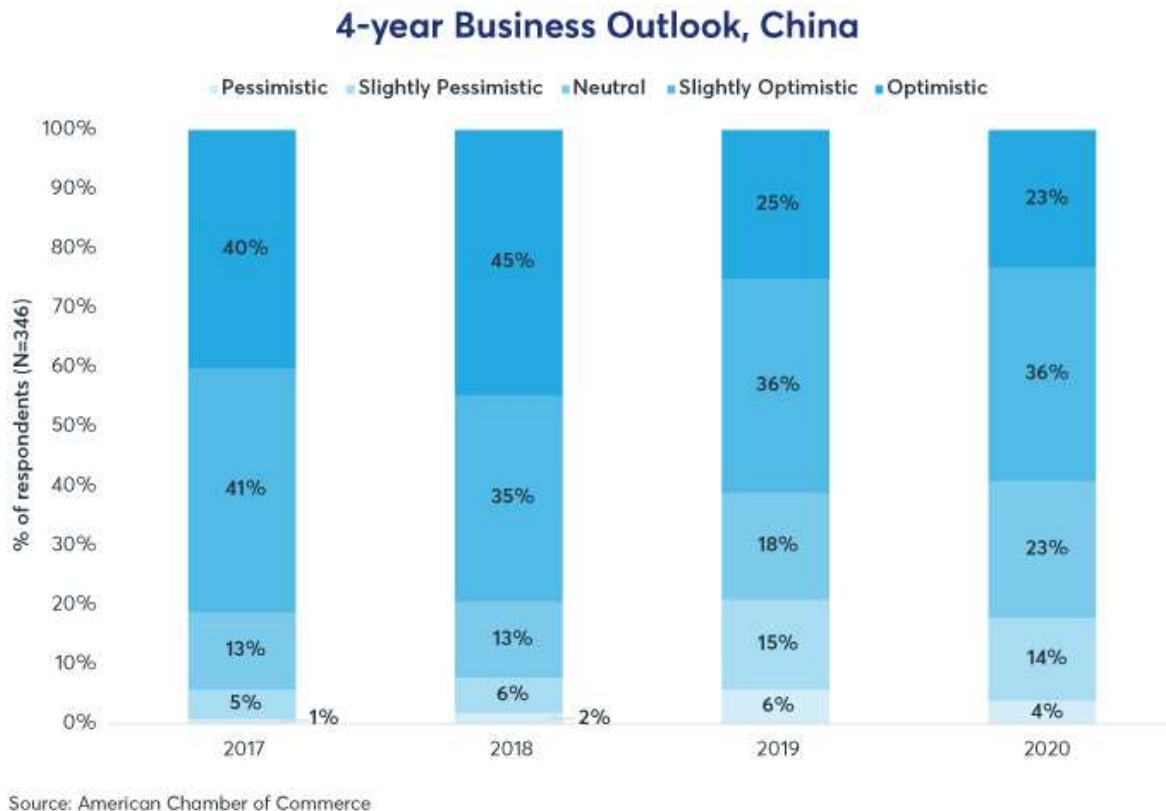


Figure 2

The China Plus One strategy is a reaction and means businesses are diversifying into Southeast Asia -- Malaysia and Vietnam for example. The more extreme strategy some

companies have or are looking to execute is decoupling. Three key objectives decoupling overall are: (1) getting rid of dependency on technology and products from foreign entities; (2) establishing dominance of domestic firms; and (3) asserting the domestic power to compete globally (Black, Morrison, 2021). This poses massive repercussions for multi-national corporations (MCNs) because of the effort and cost that goes into entirely shifting their supply chain to another direction. The following Figure 3 from the Wilson Center shows the probability of MCNs exiting from China, with a huge leap in likeliness for every represented country post the trade war.

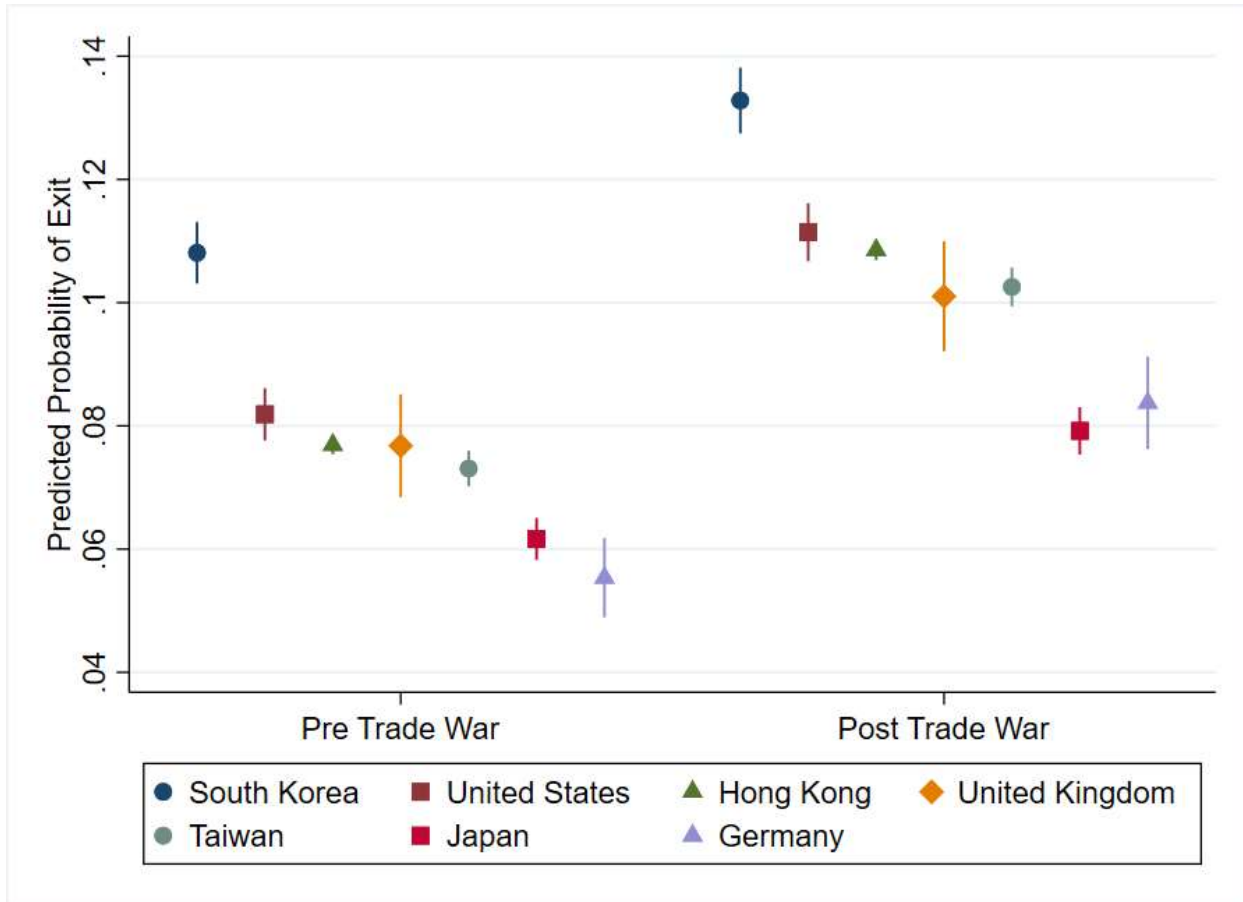


Figure 3

Similar to situations during the China ping pong team’s visit to the U.S. where any representation of independent Taiwan led to them walking away, MCNs face more pressure from China concerning sensitive topics. The apparent policy is that any show of support for ideas opposing the Chinese government disqualifies that company from doing business in China. So how do we reforge diplomatic relations with China?

#### IV. Need for Supply Chain Diplomacy

Dr. John Kent and David Firestein propose an “updated version” of ping pong diplomacy meaning diplomacy that is economically strategic but still fueled by human relationships. Currently, government officials and politicians leading supply chain discussions bring in various

agendas and leave corporate entities under-represented. Instead, bringing together academic and industry experts from both countries to collaborate transparently on future supply chains would bring much more progress. Their initial proposition is to create teams of six with members from the U.S. and China. Their objectives would be to:

“(1) Identify key challenges in the global supply chain, with particular emphasis on the United States and China.

(2) Conceptualize solutions, including policy actions as well as corporate logistics tactics and supply chain strategies.

(3) Create a back channel for three-way communications and messaging between U.S. corporate stakeholders, Chinese policymakers and U.S. policymakers on U.S.-China and global supply chain issues.

(4) Play a few friendly games of ping pong” (Kent and Firestein, 2022).

They follow these objectives with an outline of what the intent of creating these teams are and what they may accomplish. The first concerns impact on the global economy, particularly inflation, and how members of the team could map out inconsistencies in transit and loading times of containers going between the east and west. In the trucking industry, there is a term named “deadhead” which is when a truck is on the move with an empty trailer. The same occurs with shipping containers, and there is opportunity to decrease that likelihood and design value creation strategies for transportation between America and China. There is also opportunity for them to “look for ways to reduce variation in supply chain inventories, including metrics like safety stock, order quantities, and on-shelf inventories” (Kent, Firestein, 2022). The second concern is restoring the relationship: using the meetings as time to rebuild trust in a shared goal to create long-term supply chain strategies. Thirdly is sustainability, a championing topic in aspiring world class supply chains today. This includes environmental, ethical, and economic aspects of supply chains. The article ends noting that this diplomacy cannot happen without both governments cooperating and supporting it. In addition, industries and the general public should share a similar interest and support because the solutions have the potential to bring positive changes to everyday life.

One of the biggest complexities I pondered while researching this topic and talking with Dr. Kent was the possibility of success when China’s government is so imbued in their businesses. This, to me, is a tricky idea when it comes to China because many sectors, including businesses, are owned by the state. While it is less so since Mao’s era, China still has many State-Owned Enterprises (SOEs) as depicted by the chart, Figure 4, below which shows how the major industries are predominantly SOEs. Even in the ping pong diplomacy story, the exchange was highly controlled by Chinese officials. All this to say is to keep in mind the delicacy of diplomatic relations between two starkly different countries when it comes to positions on economic models.

In addition, avoiding topics such as the Uyghurs and Taiwan will be impossible. The crucial mindset will be that supply chain diplomacy focuses on economic effects. Based on the objective of sustainability, which includes labor standards, then will be the time that these topics will be pertinent in the realm of this supply chain council.



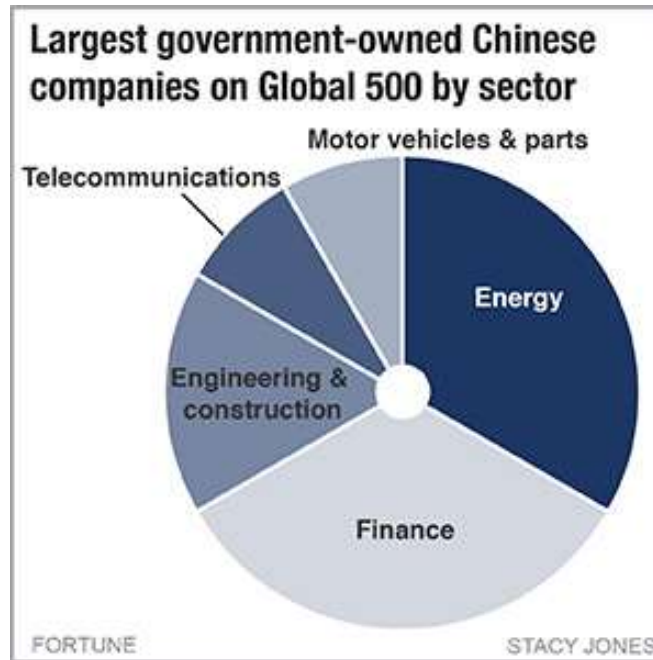


Figure 4

## V. Forging Partnerships

This initiative has officially gone from conceptual to recruiting primary stakeholders. As of March 2022, potential stakeholders have been identified in both China and the US in areas including the State Department, members of Congress, the US-China Business Council, and the Chinese Embassy. On the supply chain professionals for the US team, Dr. Kent and Firestein are looking at Walmart, Tyson, and JBHunt. For China’s industry professionals, one member has joined. A supply chain professor, and Associate Dean, at Zhejiang University in Hangzhou has agreed to lead the China team. Zhejiang University is ranked 5<sup>th</sup> for universities in Asia, and thus very well known. Concurrently with the process of assembling the teams, there is a need to also find funding. There are a few sources being considered at the moment on both US and China sides, which may be very promising.

## VI. Going Forward

Supply Chain Diplomacy is a strategic, multi-beneficial move for both the U.S. and China. While strategies like decoupling and China Plus 1 are certainly options, the feasibility of completely cutting economic ties with China is low. To recall the J.R.R. Tolkien quote from the start of this paper, you cannot forever fence the world out. Why not instead approach the severely fragmented supply chain issues with cooperation and logic. In general, companies diversifying their supply channels in other parts of Asia, nearshoring, or creating entirely domestic operations is not a bad thing. Especially for less developed economies because they now have a stimulant and steady business. But because the U.S. and China’s economies are already immensely intertwined, there would be greater returns in cultivating a relationship with industry leaders and stakeholders. The proposal of Supply Chain Diplomacy by John Kent and David Fierstein has evolved to become titled the “Global Supply Chain Initiative” and it holds a lot of promise.



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