

Us trade policy with china



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Overview The US and China have a long and varied history of trade relations. As the economic world enters a new era, and as China emerges as a new economic superpower, the trade relations between US and China will be of importance to all. The majority of interactions between both these countries can be followed back to a need to trade, and that is the reason why understanding their trade relations are essential. In this paper I will seek to provide the reader a much better understanding of trade from the perspective of an American citizen.

The main goal of this paper is to answer the question, " what should US trade policy be towards China? " with as little bias as possible. Although my main focus will be from the perspective of an American citizen, there will naturally be a need to address some issues that deal with the wellbeing of Chinese citizens, namely human rights. The world today has become so integrated that when looking at the concept of trade relations, we must look beyond only one perspective. Firstly I will look at a brief history of US-China trade relations and how this can and has affected the current trading patterns between the nations.

Following a brief history, I will contextualize trade relations and policy into seven major categories which will be: 1. Labor 2. Welfare 3. Business 4. Macro Policy 5. The Environment 6. Global Lastly, I will look at trade policy from the three main economic ideological perspectives (left, center and right) and how each of them would fulfill their ideologies through trade policy. I will provide a brief explanation of each ideological perspective before proceeding to explain their views on trade policy and how they would seek to solve the problems they perceive. History of US-China Trade

Trade history between US and China go back more than two hundred years. In the last two hundred years there have been many changes within each country which has affected the way they trade with each other and the world. Advances in technology has obviously been a major factor in advancing trade between these two nations as their trade relationship begins to grow stronger everyday. In 1784 the US ship, " Empress of China," was the first American trading ship to arrive on Chinese shores. On the ship for trading were American cloth, pepper and ginseng for Chinese tea, silk and spices and furs.

Up until the 1840's trading of these types of simple items were the most popular for the rich Chinese consumers that could afford any sort of imported good. Americans have always had a desire for foreign and exotic goods and with the East India Company (the British conglomerates) no longer dominating American trade, the position of fulfilling this market fell to the American merchants. When the Empress of China arrived back in the US, it brought a large stock of never seen before Chinese goods which were sold for a profit of \$30, 000 - a significant 25% profit.

Other US merchants didn't take long to realize that, while selling local US goods to the Chinese was profitable, selling Chinese goods in America was even more so. This idea of profitability was also supplemented by the fact that China, in general, had a mercantilist attitude about foreign commerce, meaning that they tended to oppose too much the importation of foreign goods. Both these reasons created a different mindset for American traders who began to focus their available funds on acquiring Chinese products to sell in the US rather than on US products to sell in China.

As a result, the US was flooded with Chinese teas, cottons, silks, etc to the extent that even people of poor social class owned some Chinese items. From 1840 to 1842 the Opium War broke out and much of the US-China trade ceased. The opium war began because China refused to accept any imports of US and British opium. Subsequently, the UK seized Hong Kong (a minor post at that time) as China lost the war. The Nanjing Treaty, signed between the UK and China, signified the end of the war and China was forced to reopen its ports to the UK for trade.

In 1844, the US was able to sign the Treaty of Wangxia, which allowed US trade to be on the same level as the British, The Treaty of Wangxia signified the end of the Old China Trade period, and allowed the US the same trading rights and privileges as any other nation in the world. Fast forward one hundred or so years and the fall of the Chinese Nationalist Party to Mao Zedong's communism in China brought about big changes in the nature of US-China trade. The establishment of Mao's Peoples Republic of China in 1949, and the beginning of the Korean War dashed any hope of trade between the nations. Subsequently, all US-China trade ceased for 22 years till 1972.

In 1972 President Richard Nixon made a landmark trip to China as a first step towards the resumption of trade between the nations. President Nixon signed the Shanghai Communique, and a sale of Weyerhaeuser linerboards to China was the first trade between the nations in 22 years. The trading relationship between US and China gradually began to normalize, and in 1979, Washington and Beijing re-established formal diplomatic relations.

In addition to the re-establishment of ties, Most Favored Nation status was awarded to each country with the signing of a three year trading agreement

and cumulative bilateral trade reaches 2.4 billion. In 1980 the first Special Economic Zones opened in China, these zones offered preferential treatment for American and other foreign investors. China also returned to the World Bank and International Monetary Fund (IMF). By the end of the 1980's bilateral trade between US and China had grown to 40 billion dollars, and increase of over 1700% in 10 years.

Despite such growth in bilateral trade, 1989 saw another stumbling block for US-China trade due to the Tiananmen Square incident. A wide variety of sanctions were placed on China by the US which included a complete ban on all financing of China-related projects and an embargo on all goods exported to military and police entities of China. As these bans and embargos are gradually lifted, bilateral trade in the 1990's begins to grow once again. Intellectual property rights disputes broke out in 1994 and threatened to be problematic, but they were eventually resolved two years later.

Towards the end of the 1990's, much discussion was held about China joining the World Trade Organization (WTO) which would be a significant change in the way China traditionally handled international trade. President Bill Clinton pledged his support for China to join the WTO and another bilateral trade agreement is signed, bringing both these nations closer together. In 2001, China became an official member of the WTO which signified the biggest step forward for China's integration into the world economy.

The US and China came to another bilateral trade agreement, but this time, longer term goals were set and trade barriers were to be reduced over the

course of the next few years (see appendix A for comprehensive summary of agreement). Permanent Normal Trade Relations was also assigned to China by the US creating a more stable investment ground for US investors.

Traditionally, Normal Trade Relations were approved on an annual basis by the US government which created much uncertainty for US investors.

Following China's integration into the WTO, China quickly becomes the US fastest growing export market as huge American companies such as Microsoft begin to partner with the Chinese government. In 2004, the US filed the first ever WTO trade complaint against China putting the WTO's unbiased dispute settling mechanism to the test for the first time. In 2005, China allowed the Yuan to be released from a fixed peg to the US dollar. The release of the Yuan was what the US hoped would change the constant trade deficit with China by making US exports cheaper and Chinese imports more expensive.

Contrarily, China kept a very close watch on the Yuan to ensure that its exports were still desirable worldwide and in the US. Today China is the third largest export market for the US and the US second largest trading partner, but the US still holds a huge trade deficit with China. In 2007, the US imported over 321 billion dollars worth of goods and services while only exporting slightly over 65 billion dollars, leaving a 256 billion dollar gap that is hurting industries and will eventually need to be paid (see appendix B for trade data broken down by industry).

The huge trade deficit that the US poses with China, among other things, concern many within America as such spending habits will have to cease

eventually, meaning that Americans cannot continue to consume as much as they have been. Also many jobs are sent overseas to China due to the cheap and abundant labor and lack of important but cost bearing laws for businesses. China also continues to hold on tightly to the Yuan in order to aid the demand for its exports in US and the rest of the world.

The US has confronted China because of concerns about the fairness of this practice, and recently, China has agreed to slowly relinquish its grip on the Yuan. Despite the continually rising trade deficit and other matters of importance, many analysts agree that the US trading relationship with China will grow stronger in the future. This growing relationship can benefit the US because of how quickly China is growing each day. The exponential growth of China has to be supplemented with an abundance of resources, and according to a report by the US department of commerce “ China’s unmet infrastructural needs are staggering.

Foreign capital, expertise, and equipment will have to be brought in if China is to build all the ports, roads, bridges, airports, power plants, telecommunications networks and rail lines that it needs. ” Whether the US will be the one to step in the unmet gap is yet to be decided, but for now, the US must focus on a trade policy that will benefit the majority of its citizens today and in the future. Contexts Labor When discussing the impacts of US-China trade on the American people, the most important context to focus on is how trade affects the labor market.

Although many supporters believed that China’s entry into the WTO would reduce the US trade deficit and provide more US employment, much the

opposite has happened. The sharp rise in the U. S. trade deficit with China from 1997 to 2006 has displaced production that could have supported over 2 million US jobs. The majority of these jobs (1. 8 million) have been displaced since 2001 when China joined the WTO. From 1997 to 2001, the increasing trade deficit displaced an average of 101, 000 jobs each year, or a little more than the total employment in Manchester, New Hampshire.

After 2001, when china became a part of the WTO, till 2006, an average of 353, 000 jobs have been lost each year to Chinese imports - a staggering rise in the number of lost jobs. If you look at appendix C, table 1, you can see that these numbers are not merely the gross, but net number of jobs lost by Americans to Chinese production. Three quarters of the jobs lost were in the manufacturing industry but there are also many jobs that have been displaced in white collar sectors of the economy.

The question is, if so many experts predicted a fall in the trade deficit with China and subsequently a rise in US employment, what made the US lose out on so many jobs in so many sectors of the economy? As mentioned before, although China released the Yuan to the foreign exchange market, China still attempts to peg its currency to that of the US dollar at a rate that will stimulate a large bilateral trade surplus. In order to maintain such a peg, China had to purchase about \$200 billion in US securities and treasury bills in 2006 alone.

This type of intervention makes the yuan artificially cheap for Americans by propping up the dollar at an artificially high exchange rate. This mechanism in effect provides a subsidy on Chinese exports to America - the rate of this

effective subsidy is estimated to be 40%. China also suppresses labor rights for its citizens, holding down wages in China an estimated 47% to 85%. The suppression of wages not only makes Chinese exports cheaper, but also provides perfect incentives for American multinational corporations to move some or all of their production to China.

Finally, China still holds up strict non-tariff barriers to imports when compared to the relatively open market of the US. As a result, in 2007, the US imported over 321 billion dollars worth of goods and services while only exporting slightly over 65 billion dollars (see appendix B, table 1 for exact numbers). This trading relationship the US holds with China is by far the most imbalanced relationship the US possesses today. The growing trade deficit with China has shown to hit the manufacturing sector the hardest.

Workers displaced by trade within the manufacturing sector have shown to have more difficulty in obtaining comparable employment than other sectors in the economy. A third of workers displaced by trade in the manufacturing sector drop out of the labor force, not necessarily meaning that they don't want to work, but have simply given up. Furthermore, Average wages of displaced workers who gained re-employment were paid 11% to 13% less than they were before.

According to the Economic Policy Institute (EPI) " Trade-related job displacement pushes many workers out of good jobs in manufacturing and other trade-related industries, often into lower-paying industries and frequently out of the labor market". So the question remains, is it the actual trade between the US and China that creates all the job losses in America?

Or is it because China has created such an unfair trading ground with the US that so many jobs are lost? Or is it the fact that Americans spend more than they produce compounded together with other underlying reasons that is creating job loss?

One thing is for certain, the current US-China trade relationship is bad for the American labor market. There is not one state in the US that has seen a net gain in labor due to the US-China trade relationship (see appendix C, table 2a and 2b), in fact every state has lost thousands of jobs and policies must be put in place to ensure the future jobs of Americans. Welfare The welfare of the American people, as one can imagine, is intricately tied to the labor market in the US. As of October 2008 the unemployment rate has risen to 6.5% and that doesn't account for the many who have given up looking for a job.

Although some of the rise can be attributed to the downturn in the economy, the US trade deficit with China is fueling the rise in unemployment. US trade with China also causes wages in America to drop significantly as domestic businesses attempt to compete with large amounts of cheap Chinese imports. The lower level income earners in America are already struggling to meet a living wage, and as wages in the manufacturing sector drop on average 11 to 13 percent due to trade, there will be a greater number of Americans who will be unable to support themselves.

Welfare can be seen as an emotional state as well as physical. Of course emotional welfare is a subjective matter, but not having the ability to put food on the table and a roof over your head can do much to damage a

person's emotional state, especially those who seek the " American Dream. "

Business As the US and China become progressively closer trading partners, the way businesses are run in each country may become different as both private and public firms are being bought out on both sides.

Whether the change is beneficial to the American people is a question many Americans are asking. The investment in or buyout of private American firms by private Chinese individuals and companies are gradually becoming more common from auto parts factories to plate printing plants. The reason Chinese companies invest in such ventures is to further establish or gain global brand recognition or simply larger market share. Even though China has a relatively cheap and effective manufacturing base of its own, China does not have any globally recognized brands such as Nike or Ford.

Chinese investments in manufacturing products such as garments, footwear, electronics, and household appliances are allowing private Chinese companies to secure the resources they need to become more competitive internationally. For the many American firms who have fallen on difficult times, this Chinese investment is welcome as it helps to create and maintain jobs in the US. Understandably, American workers express some hesitation and ambivalence on the part of " working for the Chinese," but that tends to dissipate if the Chinese owners are able to adapt to American labor laws and practices. Chinese acquisition of larger and higher profile firms, especially companies in the more strategically sensitive sectors such as energy, IT, and security, have understandably come against greater resistance from both interest groups and the U. S. government. The US government is especially concerned about the true agenda of Chinese buyers who usually are owned

by or have strong ties to the government in China. Questions to whether these companies are so called “ private” exist because of their lack of transparency. The protection and enforcement of Intellectual Property Rights (IPR) in China is one of the more difficult and elusive issues when discussing the U.

S. -China trade relationship. From books and medicines to movies and music anyone has the ability to find and purchase counterfeit copies of almost anything. US businesses are obviously upset because of the billions of dollars lost due to counterfeiting in China. Just as a note, it is not only foreign intellectual property rights that are infringed upon. In China there is a high level of infringement of domestic intellectual property. The following numbers taken from the Asian Studies Center at UCLA illustrate the extent of the problem: The Business Software Alliance estimates that in 2005, 86% of all software used in China was pirated, accounting for a \$3. 9 billion dollar sales loss. • The U. S. music industry estimates the market for sound recordings in China is almost 90% pirated, resulting in losses of more than \$200 million per year. • Nine out of every 10 DVDs sold in China is an illegal copy, according to the Motion Picture Association. As shown above, American businesses that own intellectual property rights lose a great deal of income to the lack of protection of their property in China. This clearly affects the American people through loss of income.

Something must be done to ensure that less infringement is taking place and that China is slowly beginning to crack down on such illegal activity.

Certainly not all American companies and businesses have lost income due to US-China trade. Firms who have had the ability to relocate or outsource to

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China have benefitted greatly from this relationship as they have seen their companies comparative costs reduced. US firms have actually profited greatly from their businesses in China generating over 4 billion dollars worth in profits in 2007, 50% greater than the year before.

These are the companies that are most likely to lobby the US government against passing tariffs and other forms of protectionism. Macro Policy Macro policy is the mechanism that the US government uses in order to direct the economy towards growth that is neither too high that it leads to rising inflation or too low that it leads to excessive unemployment and lost output. It focuses on the bigger picture of the economy as opposed to micro policy which focuses on particular sectors or interest groups within the economy. There are 2 main tools that the government can use in order to achieve macro goals.

The first is called monetary policy and centers on using the money supply and interest rates to control the economy. The second is called fiscal policy and focuses on government spending and taxation to create a stable and growing economy. As Americans become displaced from their jobs, many will need to be retrained in different industrial skills in order to gain re-employment, and most will need some sort of income just to keep them off the streets. To assist displaced Americans, the government will most likely to use features of fiscal policy to ensure that they are able to get back on their feet.

For example, the current President has proposed some policies to help Americans affected by US-China trade. He is in support of an expanded trade

adjustment assistance program to help displaced workers gain or further enhance industrial skills. The expanded program is also to help displaced workers find new jobs which include assistance with career counseling, job search assistance, training, income support during training, and relocation allowances. His unique proposal for personal reemployment accounts will provide the resources to workers in most need in order to help with the costs of training and adjustment.

The proposed reemployment accounts would also offer a monetary incentive for people to find work quickly, bringing in line public support with private incentives without simply giving money away. President Bush has also worked with Congress to make sure that unemployment insurance benefits are available to people that need it the most. These benefits and insurance provide essential support for household incomes during difficult economic times such as today. This kind of plan is an example of how government spending policies can be used in order deal with the changing nature of the economy due to US-China trade.

Many jobs have been lost in the manufacturing sector of the economy, and the US economy is making changes to its more comparatively advantageous industries (namely capital intensive over labor intensive industries). This change is occurring in order to keep up with China and avoid competition in industries where the US is clearly not competitive (labor intensive). As the US economy moves away from the manufacturing sector into different industries, fiscal policy will play a large role in ensuring that not too many Americans fall between the cracks of such a monumental shift.

If we are to believe that China's unfair policies of holding the Yuan down at an artificial rate is much to blame for the huge trade deficit and subsequent job losses in the US, then monetary policy will play a significant role in ensuring that American people are given a fair trading ground on which to compete. The money supply in the US is partly controlled by the selling and buying back of US securities and bonds. One of China's mechanisms to hold the Yuan down at its artificial rate is constant purchasing of US treasury bills in order to keep the value of the dollar high and therefore the value of the Yuan comparatively low.

If the US was to buy back a significant number of US currency assets that China owns or restrict the amount of US treasury bills that China purchases, the US could conceptually slow down the devaluation of the Yuan and restore some fairness to the market. Of course this re-evaluation of monetary policy would have other effects that would have to be dealt with by the government. The Environment Although not a traditionally look upon issue when discussing economics, the current global warming crisis is both apparent and rapidly approaching.

The US and China are the greatest offenders of greenhouse gas emissions and something must be done to ensure that there is still a livable environment for our future generations. In the past, China has been typically stubborn to change their mass emission habits because they do not want to slow down economic growth in any way shape or form. However an international push for cleaner energy and a change in the cost and establishment of sustainability has slowly created a shifting mindset toward sustainable energy sources. The US, though making mass efforts towards

sustainable energy, still has a long way to go before it achieves its goals and will need to lead by example if they are to ask China to make a positive change. The Chinese Government's recent passage of the new Renewable Energy Laws is partly responsible for the increase of new sustainable energy projects and provides U. S. companies a significant opportunity to provide China with wind turbines, solar photovoltaic's, and other renewable energy technologies. China invested \$12 billion in renewable energy projects in 2007 and will probably spend more in the upcoming years opening a huge market for American businesses to fulfill.

In addition to sustainable energy, China has a great need for environmental and energy products that has the ability to make coal cleaner. Coal currently is responsible for 69% of China's energy and therefore the need to develop and implement clean coal technology presents a good opportunity for American producers of such technology to profit. US technology businesses with sound market information and a solid business strategy will have the potential to take advantage of a developing market in China for Sustainable energy and coal cleaning technologies.

For the greater population of America, sustainable energy could mean a shift in education as the market gravitates towards different industry. If the US can direct its population correctly, the American people have the opportunity to benefit from such changes in the environment. Global China's ascension to the international stage as a global economic powerhouse has much greater ramifications than the growth of other comparable developing nations with comparable incomes per capita.

This is partly due to the fact that not many economies at China's current level of growth and development have needed to address the great array of complex governance and regulatory challenges. Already developed nations such as the US are demanding that the Chinese government do more than other developing nations at a comparable stage of development. Due to China's enormous impact on the global economy, China must be willing to accept greater responsibility. If China does not accept these responsibilities, other nations are likely to blame China for a great number of their own domestic economic problems.

China has already been cited as an example of the problems with globalization, blamed for issues such as unsafe products and losses in domestic jobs of other countries. Being a country that is deeply invested in the worldwide economic system, China would prosper from attempting to play an increasingly proactive role in global economic decision making. Unfortunately it seems to be the opposite of what China is trying to achieve. China's continual insistence on protecting its own industrial development is forcing other countries, especially developing ones, to follow suit.

This insistence has been a major contributor to the growing "anti-globalization" and protectionist sentiment in other countries. The truth is that trade relations between the world's reigning economic power and its fastest growing rival will have an unprecedented impact on the way the global economy is shaped. Differing Economic Ideologies In economics there are three prevalent ideologies that dominate the majority of thinking, and each ideology has own unique way of looking at the world and the economy. The three prevalent ideologies are the Left, Center and Right.

To put it in better understood terms of Americans today, the Left will tend to be represented by the Progressives, with the center represented by the Democrats and the Right represented by the Republicans. The left usually support government control of the economy. This ideology is often called collectivism because the government attempts to controls the economy through the ownership of property and direct influence of economic activity. The left support this type of government control because they believe that collective welfare is of greater benefit rather than individual gain.

On opposite end, the right is in favor of individualism where property is owned by private individuals and where economic activity is dictated by the competition of these individuals in the marketplace. The center is a mixture of both left and right ideologies. The center believe that private property is important and that the market is a good mechanism for the allocation of resources, but they also believe that the government plays a very important role in making sure that the collective welfare is achieved.

To put it plainly, the market is the mechanism in which each competing ideology diverge. The right believe that the market is the perfect tool for an economy to be at its best whereas the left believe that the market is inherently flawed and heavy government intervention or no market at all is best for the economy. That being said, the left, right and center must be seen as a continuous spectrum rather than a cemented ideology (see appendix d). Each ideology contains certain aspects of each other and no one person is perfectly happy with every policy created upon one ideology alone.

Although the ideologies in the US are not truly Left or Right (i. e. Communism for the Left and total free market for the Right), the Progressives and Republicans respectively do tend to promote policies that closer represent their end of the ideological spectrum. So what does this mean for the US trade policy with China? What does each of the ideologies believe are the most important issues? And how would they attempt to fix any problems? These are some of the questions the next part of this paper will focus on and answer.

Historically the rightist view has dominated the US trade policy with China. The majority of Presidents in the last 20 years have focused on a trading in a freer market with China as they believed that this kind of freedom and breaking down of barriers will be economically beneficial for all. Even president Clinton, who promised a stricter trade policy with China in order to preserve American jobs and businesses, did not follow through with his original plan leaving much of the unionized industries in America feeling betrayed.

Though many American businesses have gained from relatively open trade, the general population has experienced undesirable consequences, and although not all blame can be placed on trading with China, some responsibility must be taken by the government for leaving Americans to fend for themselves. The Left The leftist view focuses on much different objectives as their priorities differ from either the center or the right, The left is perhaps is the most looked down upon ideology in the rightist dominated America.

Briefly, these issues that the left focus on are democracy, egalitarianism, the environment and the need for aid to certain Americans. “ Real” democracy to the left is the idea that every single American will get their say on how the US deals with trade policy towards China. This will result in the true majority making policy decisions instead of just the powerful few businesses that greatly benefit from trade with China. Domestically, leftists believe that the US must focus on renewing its strong competitiveness. America needs to invest in human capital to create a highly motivated, innovative workforce at every skill level. The US needs to empower workers with the tools they require to become a more flexible and motivated workforce. Such basic tools will include universal health care, new workforce training programs with a focus on the growth of green jobs, and more diversified unemployment benefits. All these investments in human capital require the use of a proactive fiscal policy. This means that the government will have to tax the rich heavier and spend more money on the poor in order for a fair balance to occur.

In addition, and in much the same ideology, the US must seek to restore economic mobility and regain an emphasis on fiscal responsibility (how US Government money is spent and obtained. To the left, egalitarianism is simply a technical word for equality with a special focus on human rights and equal opportunities for everyone, both Americans and Chinese. China, in the past, has shown to have a bad record of human rights and the left believe that it is the responsibility of the US to help China achieve a system that is fair for Chinese workers.

Political and social change on human rights in China will mostly need to reform from within, but the US has the ability to influence such developments. The desire of China to be treated and respected as a member of the international community is the initial point of leverage for change, including the governing needs and the aspirations their people. What leftists in America propose should be done is a persistent and respectful push to universal human rights and by doing so involving other countries to share in America's concern.

The left believes that instead of focusing on threats of protection and embargos, the US should enhance bilateral US-China and European Union-China human rights dialogue, and thereby encourage the Chinese government to ratify the International Covenant on Civil and Political Rights . Above all else, leftist believe that the US must lead by example. Leftist also believe that the environment is a very important issue as future generations will depend on it for survival and prosperity.

The US and China are the two largest culprits in the emission of greenhouse gasses into the atmosphere and there is a strong consensus among scientific circles that global warming is a real issue with real problems. Progressive Americans have condemned the Bush administration for having shortsighted energy policies and refusing to commit to a reduction of greenhouse gases. This shortsightedness has prevented the US from exploring and building on US and China's shared objectives for preventing such degradation of the environment, as both countries need to commit to common environmental goals for any environmental policy to work.

Leftist believe that the fight to save our current environment is an extraordinary and urgent challenge that America faces in this new day in age. Seeking to solve the environmental issues offers the opportunity not only to preserve the future of the environment, but also to further strengthen the US-China relationship by creating a common ideal on such an important issue. The left would like to see the US commit to substantial and mandatory carbon dioxide reductions in U. S not necessary conditioned on the actions taken by the Chinese government.

Simultaneously, the US should make clear that China must make meaningful and binding commitments to slow and eventually reverse the growth of carbon dioxide emissions. In partner with significant actions to reduce emissions, the US government will protect U. S. workers in industries that could be at risk if a global climate change were to occur. This is placed upon the assumption that unequal cost burdens will fall on producers in developed and developing countries. According to the left, the extent of the measures in preserving U. S. competitiveness and industry should depend on how extensive China reaches to reduce its carbon footprint.

These measures will in turn determine whether the economic playing field is a level one for our most important energy-intensive industries. Center As mentioned earlier, the center ideology is best represented by the Democratic Party in America. They differ somewhat to the left because they view the market as playing a more important role but still requiring some government intervention where the market fails. The main focus of a centrist regime is efficiency, freedom, personal responsibility with consideration of aid for the “

deserving poor”, and above all else, a fair market as opposed to a free market.

Efficiency is best described as getting the most output from the same amount of limited inputs. In other words, the center is focused on how the US can best use its limited resources to get the most production and consumption. Trade with china has no doubt allowed the US to buy cheap goods and consume more of them but there have also been a great number of jobs lost and resources that have been improperly used. The improper use of resources and unnecessary lost jobs are the result of China’s relatively closed markets which creates inefficiencies.

To combat these inefficiencies, the center suggests negotiations with China to create closer ties and open borders. The most important mechanism for dealing with China’s continual relatively closed markets is to employ the WTO to ensure that China is following the organizations rules strictly. Many trade disputes have broken out between the US and China and instead of retaliation with similar barriers, the center believes that the WTO is the fair way of dealing with issues. When the center mentions freedom they also mean fairness.

Freedom, to the centrist is the ability to freely go about any economic activity an individual wishes to do, as long as they aren’t harming another individual. This ideology ties in strongly with the need for a fair market when dealing with US-China trade. The devaluation of the Yuan would be an important area in which the center believes that the market is unfair, and because of this unfair market, many jobs are lost in the US. To solve the

issue of unfair markets, the center would attempt to reduce the growing trade and current accounts deficit the US has with China that the center believe would require a cooperative strategy.

On the China side, a willingness for a more rapid move toward a market based currency is required to level the trading ground that US businesses are trading on. At the same time the US needs to reduce its borrowing and raise savings by way of a bipartisan budget summit (a budget summit between both major political parties in the US, namely the Republicans and the Democrats) to entirely change spending and taxation policies that have required a substantial structural fiscal deficit, and therefore forced the US to engage in foreign borrowing. Another fair market issues the US faces with China is Intellectual Property Rights.

Earlier in this paper, intellectual property rights were mentioned, and according to the Democratic Leadership Council, " Intellectual property piracy in China has become not only a financial problem for American innovators and the credibility of Chinese trade policy, but a long-term threat to economic growth and public health. " And that " The United States and China must quickly reach agreement to deal with the most serious intellectual property right problems, including use of pirated software by government agencies; the spread of counterfeit medicines, and a large trade in pirated auto parts. " Personal responsibility is the idea that individuals are responsible for their economic fate and is a typical ideology of the right. The difference between the personal responsibility of the right and personal responsibility of the center is that the centrist believes that, though people ought to be responsible for their economic fate, there are many individuals

who do not have the ability to control their fate such as the disabled, elderly and young.

In much the same effort as the left, the deserving poor including those who have lost their job due to economic restructuring, as well as the disabled, elderly and young, should receive aid in different forms such as Universal Healthcare and Job retraining. The only difference between the left and the center is the extent into which the aid is given out. Also, the center still attempts to rely on many market incentives (i. e. don't tax the rich too much or they will have no incentive to develop) for the continual growth of the economy but raises the question of who will pay for these undeserving poor.

The left, however, have no problem with taxing the wealthy heavily and redistributing the income more evenly among the population. Right Among all the ideologies that exist, the right has been the most embraced in America. As Americans pride themselves on being a " free" country, a free market unshackled from government intervention would be the logical ideology of choice. The Bush administration is a very good example of what the right stands for in America. Far from the left, the rightist believes that the market will solve all the economic problems of allocation and production.

For example, if wages are too low in the auto industry than people will want to stop working in that industry and move elsewhere. This movement of labor will result in a shortage of workers in the auto industry and therefore the auto industry will have to start offering higher wages. These higher wages will attract workers back to the auto industry and in this simplistic model, the market has solved all to problems of shortages and surplus. This

short, simple illustration of the market is theoretically applied to any economic issue and centrists believe that it is the most efficient way to remedy any economic problem.

The center focuses on freedom, private property rights and a high degree of personal responsibility for an individual's economic fate. Freedom, to the right, is a very important virtue in order for the market to operate properly. The right's focus on free market and minimal government intervention has proven to have many advantages. China, unlike the US, has relatively controlled markets through the Chinese government, making it somewhat difficult for American producers to enter the Chinese market.

To solve the free market problem, the right wants to ensure that China entirely implements its outstanding WTO commitments and strictly follows its obligations as a member of the organization. According to the rightist, extra emphasis must be focused on reducing Chinese government intervention in the market and creating a more transparent and predictable Chinese trade regime. The right would suggest working in cooperation with the government in China to resolve current issues between the nations through both informal and formal mechanisms, such as the bi-lateral Strategic Economic Dialogue.

At the same time, the right would be ready to take strong enforcement action by way of consultation under the WTO's dispute settlement mechanism and the instigation of stricter US trade laws. Both ways of action is to ensure that the US population is not harmed by unfair markets. Private property, as with the center, is of great importance to the right as it is a

required component for a free market to operate properly. The right is concerned about the fact that statistics show no real reduction of intellectual property rights infringement in 2007, meaning that the level of infringement in China remains at a highly unacceptable level.

The current administration (Bush) has previously attempted to have in depth bi-lateral discussions with the Chinese government on initiatives that could be followed to improve intellectual property protection and enforcement in China. Although agreements have been reached for better enforcement of intellectual property rights between borders, other important enforcement issues are still outstanding. For example, the current administration contends that China has avoided stricter penal punishments for offenders of intellectual property rights.

Once again the use of the WTO's dispute settlement mechanism will play an important role for the right if China continually refuses to pursue anti infringement of intellectual property rights. Conclusion The US trade policy with China is a very large and complex issue. As one can see, it permeates through almost every facet of economic society affecting individuals, businesses and the government. A strong history of trade with China has brought the US to where it is today, but in order for the American people to benefit from the relationship, the correct trade policy for the future must be carefully thought out today.

Each of the contexts that the US trade policy with China touches is dramatically changed and shaped by how both nations interact. The three differing ideologies are an important starting point when deciding what

policy is best, but ultimately, the test of time will decide. The US is in an economically fragile state at the moment and as Obama starts his presidential term in 2009, the careful instigation of correct trade policy towards China is a must for continual economic growth. Appendix A <http://www.uschina.org/public/991115a.html> Appendix B <http://www.uschina.org/statistics/tradetable.html>

Appendix C <http://www.epi.org/content.cfm/bp188> Appendix D <http://www.blackgold.ab.ca/ict/Division4/Social/Political%20Spectrum/ideologyNotes.pdf> (All appendixes will be printed out on hardcopy version) Adrian Tan Senior Seminar for Economics Final Paper Annotated Bibliography Avinash, Dixit; Gene, Grossman. "The Limits of Free Trade" *The Journal of Economic Perspectives*. Vol. 19, No. 3 (Summer, 2005), pp. 241-244. November 15, 2008. This article provided me with a very different perspective on free trade as most of the materials that I have read to date have been advocates of free trade.

This article explains why free trade might not be the best for America and uses China as an example of comparative growth with different ideologies to free trade. I would say that the writers' of the article is probably leftist in the majority of their thinking as the priorities for why not free trade is reminiscent of a left regime. Bergsten, Fred C. "A Partnership of Equals: How Washington Should Respond to China's Economic Challenge." *Foreign Affairs* 87. 4 (2008): 57-69. ProQuest Social Science Journals. ProQuest. Olin Library, Rollins College, Winter Park, Florida. 23 Sep. 008 This is a very interesting article about China and what the future hold for the Country and the USA. Despite China's increasing economic power, China's impact on the global <https://assignbuster.com/us-trade-policy-with-china/>

system at large is still insignificant and therefore holds little responsibility for that such system. This lack of responsibility and impact threatens to compromise the current international economic infrastructure and systems. The article states that to avoid a major economic catastrophe, the USA should aim to nurture a true partnership with China, providing joint leadership of the global economic system.

The relevance of this article to my topic is obvious as it seeks to outline the way in which the USA should approach China in regards to foreign policy. "China Grand Strategy and U. S. Foreign Policy." University of North Carolina. 27th September 2005. 15th September, 2008. 22: 10pm. . This article is a university publication and I believe represents what a good deal of young Americans believe today. The writer of the article seeks to define what China's grand strategy will be in the upcoming years as it emerges as a global economic leader.

The writer then moves forward into discussing what he believes should be done by the USA in response to what China is planning. In many ways the writer of the article brings up more questions than he has answered and engages me to think about what should and can be done. "China's Economic Elite Criticize US Economic Policy." ChinaStakes. com. February 05, 2008. September 9, 2008. 19: 01pm. . This article is more about what China's elite economists think about the current policies the US has in place.

It is good for me to understand what China thinks about the US policies even if my paper is from the position of the US. The article gives me a better understanding of how both countries interact. I'm not entirely sure about the

reliability of the source because I have never heard of it, though the credentials seem to be just fine. " Coexisting with a Rising China?. " The Progress Report. April, 2005. 15th September, 2008. 19: 23pm. . This article goes a little way back into 2005 and discusses the Bush administrations standpoint on policy toward China.

I find this article interesting because it discusses policy issues from a more international relations point of view. This different viewpoint widens my perspective on the policy issues, helping me to understand them deeper. The article's focus on the Bush administration means that it is from a middle to rightist ideological perspective. David D. Hale and Lyric Hughes Hale. " Reconsidering Revaluation; The Wrong Approach to the U. S. -Chinese Trade Imbalance. " Foreign Affairs 87. 1 (2008): 57-66. ProQuest Social Science Journals. ProQuest. Olin Library, Rollins College, Winter Park, Florida. 0 Sep. 2008 The article begins by discussing the revaluation of the Yuan and how this may affect the trade imbalances currently taking place between the US and China. The US is currently attempting to get China to allow the Yuan to appreciate so as to create a more balanced trading ground. China doesn't like that because it makes Chinese goods more expensive and means fewer exports for China. Even so, China is slowly changing and adhering to what the international community and the US is asking of them. This article clearly outlines the approach the US is taking towards the foreign exchange market and China. Frum, David. " BUSH'S LEGACY. " Foreign Policy 168 (2008): 32-34, 36, 38. ProQuest Social Science Journals. ProQuest. Olin Library, Rollins College, Winter Park, Florida. 23 Sep. 2008 This is a more general article about the Bush administration to date and how it has dealt with foreign

policy as a whole. This includes the foreign policy with Iraq, Venezuela and India, but places a special focus on the US-China relationship. I think this article will be useful to see a bigger picture of how the USA deals with nations other than China and draw on some of the similarities and differences.

Being written about the Bush administration, the article also provides foreign policy taken from a more rightist viewpoint. Hachigian, Nina. "A Global Imperative: A Progressive Approach to U. S. -China Relations in the 21st Century." Center for American Progress. August 13, 2008. November 25th, 2008. 09: 30pm. Excellent and very comprehensive article about what the progressives in America see as important and what they believe the next president should focus in terms of policy towards China. The whole report is written as an address to the next president, extremely appropriate seeing as the election has just come and gone.

Focuses on the main points progressives see as extremely important, from the environment to democracy for all Americans. After stating why these points are important the writer then goes ahead to comprehensively tell the next president what should be done. Overall a very entertaining and eye opening article. "Idea of the Week: Redirecting the U. S. -China Trade Relationship." Democratic Leadership Council. April 21, 2006. November 4, 2008. 1: 05pm. Good article citing what the Democratic Party believes should be done in regards to US policy with China.

The article is very brief but with important information giving specific tools to solve the economic problems that the party views as important. The main

focus of the articles solutions is to stabilize the US and global economy. Specific target areas include trade and financial imbalances, intellectual property and opening markets - especially those in China. The article uses a lot of quotation from dialogue between two of the leadership councils leaders. Krugman, Paul. " Dealing With the Dragon . " The New York Times. January 4, 2008. September 9, 2008. 8: 16pm. . This is a short and direct article about US foreign policy with China. It plays with different ideas that has been proposed as policy and also discusses facets of policy that is not so often discussed. The writer then goes on to explain what each political party believes in a nutshell, and dismisses them abruptly. Lardy, Nicholas. " U. S. - China Economic Relations: Implications for U. S. Policy . " Brookings. September 9, 2008, September 9, 2008 17: 55pm. < [http://www. brookings. edu/testimony/2001/0425globaleconomics_lardy. aspx](http://www.brookings.edu/testimony/2001/0425globaleconomics_lardy.aspx) >.

This article is about China's economic rise and its implications on the rest of the world, particularly the US. The article discusses the implications of a rising China specifically on the world trading system, the US trade deficit and US policy with China. It an interesting article that will help me to grasp the concept of US China policy in a wider scope. The article is biased towards the abandonment of attempting to slow down the economic powerhouse role China is stepping into. " Leaders: Meeting the superpower - Meeting the superpower; China and the West. " The Economist 19 Nov. 2005: 12.

ProQuest Social Science Journals. ProQuest. Olin Library, Rollins College, Winter Park, Florida. 23 Sep. 2008 The article is a progressive look into how the USA should deal with China. The article spends a majority of time commenting on how the USA should stop seeing China as a threat and more
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like an opportunity. The article is written in 2005 and therefore is full of advices and criticisms of the Bush administration that was in office. The article then seeks to propose new and harmonious ways in which the USA can and should deal with China as it emerges as the economic superpower of the 21ST century.

Liang, Wei. " Ideology and Trade: When Your Trade Partner Is Not Your Political Partner—A Case Study of China's Accession into WTO" Paper presented at the annual meeting of the International Studies Association, Town & Country Resort and Convention Center, San Diego, California, USA, Mar 22, 2006. 2008-10-09 " The impact of democracy as a state attribute on international cooperation in general and trade negotiation in particular has invoked great academic interest. The empirical findings have generally provided us a positive link between democracy and international cooperation.

However, most research has focused on the cases of international cooperation among democracies. " The quote above, taken from the articles abstract, appropriately describes the articles tone of questioning current academic findings. The article follows the ascension of China into the WTO and looks at what the different economics ideologies have to say about the matter. Minqi Li. " An Age of Transition: The United States, China, Peak Oil, and the Demise of Neoliberalism. " Monthly Review 59. 11 (2008): 20-34. ProQuest Social Science Journals. ProQuest. Olin Library, Rollins College, Winter Park, Florida. 0 Sep. 2008 Excellent article about the US rising debt crisis (current accounts deficit), an ever expanding China, and China's new role as a global economy stimulator. The article discusses how nations,

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especially the US have adopted “ responsible” fiscal and monetary policies with disastrous consequences. The writer of the article also seeks to find out what would be the correct approach to dealing with the debt crisis in terms of adjusting foreign policy towards China. This article will help me to understand what options are viable when making policy decisions towards China.

Moises Naim. “ The Free-Trade Paradox. ” *Foreign Policy* 162 (2007): 96, 95. ProQuest Social Science Journals. ProQuest. Olin Library, Rollins College, Winter Park, Florida. 30 Sep. 2008 This article is a more generic article about free trade and the paradoxes that exist within a concept that is suppose to be beneficial to all economies involved. I find that this article is important information because much of building an effective foreign economic policy is the decision of how much free trade to have with other nations.

This is especially important when discussing trade between China and the US because they are two of the major trading nations of the world. The US might need to take a second look at its current foreign policy in regards to trade because the current one is not working. I believe this article is written from a more leftist point of view as it discusses the paradoxes of free trade rather than the benefits. “ The Candidates on U. S. Policy toward China. ” Council on Foreign Relations. April 14, 2008. 16 September, 2008. 17: 50pm. . This article is very compartmentalized on where each politician stands in terms of US public policy on China.

It lists each presidential candidate and recites what they believe to be the correct stance on policy. This article will be very useful for drawing

similarities and differences between candidates from all political standpoints. The article will also provide me with a brief overview of each left, center and right ideas on foreign policy towards China, allowing me identify into which view other articles are written from. This article also comes from a reliable source being the Council on Foreign Relations. " The Future Role of U. S. Trade Policy: An Overview. " U. S. Department of State.

July 14, 2008. 15th September, 2008. 17: 43pm. . This article discusses the future of U. S. trade policy with other nations with some emphasis on China. China is emphasized because it is one of the U. S. major trading partners. One of the main discussions within the article is how much the U. S should involve itself with free trade. There is a side that is opposed to free trade and one that is pro free trade. From what I have previously learnt, I would deduce that the pro free traders are represented by the right ideologists and the opposition to free trade represented by the left.

The article does well to discuss the issues arising from both sides of the argument and allows me a greater understanding of both. Wang, Jianying. " Trade Policies, Issue Linkages and the U. S. Senate" Paper presented at the annual meeting of the International Studies Association 48th Annual Convention, Hilton Chicago, CHICAGO, IL, USA, Feb 28, 2007 . 2008-10-09 " Trade Policies, Issue Linkages and the U. S. Senate Legislators of the U. S. Congress might struggle in pondering several related issues in making one foreign policy.

It is intriguing to ask how these politicians perceive the linkages of the related issues. Does this perception have any substantive importance in their

decision making behaviors? More important, what can explain the politicians voting behaviors in this kind of situation? In this study, I will try to answer these questions by quantitatively examining Senators' Performance in six roll call votes related to China's trade status in the United States. All the six bills or amendments aimed at imposing restriction on the extension of Most-Favored-Nation (MFN) or nondiscriminatory trade status to China. The above quote, taken from a Google abstract of the article, describes clearly what the author Yuen-Ying Chan. " Reimagining America. " *Social Research* 72. 4 (2005): 935-952. ProQuest Social Science Journals. ProQuest. Olin Library, Rollins College, Winter Park, Florida. 23 Sep. 2008 Chan attempts to explain why the perception of the USA is the way it is in China. " Scholars have used a variety of terms to describe Chinese perceptions of the US-exotic, menacing, open, energetic, independent, modern, and rich.

But on the other hand, the US is also seen as the benign imperialist that forgave loans, sent aid, and built missionary schools, and it is also perceived as the land of freedom, science, and unbound challenges. Here, Yuen-Ying Chan explores the origin of Chinese's negative perceptions towards US and how these negative images changed through time (Proquest Summary). " I believe that understanding how Chinese perceptions came about is important in the proposal of policies. Policies proposed by the US government should be shaped by attempting to influence the definition of what China thinks of us.