Us Free Trade With China Essay, Research Paper

Should the US allow China’s entry into the World Trade Organization?

Sino-American relations have always been characterized as complex and

tumultuous. Presently, the United States must reach a decision that would drastically

affect the politics, environments, militaries, technology, and most importantly the

economies of both nations. This problem the United States must face is whether it ought

to allow China’s entry into the World Trade Organization. There is much hesitation in

taking such steps as American protectionists are weary of a nation whose expanding

economy could further “Chinese influence in American politics as a result of Donorgate;

continued doubts about Beijing’s dismal human rights record; and worries about the U.S.

trade imbalance with China- $40 billion and growing.” (Shribman 44) Yet there are also

many benefits to free trade which outweigh the negative. Sino-American free trade will

boost US sales to the world’s most populous nation, while building diplomatic relations,

and ultimately liberalizing China both politically and socially. (Christian Science Monitor

98)

China, a country in East Asia, is the world’s third largest country by area

(after Russia and Canada) and the largest by population. China’s most populous city is

its capital, Beijing. Officially People’s Republic of China, it is bounded on the north by

the Republic of Mongolia and Russia; on the northeast by Russia and North Korea; on

the east by the Yellow Sea and the East China Sea; on the south by the South China Sea,

Vietnam, Laos, Burma (Myanmar), India, Bhutan, and Nepal; on the west by Pakistan,

Afghanistan, and Tajikistan; and on the northwest by Kyrgyzstan and Kazakhstan. China

includes more than 3400 offshore islands, of which Hainan, in the South China Sea, is by

far the largest. The total area of China is about 9,571,300 sq. km (about 3,695,000 sq.

mi.), not including Nationalist China, known officially as the Republic of China

(Butler/Encarta 1996)

The formation of the Chinese Weltanschauung (world view) can be

explained, in part, by the historical and political evolution of China as it emerged from

semi-colonial subservience. At the beginning of the twentieth century, China was a

weak and divided country under the corrupt rule of the Manchu dynasty. Exploited by

the so-called “open door,” China had been subjected to the degradation of imperialism

and the spheres of influence imposed by the major Western powers, including Japan. As

a consequence of foreign economic penetration and intervention, one of the main

currents of Chinese political thought that emerged was a distinct xenophobia that

resented any foreign involvement in Chinese affairs. Not only were foreign values and

culture rejected, but this was paralleled by a reaffirmation of Chinese nationalism. The

various strains of political thought that combined to form the ideological fabric of the

PRC cannot be fully understood without first examining the historical background that

led to the Chinese Communist state in 1949.

The induction of the Communist government in 1949 set a groundwork for

Chinese history; in a remarkably short period of time radical changes were effected in both

the Chinese economy and society. Since the 1970s, China has forsaken its self-imposed

isolation from the international community and has sought to modernize its economic

structure. In 1971 the United Nations (UN) admitted the People’s Republic of China and

expelled Taiwan from membership.

For more than 2000 years the Chinese economy operated under a type of

feudal system where land was concentrated in the hands of a relatively small group of

landowners whose livelihood depended on rents from their peasant tenants. Further

adding to the peasant farmers’ burden were agricultural taxes levied by the imperial

government and crop yields subject to drought and floods. Under these conditions,

agriculture remained essentially underdeveloped. The conclusion of the Opium Wars in

1860 formally initiated a period of Western exploitation of China from the coastal treaty

ports. Railroads and highways were constructed, and some industrial development was

begun. Such activity had little impact, however, on the overall Chinese economy. In

effect, China was set up into a number of competing colonial spheres of influence.

“Japan, which tried to attach China to its East Asia Co-prosperity Sphere, was able to

create only isolated nodes of a modern economy” (Butler/Encarta 1996). This laid the

foundation for a China that was to be exploited by other nations.

The Chinese Communist party emerged in the 1920s in the midst of a

mounting economic crisis caused by foreign intervention and increased landlord

influence in the countryside. For more than two decades, it expanded its control over

large rural areas by introducing an agrarian program based on the control of rent and

usury, and by giving power to peasant associations. On October 1, 1949, the Communist

party successfully established a unified national government and economy on the

mainland for the first time since the end of the imperial period in 1912. There was

attention specifically paid to dealing with problems ranging from inflation, food

shortages, unemployment, and land reform. Under the first five-year plan (1953-1957),

92 percent of the agricultural population was organized into cooperative farms. In 1958

the rural people’s communes were established, and these dominated agriculture in China

until the early 1980s.

State ownership of property and of industrial and commercial enterprises

was gradually extended in the urban-industrial sector. The second five-year plan was

introduced in 1958, and in the summer of that year the regime initiated the Great Leap

Forward. This program was characterized by large investments in heavy industry and the

establishment of small-scale versions of such industries as steel refining. The program,

however, caused great disruptions in economic management and in rational economic

growth and was ultimately abandoned in 1960. The Chinese economy then entered a

period of readjustment, but ran into problems again, this time being much a result of the

Cultural Revolution. Yet again, a fourth five-year plan was introduced in 1971 as the

economy began its recovery.

In an effort to deal with the failure of the Cultural Revolution in 1976,

China’s leaders began to boost up the economy. A fifth five-year program was begun in

1976 but was interrupted in 1978, when the Four Modernizations program was launched.

It called for the “all-round modernization of agriculture, industry, national defense, and

science and technology by the end of the century so that the economy can take its place in

the front ranks of the world” (Butler/Encarta 1996). In at attempt to attract Western

technology and investment more programs and plans were put into effect such as one in

October 1984 which called for further decentralization of economic planning and for

increased reliance on market forces to determine the prices of consumer goods. However

the economy temporarily stagnated due to the political crackdown in 1989. Luckily, the

Chinese economy expanded rapidly during the early 1990s as the government continued to

loosen controls on the economy.

From a political perspective, it would be in the United State’s best interest

to engage in free trade with China. There has been much opposition from the far right to

labor unions to any such association with a nation that has been “suspected of pirating US

nuclear secrets – and whose military – industrial barons probably orchestrated illegal

campaign contributions during the 1996 US presidential campaign” (Christian Science

Monitor 10). However, there are great political stakes that are being overlooked here.

An important advantage in free trade lies in the influence western culture will have over

China, so as to liberalize this nation. First of all, it must be noted that China is already

metamorphosing and great changes are taking place regardless of US involvement. For

instance, power is becoming decentralized and infusing private enterprises with greater

freedom. Another important effect American trade will have in China would be that of

multinational organizations whose presence will change the working climate. These

multinational corporations are said to “create safer workplaces, follow more progressive

personnel practices, raise living standards, and introduce new ideas, attitudes, and ways of

thinking. A number of American companies such as Mattel and Nike, have adopted codes

of conduct requiring local subcontractors and suppliers to eschew child labor and other

practices common in China…” (Weidenbaum 223). As far as the cultural influence that

foreign markets will have in China, the benefits are wide. Advertisers will promote

messages of free choice and democracy through marketing. In this day and age of

technology, we can not overlook the key role media, Internet, and privately owned

satellite dishes will play in transmitting new ideas to this developing nation.

It is crucial to understand the importance a healthy economy plays in the

politics of China. It is with this thought, that one can correlate a weak economy to the

strengthening of the “old-line communists who have reluctantly gone along with Deng’s

reforms only because they appear to work” (Weidenbaum 223). In order for a more

liberal political regime to develop in China, American presence is vital.

A great fear that runs through the minds of Americans is that a higher

living standard in China would allow it to develop militarily. Presently, the Chinese

military consists approximately of three million troops, 9,400 tanks, and 5,200 fighter

aircraft. However, the Gulf War exhibited the obsolescence of China’s equipment.

Furthermore, their marines are rather powerless. As for the People’s Liberation Army,

American fears must not solely be concentrated on Beijing’s ability to modernize its

technology due to a rising economy. Rather, there is the possibility of the PLA mobilizing

its forces in a sub-systemic attempt to keep any political or social uprisings from occurring

during times of high unemployment. Far more dangerous than that would be an “attempt

to divert public attention from international problems through military adventures abroad.”

(Weidenbaum 224) This could be just as great a threat as any or as William Shakespeare

wrote in Henry V, “To fill idle minds with foreign quarrel.”

Another obstacle to China’s joining the FTO is their contribution to the

pollution of the environment. The double standard created in Kyoto, when China was

exempted from environmental provisions the U.S. must now abide by, has caused

Sino-American tension. China is the world’s largest emitter of carbon dioxide.

China relies on coal– the prime emitter of CO[sub 2] and

key concern of ecologists– for 75 percent its energy.

Projections show that, during the time period covered by

the Kyoto proposals, China is likely to become the world’s

largest emitter of CO[sub 2], thanks to its inordinate

dependence on bituminous coal and vigorous economic

growth rate (Weidenbaum 223).

Yet another environmental issue brought to the forefront is that of China’s

use of cholorofluorcarbons (CFCs) in aerosols that deplete the ozone layer. The United

States and other industrialized nations have provisions in the U.N.- sponsored treaty on

ozone layer protection. “China’s consumption of CFC’s, however, has soared since 1986

from 3 percent to 18 percent of the world total” (Weidenbaum 223). However, regardless

of its antipollution laws, there are still many loopholes available to Chinese owners of

factories who are members of the Communist Party. The ruling class made up of the

Communist oligarchy still retains preferential treatment in China today.

Once again, the stability and growth of the Chinese economy is vital to the

environment. “When countries reach per capita income of about $10,000 a year, they

begin to take a more active role in environmental improvement– because they believe they

can afford to do so. A curtailment of China’s growth rate would delay the achievement of

that happy condition. (Its per capita income now is less than $5000.)” (Weidenbaum 227).

Any slowdown in the economy could generate further problems.

China is slowly advancing towards a more respectable and international

status. It is slowly emerging from its isolationist position and opening up its wings to the

influences of Western culture and business practices. Its officials hope to enlarge China’s

participation in the world economy. However, China is unable to make such strides as

long as it is banned from key international bodies such as the World Trade Organization or

be included in economic summits such as the G8 (Weidenbaum 227)

The vitality and ingenuity of US businesses are greatly admired by the

Chinese. Whereas, Americans eye Chinese market potential with glee. “The temporary

problems of East Asia notwithstanding, the United States is China’s leading export market

as well the most logical partner to help upgrade its technology through investment, joint

ventures, and provision of advanced software and financial services. China, in turn, is the

most promising new market for American business and agriculture” (Weidenbaum 228).

Two great powers, China and the US, are actually locked in a multi-layered symbiotic

relationship.

Engaging in free trade with China sets a framework for greater profits for

corporate US. China is not only the most populous nation in the world giving it great

purchasing power, but its economy now is more than half as large as that of the U.S. and

larger than Japan’s. There are two focal points which surround the Chinese economy

which make this trading relationship very unique. First, free trade will increase the United

State’s export market and secondly, for this to happen the US must pay careful attention

to any possible decline in the growth of China’s economy.

Let us begin with the fruits of a growing export market. Exports have

generated growth and better paying jobs, especially in high technology, while imports have

kept inflation low and benefited us, American consumers, greatly.

An examination of any possibility of a major slowdown in the Chinese

economy could lead to a downturn in Sino-American economic growth. An article by

Weidenbaum explores the problems that may arise out of such a situation. He states that

“Let us assume that China’s gross domestic product in the decade will no longer grow at

10 percent a year, but at half that rate. Five percent, of course, is still quite respectable by

the standard of the more mature Western economies, which average 2.5 percent economic

growth annually. The initial impacts of such a new scenario would likely be negative for

the American economy, but quite uneven and limited” (Weidenbaum 228). This would

lead to an even lower U.S. export rate which would thus affect mostly machinery and

equipment, chemicals and plastics, aircraft, electronic equipment, and agricultural sectors.

Thus augmenting the already huge American trade deficit with China. Ultimately,

reducing the chances of approving any more “fast track” treaties and would reduce

support for the IMF’s support of weak Asian economies.

There are many restrictions for US companies trading with China.

Amongst these constraints are “its high tariffs , its restrictions on which Chinese

companies can trade with the outside world and which foreigners can trade with China; its

protection of favored industries; and its history of intellectual-property piracy; and so on.”

(Economist 18).

One of the primary difficulties in trading with China has been the difficulty

in getting a license to operate due to the strict Communist rule revolving around state-run

monopolies. But things have been improving.

To date, only three foreign insurers (AIG, Tokio Fire & Marine, and

Liberty Mutual) have been licensed to do business in China, and then only

to limited urban areas. However, a number of foreign companies have

opened representative offices in the last few years and it is expected that

several additional licenses will be granted each year. There are currently 71

representative offices of 43 separate foreign insurers and brokers from 12

countries (Weidenbaum 228).

In the area of insurance, state-run monopolies have presented difficulties, but are now

beginning to disappear with time.

China has now taken measures to improve the situation. In fact Premier

Zhu Rongji has attempted to broaden US access to Chinese markets. He has agreed with

many American CEO’s requests in this area. Change would consist of U.S. banks being

able to lend in local currency, manufacturers setting up their own distribution systems, and

foreigners having the ability to own up to 49% in telecommunications services. In the

agriculture sector, tariffs for farm products would be curtailed. As for insurance

companies they would be able to do business through out China (Business Week 130). In

the area of license distribution, things are definitely improving.

It is time the United States of America and China end this trade war. Both

nations, especially the US, have spent an exorbitant amount of time and energy into

China’s admittance into the World Trade Organization. Based upon an analyses of the

possible effects of free trade on the political, environmental, military, technological, and

economic realms on both parties, it can be concluded that the US ought to allow China to

join the World Trade Organization. With the rise of the Chinese economy, the US would

be able to balance out the trade deficit, strengthen exports and liberalize Chinese politics.

With the proper patience and diplomacy, both nations ought to sit down and negotiate a

deal which would benefit both parties economically, politically, and socially.

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