

Strengthen U.S.-China Trade Ties

Now is no time for protectionism.

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Economic links have always been an important basis for the China-U.S. relationship, and the growth in trade between the two countries has been robust since the establishment of normal diplomatic relations. Today, China and the U.S. are each other's second-largest trading partner; the value of the two-way trade in goods exceeds \$300 billion.

U.S. businesses have benefited greatly. In the past five years, American exports to China have doubled. The U.S. trade surplus with China in services has grown 36% every year, and the overall value of U.S. export services to China exceeded \$16 billion last year. U.S. businesses have invested more than \$60 billion in 57,000 projects in China. In 2007, American-funded companies in China enjoyed a 17% increase of profit, while domestically the profit of U.S. businesses dropped by 3% on average.

But the commercial ties between our two nations are affected by the global financial crisis. Chinese statistics show bilateral trade dropped 6.8%, and U.S. investment in China slumped 19.4%, on a year-on-year basis in the fourth quarter of last year and the first quarter of this year.

History tells us that the more serious a crisis becomes, the more committed we must be to openness and cooperation. Regrettably, however, trade measures by the U.S. against China are on the rise. Recently, American industries have petitioned the U.S. government for antidumping investigations, and for investigations under the World Trade Organization's "special safeguard provision," which could restrict imports of Chinese products. This will seriously test China-U.S. economic and trade relations.

Despite these challenges, the need to foster positive Sino-American ties has never been greater. We need to recognize the existing differences between us in social systems and economic development, and constantly enhance mutual understanding and trust. Both countries should step up cooperation on trade and investment issues, and explore and establish new possibilities for cooperation in such areas as agriculture, new and high technology, finance, energy and the environment. Dialogue and communication also need to be intensified concerning multilateral and regional trade and economic affairs. To that end, I would like to put forth four proposals:

- *First, seize the opportunity for cooperation, and work together to tackle the crisis.* At present, both governments have rolled out economic stimulus packages on a massive scale, which in turn are expected to become new growth areas for our trade and investment cooperation. For example, China's demand for infrastructure, machinery and equipment, and environmental protection is huge. It is hoped that both countries would turn these opportunities into tangible outcomes.

- *Second, mutually open markets to expand trade and investment.* The Chinese government does not pursue a trade surplus with the U.S. We will continue to encourage Chinese companies to import more from the U.S., and we will also welcome U.S. companies and trade-promotion agencies to be more active in China.

Since foreign direct investment is a basic element of China's opening-up policy, we welcome American companies that want to increase their investment in China. Meanwhile, we also encourage capable Chinese companies to invest in the U.S. We hope that the U.S. government will welcome Chinese investments and create an open and transparent investment environment.

- *Third, strengthen bilateral dialogue and resolve differences properly.* As trading partners with broad and close ties, both countries should not allow differences on some issues to affect their cooperation in areas of common interests. We need to use the U.S.-China Strategic and Economic Dialogue and the U.S.-China Joint Commission on Commerce and Trade to boost strategic mutual trust, expand dialogue and cooperation, and establish a high-level and stable regime of bilateral trade and investment facilitation.

- *Fourth, safeguard the environment for trade and advance the Doha Round.* The U.S. and China, as the largest and the third-largest trading countries in the world, respectively, should take the lead in following up the consensus reached at the G-20 Summit in London and refrain from formulating any new trade protection policies before the end of 2010. We should also exercise caution, avoid arbitrary use of the trade remedies allowed by the World Trade Organization, and honor our commitment to fight protectionism. The two countries should also work together to advance the Doha Round, strictly follow the mandates of the Doha Development Agenda, lock in what has already been agreed to in past negotiations, avoid reopening negotiations or adding new subjects, and seek the success of this round.

A positive, cooperative and comprehensive Sino-American relationship will surely bring new prosperity and development to both economies. I hope and believe that bilateral trade will rise to a new high and exceed \$500 billion in the coming five years, growing in a more balanced way.