

## Debate

# Is China Protectionist?

**ISSUE: Should the World Trade Organization crack down on China for its protectionist policies?**

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While China has achieved the amazing feat of being the most populous country and the second largest economy in the world, its trading partners are becoming increasingly wary of its seemingly protectionist policies. For years China has been one of the principle targets of international antidumping and protectionism investigations. For instance, U.S. President Barack Obama has alleged that China was illegally subsidizing car exports, causing other car manufacturers to move production overseas in order to compete. The country has a spotty history when it comes to enforcing intellectual property agreements and upholding international environmental standards. Its black market entertainment media industry has long been a huge problem for international entertainment companies, costing billions of dollars annually. The Chinese Ministry of Culture has taken steps to increase controls on the Internet. Many companies hope that the new measures will help curb rampant piracy, but a major cyber attack against Google by Chinese hackers has heightened fears among companies about the safety of their intellectual property. One report indicated that some hackers are connected with the Chinese armed forces, although China vehemently denies these claims.

Another criticism leveled against China is its government's refusal to appreciate its currency. Analysts say that the Chinese yuan remains significantly undervalued. By not "floating" its currency, the Chinese yuan does not adjust to changes in the currencies of its trading partners. This allows Chinese goods to be more competitive, and China has been able to gain a significant trade surplus with the United States. Critics argue that fair trade between China and other countries requires China to float its exchange rate, thereby smoothing out the advantage China has over its partners in trade. China agreed to take action to allow its currency to gain in value, but thus far critics have not been satisfied with the attempts by the Chinese government to revalue its currency.

The United States and the European Union, however, have done their share to stoke Chinese protectionist fires. China has even accused Western countries of being protectionist. For instance, the European Union has accused China of dumping solar panels in its countries, which caused them to propose levying tariffs on Chinese solar panel imports. China denied that it was engaging in dumping activities and claimed that the EU's proposed tariffs were protectionist by giving domestic solar panel manufacturers a competitive advantage.

China has also encountered significant problems with Japan concerning a territorial dispute over the Senkaku/Diaoyu islands. After both countries claimed the islands, protests erupted in China and Japan. Chinese government officials allegedly encouraged these protests while also attempting to control them. The protests in China eventually turned violent, with vandalism committed against Japanese firms including Panasonic, Honda, Mitsubishi, and Toyota. Other countries are worried that the dispute and protests demonstrate increasing nationalism on China's part, which they fear might hurt trade relations.

There are also fears that China's super growth is quickly tapering off, with some estimates claiming that China is growing at approximately 1.6 percent. This could significantly impact trade between China and other countries.

This material was developed by Jennifer Sawayda under the direction of O.C. Ferrell and Linda Ferrell. It is intended for classroom discussion rather than to illustrate effective or ineffective handling of administrative, ethical, or legal decisions by management. Users of this material are prohibited from claiming this material as their own, emailing it to others, or placing it on the Internet. (2013)

Some hope that China is not turning as protectionist as many fear, citing the China Greentech Initiative. Although China has earned the reputation of being a polluting giant, emitting more CO<sub>2</sub> than any other country on the planet, it has made significant gestures toward becoming the world's green energy leader. China has set a goal to quadruple its installed capacity in alternative energy by 2020. It has also overcome the United States to become the world's largest producer of wind power. The Greentech Initiative is a bright spot in China's green energy future. Formed by the American Chamber of Commerce in Shanghai, it is an open source collaborative arrangement between industry leaders, academics, and policy makers seeking to better understand the green technology opportunities in China. The Initiative estimates that total green technology potential in China could be worth \$1 trillion a year. This initiative gives many energy companies hope for China's potential to be a green energy leader; however, it may come at odds with the Chinese government, which currently heavily favors Chinese manufacturers and Chinese solar and wind companies when seeking new projects. Others doubt China's limited energy grid will be able to handle such a large surge in green energy capacity.

Some experts on the matter fear that actions on both the U.S. and Chinese sides are stoking a potential trade war, which could have disastrous repercussions on trade relationships between the United States and China. Many businesspeople and analysts have high hopes that an agreement can be reached among China, the United States, and other countries regarding trade relations.

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### There are two sides to every story:

1. China is protectionist and the WTO should intervene to ensure that China upholds a more free market system in keeping with international laws.
  2. China has the right to set its own policies regarding tariffs, dissemination of information, currency, and media rights.
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