

May 17, 2007

COMMENTARY

It's Win-Win on U.S.-China Trade

By WU YI

May 17, 2007; Page A21

No two countries enjoy such complex business and trade ties as China and the United States. Both countries are closely linked and interdependent, but relations are also marked by frictions and disputes. Thirty-five years ago, China-U.S. trade volume was almost nonexistent when a breakthrough was made in our icy bilateral relations. By 2006, we had become the other's second largest trade partner, with both economies inextricably entwined.


Mutual benefit and win-win progress: These are what China-U.S. business and trade relations are all about, and these intrinsic qualities have made our trade ties strong and vibrant. A recent report, "China: The Balance Sheet," jointly published by two major American think tanks -- the Center for Strategic and International Studies and the Institute for International Economics -- noted that China brings incontrovertible economic benefits to the U.S. The rapid growth of the Chinese market boosts U.S. exports; China's exports to the U.S. and its investments in American financial assets help restrain U.S. inflation and interest rates, and thus permit faster economic growth and more job creation.

The win-win nature of this relationship is amply demonstrated by the rapid growth of bilateral trade. According to our statistics, bilateral trade has increased 106 times from the beginning of diplomatic relations in 1979 to 2006, registering an annual growth of 18.9%. U.S. statistics show a 144-fold increase, or 20.2% annual growth. Since joining the World Trade Organization, China has become America's fourth-largest export market, not to mention its fastest-growing. Over the same period, the growth rate of U.S. exports to China was 3.7 times that of U.S. exports to other countries.

Mutually beneficial business and trade relations also mean good returns on investment made by our companies. Between 1979, when the policy of reform and opening up was adopted in China, and the end of this March, 52,887 American investment projects were undertaken in China, with paid-in investment reaching \$54.7 billion. China is now one of the major sources of overseas profits for American companies. American companies have steadily expanded market share in China through investment, with sales in China exceeding \$75 billion in 2004. A survey conducted by the American Chamber of Commerce in China shows that in 2005, sales of American companies in China reached \$61.1 billion, and \$47.6 billion of American products made in China were exported. The total trade figure exceeded \$100 billion.

Our business and trade relations also increase the well-being of our peoples, create many jobs and give consumers more choices in both countries. Morgan Stanley estimates that four to eight million American jobs are closely associated with trade with China, many of which are created through the sale of Chinese products by U.S. retailers. Over the years, good quality yet inexpensive Chinese goods have both met U.S. demand and saved money for American consumers. Chinese exports have saved American

DOW JONES REPRINTS

 This copy is for your personal, non-commercial use only. To order presentation-ready copies for distribution to your colleagues, clients or customers, use the Order Reprints tool at the bottom of any article or visit: www.djreprints.com.

- [See a sample reprint in PDF format.](#)
- [Order a reprint of this article now.](#)

consumers \$600 billion over the past decade and nearly \$100 billion alone in 2004.

Our business and trade relations have also contributed to the growth and transition of our respective economies. Labor-intensive Chinese exports have enabled the U. S. to focus on developing capital and advanced technology-intensive products. A report issued by the U.S.-China Business Council in early 2006 shows that the expansion of trade with and investment in China has caused U.S. manufacturing employment to drop, but helped create more financial, redistribution and service sectors. U.S. employment data also shows that although the U.S. lost three million manufacturing jobs between 1996 and 2005, the service sector created 15 million new jobs over the same period.

China-U.S. business and trade relations are cooperative in nature. It is true that problems, differences and even disputes have arisen in the course of the rapid expansion of our relationship. But mutual benefit and win-win progress remain the defining feature of our business and trade ties. This is the larger picture that no problem can overshadow. As to differences and disputes, it is important that China and the U. S., both being stakeholders and constructive partners, should address them in a coolheaded, objective and responsible way.

Economic globalization is the trend of our times. China and the U.S., having both benefited from economic globalization, need to rise to its challenges. We both need to make necessary economic adjustments, adopt sound and reasonable economic and trade policies, and seize the opportunities created by globalization to promote economic development and make life better for our peoples. However, there are some in the U.S. who overstate the U.S. trade imbalance with China, and blame China for problems that arise as the U.S. adjusts its economic structure to respond to challenges posed by economic globalization. Some even advocate trade protectionism. Such irresponsible acts can only obstruct economic globalization and hinder the fundamental interests of both China and the U.S., our peoples and the sustainable and steady growth of the world economy. China and the U.S. need to, based on our respective national conditions, properly address issues arising in the course of our respective economic adjustment, and resolve bilateral economic and trade issues through enhanced dialogue and consultation, and in a reasonable manner. Attempts to politicize trade issues should be resisted.

As we know, trade deficits are caused by a number of factors associated with economic globalization such as savings and investment correlations, the international division of labor and investment relocation. The U.S. trade deficit with China in goods is also a reflection of these macroeconomic factors. It does not reflect the overall and genuine movement of interests in China-U.S. business and trade relations. China does not seek a trade surplus. In the five-year development plan for 2006 through 2010, the Chinese government explicitly set a basic goal of sustaining economic growth and promoting balance in international payment and macroeconomic stability by expanding domestic demand and particularly, consumption demand. We have taken steps including expanding market access, enhancing intellectual property protection and increasing imports to promote balance in trade. The U.S., as a global leader in science and technology, should give full play to its comparative advantage, enhance mutual trust and relax export controls to boost the competitiveness of American companies, reverse the trend of dwindling market share of American high-tech products in China, and reduce its trade deficit with China.

Since September 2006, the China-U.S. Strategic Economic Dialogue, which was jointly initiated by our two presidents, has become an important channel for the two countries to discuss economic issues concerning our overall strategic and long-term interests and address, as appropriate, hotspot issues in our economic relations. The second China-U.S. Strategic Economic Dialogue will be held in Washington next week, and will focus on issues of mutual interest, including services, investment, energy, environment and innovation. This forum is an important platform for growing China-U.S. business and trade relations and the promotion of the sound and steady growth of constructive and cooperative China-U.S. relations. It is of great significance to enhancing the strategic mutual trust between China and the

U.S.

History has shown that the stable growth of China-U.S. business and trade relations serve the fundamental and long-term interests of both countries. China and the U.S. need to increase mutual understanding and trust, overcome the interference of noneconomic factors, and resolve the problems in our business and trade relations in an active and pragmatic way so as to ensure the steady growth of our business and trade ties. I remain confident that as long as we continue to maintain an open dialogue and cooperation in accordance with the principle of consultation on an equal footing and for our mutual benefit, China-U.S. business and trade relations will have an even brighter future and bring greater benefits to our two peoples.

Ms. Wu is vice premier of China.

URL for this article:

<http://online.wsj.com/article/SB117935928306905535.html>

Copyright 2007 Dow Jones & Company, Inc. All Rights Reserved

This copy is for your personal, non-commercial use only. Distribution and use of this material are governed by our **Subscriber Agreement** and by copyright law. For non-personal use or to order multiple copies, please contact Dow Jones Reprints at 1-800-843-0008 or visit www.djreprints.com.