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US Weekly

Geared to go
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Trade agreements should not be political

By Don Bonker (China Daily)

US President Barack Obama has such good intentions, but his lofty goals often become bridges to nowhere. The latest is international trade. This time the problem is not the Republicans, but his own party.

His administration has been actively negotiating two huge trade agreements, one with Pacific Rim countries and one with the European Union, yet Congress must first pass the Trade Promotion Authority bill to allow fast-track consideration of the two trade agreements.

However, the Democrats' top leader in the US Senate, Harry Reid, has already set up a roadblock by cautioning that “everyone would be well advised just to not push this right now”. That is the sentiment of most Congressional Democrats who see this as a risky vote in an election year.

Maybe it is time for the Obama administration to take a break from pursuing contentious regional trade deals and give a higher priority to the US-China economic relationship.

Why launch trade negotiations with 11 Asian countries and leave out China?

The Obama administration earlier portrayed the Trans-Pacific Partnership as a geopolitical strategy that would give the US a stronger presence in Asia, plus allow a protective shield for Asian countries feeling threatened by China's growth and influence in the region. However, because the US already has trade pacts with six of the TPP countries, why cast a larger net that unnecessarily adds burden, if not controversy, to the negotiating process?

As the world's two largest economies, the stakes are greater when it comes to China-US relations, as are the opportunities and challenges.

Chinese investments in the US doubled last year to a record $14 billion and early this year had a jump start with Lenovo Group's two huge purchases of Google Inc's Motorola handset division for $2.9 billion and its purchase of IBM Corp's low-end server unit for $2.3 billion.

At the same time, two large Chinese entities, Richard Li's Hybrid Technology LLC and China's largest auto parts company, Wanxiang Group Corp, were fiercely competing to take over the bankrupt Fisker Automotive Inc with plans to revive the electric sports car manufacturer.

True, Chinese investments in the US are increasing rapidly, but their numbers would have been larger were it not for the hostile environment many of China's proposed acquisitions and mergers encounter.

The Wall Street Journal reported that the Lenovo acquisitions (both IBM and Google's Motorola) will “likely draw scrutiny from US regulators and concern about security issues involving acquisitions by Chinese companies”. That certainly was the case with Huawei Technologies Co Ltd and ZTE Corp, two large Chinese telecom network providers.

What is being ignored are the economic benefits such investments bring to the United States, including job creation, which is a big issue this election year.

According to the Rhodium Group, Chinese investments have created more than 70,000 jobs in the US and that number could reach 200,000 by 2020 (not to mention preserving the jobs of failed and bankrupt US companies), which is why US President Obama now sees foreign investment as important to growing the country's economy.

Last October, at a Department of Commerce Investment Summit, President Obama announced the creation of Select USA, publically stating: “I want your companies to invest more here in the United States of America.” It was something of a clarion call to the world that all investments are now welcomed in the US.

Last year President Obama and Chinese President Xi Jinping agreed to revive negotiations for a China-US Bilateral Investment Treaty that is intended to break down the barriers to encourage more foreign investments between the two countries.

Yet is the US prepared to insulate the Committee on Foreign Investment in the United States process from being used for political and economic interests to block investments, and is China, for its part, willing to allow foreign investments in its protected industries, particularly State-owned enterprises and in the financial, transportation and telecom sectors?

The flip side is the ever-increasing mercantile trade across the Pacific. The whole idea of the TTP is to lower tariffs, remove restrictions and improve market access among the participating nations. But it will likely encounter the same fate as the 20 free trade agreements previously
negotiated by the US Trade Representative that ultimately were greeted with skepticism on Capitol Hill.

Nowhere is this more evident than US trade policies that are being unfairly aimed at China. America's anti-dumping/countervailing duty laws are highly discriminatory in that they still treat China as a non-market economy, which guarantees the imposition of punitive tariffs that are proving harmful to businesses in both countries.

It certainly raises questions about the US' protectionism, or at least the politicalizing of its trade policies, casting doubts on Congress acting responsibly and a president's ability to deliver on important trade deals. Indeed former US trade representative Robert Zoellick once declared that "trade agreements were more about politics than economics". Trying to address these issues will be a challenge. On the US side, it is a combination of old fashion protectionism, China bashing, distorted regulatory policies and domestic companies seeking protection from Chinese competition.

The author, a former US Congressman, works with APCO Worldwide, an independent communications consultancy. The views do not necessarily reflect those of China Daily.