

Debate

Is China Protectionist and Weak on Intellectual Property Protection?

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

While China has achieved the amazing feat of being both the most populous country and one of the fastest-growing economies in the world, its trading partners are becoming increasingly wary of its seemingly protectionist policies. For at least 14 years, China has been one of the principle targets of international antidumping and protectionism investigations. In October 2009, for example, the Chinese Ministry of Commerce posted on its website that Beijing will impose tariffs of 37.5% on a chemical (polyamide 6/6) used in plastics and textile manufacturing imported from the U.S., U.K., Italy, France, and Taiwan. China has also threatened to impose tariffs on goods as diverse as tires and chicken. 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 recently 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.

Another criticism leveled against China is its government's refusal to appreciate its currency. Although China permitted its currency to gain in value by a small amount in 2010, 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 the U.S. requires China to float its exchange rate, thereby smoothing out the advantage China has over the U.S. in trade. China agreed to take action to allow its currency to gain in value, but thus far critics have not been satisfied with what they see as negligible attempts by the Chinese government to revalue its currency.

The United States, however, has done its share to stoke Chinese protectionist fires. China has even accused the United States of being protectionist. In October 2009, the U.S. government decided to begin anti-dumping and anti-subsidy investigations against Chinese steel pipe imports. This followed a similar measure in the EU, whose trading body ruled that Chinese steel pipes, screws, and bolts pose a threat to European industries and would impose anti-dumping duties of 17.7-39.2% on Chinese imports. China has appealed this ruling to the WTO. In September the U.S. government ruled to impose tariffs on automobile tires imported from China on the grounds that cheap Chinese tires are costing jobs in the U.S. Several months later the government imposed import duties of up to 99 percent against steel pipe imports from China. In fact, the Chinese Ministry of Commerce calculates that between January and August 2009, 17 counties started 79 trade investigations against China, amounting to over \$10 billion—a trend that appears to be on the upswing.

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 CO₂ 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 achieve 15% of its energy needs from green sources by 2020, double the share in 2005. 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 the U.S. administration will be able to diminish the problems that are brewing.

There are two sides to every story:

1. China is protectionist and is weak on intellectual property laws, 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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