

## UIBE hosts Symposium: Panel of experts agree that multilateral trade negotiation is best way forward

On February 24, 2009 China's University of International Business and Economics (UIBE) hosted a "Symposium on the Global Economy and China", along with the Research Center for International Economics (RCIE), UIBE's School of International Trade and Economics (SITE), and the University of Washington (UW). Chaired by Professor Zhongxiu Zhao, from UIBE's School of International Trade and Economics. Leading experts from China and the United States,



including the Former Chairwoman of the Federal Trade Commission, and a representative from China's Ministry of Commerce, discussed the symposium's theme, 'Containing trade protectionism to build

confidence for economic growth'.

As the world sinks ever more into a global financial crisis, protectionism under its many forms came under the scrutiny of a distinguished panel of experts, scholars, policy-makers, industry representatives. In light of the apparent severity of the global financial crisis, and its impact on developed and developing countries, measuring and examining government policies has become more than ever critical as protectionist policies are making their appearance in Europe and the United States. Rather than everyone pointing an accusatory finger at each other, or acting unilaterally, everyone agreed that continued multilateral open negotiations were important, with China prepared to contribute to the World Trade Organization's (WTO) Doha round of talks.

In the Symposium's opening speech, Professor Kar-Yiu Wong from the University of Washington and UIBE declared, "China built its Great Wall to keep out dangers, times have changed, there need no longer be any great walls, on the contrary, more than ever, now is the time to keep the channels of communication and negotiation open." He mentioned, "there are histories

# UIBE News

we want to repeat, and others we don't." He outlined historical precedents for the way governments have dealt with economic crises. Drawing attention to parallels between the 1929 Smoot-Hawley Tariff Act, which exacerbated the great depression, and the Buy America Clause which the United States has recently written into law. "The current deflating of the financial bubble brought on by the sub-prime mortgage fiasco, is similar to how the Great Depression came about in the United States circa 1929." In his closing statement Professor Zhou reminded the participants of the importance of learning from the past, and even if nothing is ever completely similar, it is important to avoid unilateral actions, and measure the consequences of actions which might be devastating both economically and socially. "The time for concerted multilateral negotiation has come."



In his speech about 'Trade Protection and Trade Protectionism: Correctness and Incorrectness,' Professor Shijian Zhou, Former vice-president of the CCCMC, which represents some of the largest companies across several industries of China, expressed China's need to step up and "set an example as a responsible country", calling for "reasonable rational policies to be implemented." Warning against everyone acting for themselves, and pointing out how important it was to understand our state of interdependence, with unilateral actions not being a fruitful solution, even perhaps attracting undesirable retaliatory actions. Escalation must be avoided at all costs.



Clearly the global financial crisis is not affecting everyone in similar ways. Emerging countries have a higher level of sensitivity, especially following the sharp drop in commodity prices, overseas orders and worldwide consumption. "Shrinking markets, both domestically and internationally will continue, we're only

# UIBE News

at the beginning,” said Professor Guoqiang Long from the Development Research Center of the State Council (DRC). His speech on ‘Protectionism and its impact on developing countries: the example of twenty million unemployed rural workers in China,’ very much illustrated many problems brought on by the current financial crisis. He painted a relatively bleak picture of the



plight of migrant workers returning home after being laid off. Currently in China there are 110 million people employed by export-led industries. The numbers are staggering, “this year alone, 20 million ‘peasant’ workers will become unemployed.

What’s more they have nowhere to go, their employability being relatively weak, lacking skills, even for subsistence farming. “Many social problems are expected, this is dangerous for social stability, will impact consumer demand, with the risk of a vicious circle setting in.” His message of hope? “Let’s join our hands together and emerge from this together!” He voiced serious concerns and scepticism regarding the way the United States was dealing with the crisis, “the Buy America clause is not the way forward, the international community should give America a warning, only responsible policy measures can maintain sustainable levels of market demand, which in turn will help companies to survive.” He finished by stating that China can and will greatly benefit from the crisis, as new opportunities will allow China to acquire new R&D capabilities through M&A, and new policies help to allay the fears of millions of unemployed migrant workers.

According to a recent poll, 91% of Chinese support globalization and free trade, up from 90% last year. Whereas in Europe and the United States the numbers are decreasing. This is an alarming trend. In his presentation, ‘Bailout for the international Financial crisis and trade protectionism’, UIBE Vice-President Dr. Lin Guijun was clear in pointing out the “difficulties of separating government intervention from protectionism.” With the lines between types of policy making so blurry, measures such as the “Buy America clause” are open for criticism. “What is 100% US made anyway?” asked Dr. Lin, “the implementation of these measures are sure to have many practical difficulties in today’s globalized world where component parts come from all over the world.” The motivations for protectionism are multiple, as are the responses. Protectionism has a way of snow-balling out of control. It’s about choices. As

far as Dr. Lin is concerned, “a no retaliation stance by China is key, with free trade as the better way out.”

The next speaker, Dr. Deborah Platt Majoros, P&G Vice President and General Council, and former Chairwoman of the US Federal Trade Commission was reassuring,

clearly pointing out that mistakes were made by US policy makers. Her speech, ‘Promote Free Trade Through Competition’ emphasized “what matters is getting through this, dissecting what went wrong, understanding why markets didn’t react earlier, identifying poor regulation, and finding appropriate corrections.” With trade protectionism such a hot topic given the current global financial crisis, “the reaction has been to condemn market led free trade and call for government intervention in the United States, with more government, more regulation, more nationalism, and yet this is not the answer to the problem,” she went on to say, “certainly some regulation is necessary, but it doesn’t mean a whole lot is better.” In conclusion she



pointed out that “it’s open competitive markets that create wealth, and not politicians, therefore free and global competition is the way forward.”



“If the economists can’t solve this perhaps the lawyers can,” quipped Mr. Donghui Fu, in the opening line of his talk on ‘Trade Frictions and Protectionism’. As Attorney, and Partner of the Allbright Law Offices in Beijing, Mr Fu pointed out that no matter which way you looked at trade, fair or not, it was still regulated trade. Pointing out, “the facts indicate that world trade friction has not been as intensive as mentioned in the press.” He also mentioned that unlike in the past, the WTO, which China entered in 2001, “was created and exists as a forum where issues of trade friction can be discussed openly.” He discussed the dangers of unilateralism as it has a tendency to foster protectionist measures, and that anyway, “protectionism is a violation of international law.” He finished off by mentioning the need for “China to provide support for a harmonious recovery of the international economic system”.



# UIBE News

Professor Jianzhong Huang, from Xiamen University's School of Economics, presented his thoughts in his speech on 'New Forms and Features of Protectionism.'



He started out by pointing out the current crisis was different from the previous one's in the 30's and again the 70's, and that trade, and trade protectionism, are inseparable. Whereas past crises started in manufacturing, this one began in the "virtual" economy before spreading to the real economy. New actions cause new reactions, and so new forms of trade protectionism cannot be avoided. He went on to mention that if anything "the Buy America provision places pressure on other countries to pay attention to America's plight." He finished by stating, "retaliation is not the answer, rather, we must join hands."

Mr Benlin Yu, Deputy Director of the Ministry of Commerce's Bureau of Fair Trade for Imports and Ex-



ports, began his talk on 'Anti-Protectionism: The Stand of the Chinese Government,' saying that "China welcomes foreign enterprises to China," pointing out the wisdom in "dealing with trade frictions pre-emptively to avoid trade wars, and that unilateral actions will lead to trade frictions." Now more than ever was a time to "join hands with our foreign partners in order to create a smooth and harmonious environment for trade." He voiced concern that protectionism in the world is gaining momentum, with the need to reverse this trend through dialogue; he mentioned the upcoming WTO summit in Doha as the perfect place.

A guest from Stanford University's Department of Economics, Professor Ronald McKinnon discussed 'China's Exchange Policy and Fiscal Expansion.'



Drawing parallels between the "Japan bashing" of yesterday, and the "China bashing" of today, professor McKinnon advised China to "weather the protectionist storm and ignore the bashing." Arguing that Japan bashing had ultimately let to Japan's 'lost decade,' which saw it's currency go from ¥320 to the dollar as high as ¥80 to the dollar. China is in a different situation today, "China's policy of low inflation and

high growth is the result of its past fixed rate currency peg to the US dollar. Added to which China's rate of saving is among the highest in the world. High saving countries are virtuous" he added. The result is that "China's financial system is in much better shape, and can afford a broad-based fiscal expansion policy.

"The development of the Chinese domestic economy may see a reversal of the large imbalance of trade between the US and China," stated Dr. Yiping Xu, a UIBE associate Professor. In his talk on 'The Structure of National Components of Sino-American Trade Surplus: From the Aspect of Economic Globalization', Dr. Xu discussed the nature of the Sino-US trade deficit. Mentioning the rise in anti-dumping cases against China, and the rise of "creeping protectionism".

The next three speakers discussed the issue of trade protectionism from the perspective of industry specific sectors. Dr. Haimen Liu, Deputy Director of the Research Center for Metallurgical Industry Development; Mr Yunlong Zhu, Vice-President of Goodbaby Group Co. Ltd.; Mr Changling Zhu, Vice Chairman of the China Furniture Association. Respectively, their speeches were on 'The Chinese Steel Industry development and International trade'; 'How to Break the Barrier of Protectionism: A Case of a Chinese Manufacturing Firm'; 'Towards a Harmonious Global Market: the



Adjustment of China's Furniture Industry'. All three were concerned about the impact the global financial crisis was having on their industries, and the need to keep protectionism at bay. Citing company closures, massive worker layoffs, depletion of inventory levels. Dr. Liu emphasized the need "not to underestimate the impact of the global financial crisis which is broad based and large scale, and not to overestimate claims of a 'quick recovery' despite massive intervention, with government spending unable to compensate for the losses." Furthermore he stated, "the Chinese government is not subsidizing the steel industry," and he fervently opposes such allegations, furthermore "domestic demand is adequate, if we stop exporting to the US our industry will not collapse, in the end protectionist measures will only hurt those they intend to protect."



Dr. Liu Haimin

# UIBE News



Mr. Zhu Yunlong

Concerning the issue of dumping, Mr. Zhu Yunlong from Goodbaby, one of the largest manufacturers of baby products in the world said, "currently barriers to trade come in the form of arduous certification standards we must pass, as well as import tariffs for our products go-

ing into Europe." The future of Goodbaby is "focusing on our R&D, rising up the value chain, and innovating our lines of product, replacing OEM manufacturing with our own proprietary branded products." For this the IP environment in China needed change, "in the past IP regulation was very weak, this is no longer the case." For Mr. Zhu Changling, "there has been much malicious reporting of dumping cases against the Chinese furniture industry." The industry has clearly felt the impact of the global financial crisis, in the form of an increase in such malicious reporting by Western media accusing the Chinese furniture industry of practicing dumping strategies. "The media has distorted the information, public opinion as well."



Mr. Zhu Changling

In closing remarks made by UIBE Professors Zhang Hanlin, and Cui Fan, 'Against Protectionism: The Role of the WTO in the International Financial Crisis' and, 'The Essence of Protectionism: Looking Into the Buy America Provision', trade protection was clearly seen as "counter-productive to everyone, including those it seeks to protect." The 'Buy America Provision' was discussed by many during the course of the day as a perfect example of what needs to be avoided in combating the deepening global financial crisis. "This new protectionism is situated in a grey area, it looks like it respects the terms of the WTO, yet it still



Prof. Hanlin Zhang

feels very protectionistic," said Professor Cui Fan, adding "we believe the open trade system will benefit China and the world. Not to retaliate is key, we should maintain an open system as a facilitator of free trade." Professor Zhang Hanlin agreed, "trade liberalization is the mainstream and provides a system guarantee, not protectionism, multilateralism will overcome protectionism. China needs to facilitate the multilateral Doha round of negotiation."

In his conclusion for the Symposium on the Global Economy and China, Dean Zhao, of UIBE's School of International Trade and Economics, mentioned that protectionism in its many forms was comprehensively covered throughout the course of the symposium. The issue of protectionism was looked at within the context of the current global financial crisis, and more specifically that of Sino-US, Sino-global relations. One of the main objectives was understanding and scrutinizing the history, nature, and current applications of protectionism. An attempt to learn from past lessons to better avoid present pitfalls, reminding everyone that "a distinction must be made between good history and bad history," as expressed by Professor



Prof. Cui Fan

Zhou Shijian, and that dialogue is more important than ever, to avoid the dangers of "creeping protectionism", as mentioned by Dr. Yiping Xu. "brought on through misunderstanding and miscommunication resulting from unilateral actions." Together, the panel comprising scholars, policymakers and industry decision-makers successfully agreed to the need for dialogue in order to build renewed confidence in the markets, necessary for sustainable economic prosperity.

Alex Goldsborough  
Marketing and Communications Department  
UIBE

University of International Business and Economics, No. 10, Huixin Dongjie, Chaoyang District, Beijing, China, Tel: +86 (10)64492131, Fax: +86 (10)64493860

© Copyright, UIBE 2009

[www.uibe.edu.cn](http://www.uibe.edu.cn)