

Increasing Economic Engagement with China:
A Topic Proposal for the 2010-11 High School Policy Debate Topic

by
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"America's constructive relationship with China is vitally important to our economic health. . . America's current economic challenges may cause temporary shifts in U.S. trade with China, but the long-term trends are clear—and the need for a clear-headed, stable approach to China is more important than ever. . . The United States has an opportunity to build on 30 years of engagement to promote an enduring and constructive relationship with China. . . To reach that goal, we need policies that are based on facts, not fears, and that bolster and build upon the strengths of U.S. companies."

-Andrew Liveris, Chairman of the U.S.-
China Business Council, and Chairman/
CEO of The Dow Chemical Company,
January 14, 2009

Obama's Economic Policy Towards China

During the 2008 Presidential election, both Democratic and Republican candidates were able to take liberty with campaign promises and policy platforms. While the 2008 campaign season was not unique in this regard, a game changer happened as the primaries wrapped up in early 2008 that fundamentally altered those promises, and ultimately, the race. Candidates' stances were changed because the American economy was on the verge of a recession. While being bold in his China rhetoric, Barack Obama learned that, when he took office, some of his promises to voters on U.S.-China policy would need to be drastically altered to meet the dire economic times. Victoria McGrane of the Politico explains in June:

He leveled tough words at China during the campaign. But as president, Barack Obama is hewing close to the playbook drafted by his predecessor when it comes to economic engagement with the Asian giant. In April, Obama's Treasury Department declined to name China a "currency manipulator," using arguments similar to those advanced previously by the Bush administration. In May, he named pro-business Republican — Utah Gov. Jon Huntsman — as his ambassador to China. And Monday, Obama's Treasury secretary, Timothy Geithner, begins two days of talks in China to lay the groundwork for the "U.S.-China Strategic and Economic Dialogue" — a revamped version of the "strategic economic dialogue" pioneered by George W. Bush's Treasury Secretary Henry Paulson. "There's more continuity than discontinuity," says Nicholas Lardy, a China expert at the Peterson Institute for International Economics. . . [T]he precarious state of the global economy provides a compelling reason for the administration to tread carefully in its relations with China, observers note. (McGrane)

Secretary of State Clinton's trip to China in February was a signal that Obama's administration was going to continue the strategic economic partnership that the Bush administration had built with China. Conservative think tank The Heritage Foundation offered Clinton praise in this regard:

Secretary of State Hillary Clinton's visit to China (February 20–22) caps off her groundbreaking first official trip abroad. By visiting Asia first, Clinton has provided an encouraging sign that she understands the region's importance to America's future and the central role that American leadership plays there. In her speech to the Asia Society prior to departure, Clinton described her mission as discussing "how the United States is committed to a new era of diplomacy and development in which we use smart power...to find regional and global solutions to common global problems." With regard to China, she emphasized, "how essential it is that we have a positive, cooperative relationship." (Yates)

While Congress has generally focused on this cooperative framework to help the American economy, rumblings of a tougher stance on Chinese economic policy have emerged. Recently, members of the House introduced HR 782 in an attempt to curb China's ability to manipulate its own currency (Yates). Additionally, each party has reasons for tougher stances on China, as the Democrats want to protect labor interests and the Republicans want to protect American business interests. In addition, a Sino-U.S. economic summit held in China at the end of July saw Hillary Clinton and Timothy Geithner carry the American message that China would no longer be able to rely upon the American consumer as a main vehicle for its own economic growth (O'Brien).

Despite slightly bolder rhetoric from both the White House and Congress, what remains certain is that no major economic policy changes loom on the horizon. The White House believes that reasoned dialogue with the Chinese government will help both economies, and the United States Congress remains preoccupied with domestic economic recovery, health care, and the wars.

The Chinese Economy

Economic Growth

Over the last thirty years, the Chinese economy has grown from a stagnant, unimportant entity into one of the most significant in the world. The World Bank's 2008 Gross Domestic Product figures put China at third on the list with a \$3.8 trillion GDP (World Bank).

As the Chinese economy has grown, however, it has faced substantial problems. Its transition away from heavy industry to a more technological economy has increased demands for energy that the Chinese infrastructure has yet to meet. Other infrastructure has not been able to catch up either, as the Chinese telecommunications industry is unable

to carry the demand for information and the transportation systems within China cannot keep up with either end of the production cycle. This not only slows raw materials getting to factories, but it also slows the transport of finished products as they leave the country (Mursky 134-5).

Trade

Chinese economic growth over the last several years has been driven largely by exports (which account for 60% of Chinese growth, as explained below). As the recent economic downturn has proven, however, the dependence on exports by the Chinese economy is unsustainable. In analysis provided in late July 2009, the *Beijing Review* details this problem from the Chinese perspective:

Chinese exports have performed badly, showing a decline of 17.5 percent year on year in January, 25.7 percent in February and 17.1 percent in March. "In March, we once felt relieved and thought export decline will stop soon," said Yao Jingyuan, Chief Economist of the NBS. But Yao admitted that judgment was too optimistic. . . "The figures indicate exports have not turned for the better. The steep fall in foreign demand will be one of the biggest problems facing the Chinese economy," said Yao. In 2008, about 60 percent of China's economic growth depended on exports, which meant that over 60 percent of the 30-trillion-yuan (\$4.4-trillion) of Chinese GDP was linked to the world economic performance. A current clog in exports will force exporters to reduce or suspend production, which will in turn wither the demand for raw materials, thus leading to a substantial decline in China's industrial output. The export situation will remain bleak in the short term, and negative growth can be expected as exports will continue to drag down the country's GDP growth this year, Yao said. (Xinzhen)

In an article detailing the late-July Sino-U.S. economic summit, *The Hill* details the view of Chinese exports from the American perspective:

The Obama administration will tell Chinese officials . . . that China cannot depend on exporting to the U.S. to grow its own economy. U.S. officials . . . said Tuesday that the global financial crisis has fundamentally changed the U.S. economy. As a result, they'll tell China it must do more to encourage spending by its own consumers as it makes the transition to a less export-dependent economy. "Perhaps the most important message is that there's been a fundamental change in the U.S. economy," a senior administration official told reporters. "The U.S. is going to recover, but this is going to be a different recovery from what the Chinese have seen in the past. "Our message to the Chinese is that if you want to achieve the growth objective, you're going to have to find a different way to achieve it than exports," the official said. (O'Brien)

Whatever comes of the trade that drives Chinese economic growth and supplies American consumers with billions of dollars of goods, one thing seems to be clear. Both sides agree that it is no longer a sustainable relationship. The recent global economic downturn has proven that China's economic fate, which it attempts to manipulate in every way possible, is largely beyond its control, and that current levels of American consumption of foreign goods are not healthy economically.

Foreign Investment

In terms of investment, both investment in and from China remains among the largest in the world. The Chinese government is heavily invested worldwide, most notably being the largest holder of U.S. debt. The Department of Treasury reports, as of May 2009, that China held \$801.5 billion of debt, beating second place Japan by over \$120 billion and more than quadrupling a group of Caribbean Banks that holds third place (United States Department of the Treasury).

On the other side of the coin, foreign direct investment (FDI) in China continues to grow. Despite a 17.9% drop in the first half of 2009, at \$43 billion, China has the highest FDI in the world (*China Daily*). In addition, China seems to remain a target of foreign investors despite the global economic downturn:

Foreign direct investment (FDI) in China still has strong potential to grow despite the ongoing financial crisis, said Li Zhiqun, director of the Foreign Investment Department of the Ministry of Commerce. Though the global financial crisis has dampened the willingness and capacity of multinationals to invest and hindered the global flow of capital, "China's political stability, rapid industrialization, urbanization and overall development still provide abundant opportunities for FDI," Li said. . . . Over the past six years China has been the top country in the world for FDI, a position Li said the nation will maintain. "China will continue expanding economic opening up, unveil more fields for foreign investors and streamline management mechanisms to attract even more investment," he said. (Hui)

Agriculture

China faces few peers in its ability to produce agricultural goods. Jonathan Mursky details Chinese agriculture:

China is the world's largest producer of rice and is among the principal sources of wheat, corn (maize), tobacco, soybeans, peanuts (groundnuts), and cotton. The country is one of the largest producers of a number of industrial and mineral products. . . and is an important producer of cotton yarn, coal, crude oil, and a number of other products. . . (135) Animal husbandry constitutes the second most

important component of agricultural production. China is the world's leading producer of pigs, chickens, and eggs, and it also has sizable herds of sheep and cattle. (144)

Mursky, among others, argues, however, that Chinese production of raw materials faces several obstacles. Exacerbated by the problems listed above (namely lack of transportation), large chunks of raw materials in China remain undeveloped or continue to be harvested using antiquated techniques (Mursky 135-6).

Food Safety

In 2007, many Americans experienced tragedy at the hands of Chinese-made goods. Animal food produced in China made pets in the United States sick, ultimately leading to the death of thousands of beloved animals. Melamine, a chemical used to make plastics that are then used in food production, was the culprit. It made its way into pet food, in turn poisoning animals upon consumption of that food. While the public outcry in the United States for stricter control on imports was loud, it was short-sighted (Ramzy).

At the beginning of 2008, thousands of Chinese infants grew ill. While local officials ignored the claims of worried parents, the outbreak worsened. By the end of 2008, over 60,000 Chinese infants were sickened and several died. Melamine had poisoned Chinese-made dairy products, the most notable being baby formula. A widespread investigation revealed that melamine was also in a number of exports, including other dairy products and eggs (Ramzy).

This food scare highlighted a number of problems with food safety in China. Corruption at local and state levels, and the inability of the national government to respond quickly, means that Chinese industries will continue to produce products that are unhealthy for their consumers.

Labor

To say that China has a poor history with human rights is certainly an understatement. While the direct confrontation of human rights abuses typically is not a goal of economic engagement, the betterment of the lives of workers can certainly be addressed. Not only is unemployment a constant threat, but the working conditions of many Chinese citizens is deplorable (Mursky 136, Rossoff). The attempts of the United States government and businesses with operations in China to better conditions have been met with mixed success as large portions of the Chinese workforce still experience poor work environments (Rossoff). Fraught with long hours, low wages, no benefits, and no job security, millions of jobs in China resemble servitude more than an occupation. In an increasingly globalized world, these conditions permeate the multinational business environment. Even MNCs seen as being conscious of international labor conditions have trouble escaping the reach of Chinese labor practices. The latest example occurred in

July, as Apple admitted that Chinese manufacturers of iPhones and iPods employed bad labor practices in the production of those products (China CSR).

An interesting example of the exploitation of workers comes at the hands of the hugely popular online computer game World of Warcraft. Creating a virtual world within which millions of players exist, this game requires players to collect resources to battle other players and creatures. Seizing an opportunity to abet those players looking for a quick way to success, sweatshops in China would force workers to play the game for hundreds of hours, amassing resources within the game that would then be sold in the real world (typically through vehicles like eBay) to gamers in the United States and abroad. Though the Chinese government has cracked down on this activity dubbed “gold farming,” numerous instances of unique labor abuses exist that would provide opportunities for United States engagement (Rosenberg).

Energy Production

As noted above, economic growth in China has exploded since the 1980s. Unfortunately, the country has not been able to meet the growing demand for energy that its booming economy needs. Desperate to maintain the level of growth and keep industries alive, the Chinese energy companies have continued to rely upon scorched earth policies of producing energy. China still leans heavily on coal, which makes up nearly two-thirds of its energy production (Mursky 147). This energy production has had devastating environmental consequences:

Chinese factories and power plants release nearly 600 tons of mercury into the atmosphere every year, along with 22.5 million tons of sulphur and an estimated 3.4 billion tons of carbon dioxide. By these measures, China is now the largest polluter in the world, contributing significantly to the layer of particulates, gases, and smoke that shrouds the planet. It is this layer that . . . many see as driving global warming. (Mursky 146-7).

This pollution has immediate impacts on the Chinese people, as respiratory illnesses kill nearly 600,000 Chinese people every year, with millions more suffering from formerly rare chronic respiratory conditions like asthma (Mursky 147-8).

Currency Manipulation

Because it controls the value of its currency more than other countries with large economies, the Chinese government has received criticism from its trading partners. In the last three years, Congress has introduced legislation twice, in 2007 and 2009, to address the issue. Though both attempts by Congress have been largely unsuccessful, *Bloomberg News* explains the frustration of American lawmakers in the lead-up to the 2007 legislation:

Ernest Preeg, a senior fellow at the Manufacturers Alliance . . . estimates that the value of the yuan, a denomination of the renminbi, is being deliberately held at 40 percent less than its fair market value against the dollar, giving Chinese goods a competitive advantage. John Engler, the president of the National Association of Manufacturers, said the administration had missed a chance to drain support from the legislation targeting China. “A citation for currency manipulation would have put China on notice that the U.S. government is serious about this,” said Engler, whose Washington-based organization is the largest U.S. group lobbying on behalf of factory owners, in a statement. “Economic history shows that severe currency misalignments, if not dealt with, could increase the dangers of protectionism.” (Drajem)

Historically, China has been quite defensive of the way it assigns value to the yuan, and attempts by the American government to urge China to allow the market to determine the yuan’s value have been met with little success.

The Future of American Economic Engagement With China

Opportunities to address many of the issues detailed above abound, and there is certainly no shortage of advocacy for these ideas. The United States-China Business Council lays out its 2009 policy recommendations to the United States federal government with this summary of a number of possible solutions:

In our contacts with Beijing, we should . . . [b]uild on the successful foundation of the first years of the Strategic Economic Dialogue. Whatever it might be called, there is no substitute for regular, high-level, forward-looking engagement between top-level economic, trade, and other officials on major issues such as energy, the environment, food and product safety, financial and currency policies, global economics, and open investment environments. (USCBC, “China and the U.S. Economy”)

Within the idea that the United States should increase economic engagement with China, there are a number of mechanisms that the government could utilize to forge stronger economic relations. Upon its establishment in 2006 by the Bush administration, the Treasury Department released a statement detailing the Strategic Economic Dialogue with China, along with the other government programs that deal directly with U.S.-Sino economic relations:

The discussion of long-term structural issues in the Strategic Economic Dialogue will provide a stronger foundation for pursuing concrete results through existing bilateral economic dialogues and ensuring citizens of both countries benefit fairly from the growing bilateral economic relationship. The new strategic dialogue will provide support and guidance for these existing bilateral economic forums, which

will remain essential to managing specialized aspects of the interdependent U.S.-China economic relationship. These high level discussions will enhance, not diminish these existing forums. Bilateral issues will continue to receive full attention, including pressing China for floating exchange rates, greater intellectual property rights, and increasing market access. Existing economic and related dialogues include:

- * The Joint Commission on Commerce and Trade (JCCT) between the U.S. Department of Commerce, the U.S. Trade Representative, and the Chinese Vice Premier responsible for trade.
- * The Joint Economic Committee between the U.S. Department of the Treasury and the Chinese Ministry of Finance.
- * Joint Commission on Science and Technology between the U.S. Director of the Office of Science and Technology Policy and the Chinese Ministry of Science and Technology.
- * The Economic Development and Reform Dialogue between the U.S. Department of State and China's National Development and Reform Commission.
- * The Energy Policy Dialogue between the U.S. Department of Energy and China's National Development and Reform Commission.
- * The Global Issues Forum led by the U.S. Department of State and China's Ministry of Foreign Affairs.
- * The Healthcare Forum between the U.S. Department of Health and Human Services and the Chinese Ministry of Health.
- * The Asia-Pacific Partnership on Clean Development and Climate, which brings together China, the United States, Australia, India, Japan, and Korea. (United States Department of the Treasury)

Resolutions

(Listed in order of preference.)

1. Resolved: The United States federal government should substantially increase economic engagement with the People's Republic of China.
2. Resolved: The United States federal government should establish a foreign policy to substantially increase economic engagement with the People's Republic of China.
3. Resolved: The United States federal government should substantially increase engagement with the People's Republic of China.
4. Resolved: The United States federal government should establish a foreign policy to substantially increase engagement with the People's Republic of China.
5. Resolved: The United States federal government should substantially increase engagement with the People's Republic of China in one or more of the following areas: trade, economy, environment, human rights.

Justifications For My Wording Choices

1. "Economic engagement" — This is a clear term of art used in foreign policy circles and by the United States federal government in reference to current policy towards China. The State Department specifically has a webpage under the Bureau of Economic, Energy, and Business Affairs that not only defines the term at length, but it also lists multiple solvency mechanisms and could serve as one of the definitive sources for this term (<http://www.state.gov/e/eeb/92986.htm>). I also like "economic engagement" from the sense that it limits the topic well without having to resort to a list topic. Since "economic engagement" involves diplomatic means that focus on economics, trade, the environment, and the like, it serves as a limiter on the topic without making the resolution wordy or messy.

By the same token, "engagement" is a widely accepted term in foreign policy topic circles that has clear definitions (again, mostly diplomatic and/or non-military aid based). The use of the word "engagement" without the "economic" qualifier would not wreck the topic at all; it would simply make it more broad and allow for military affirmatives to sneak their way in (without a list in the resolution, of course).

2. "establish a foreign policy to" — I'm not married to the idea that including "establish a foreign policy to" in the resolution makes it phenomenally better than a resolution absent those words. I know that it's been tradition to include the phrase in

international-focused resolutions to take care of effects topicality issues, but in this case, “economic engagement” and “engagement” are both terms that describe a specific policy. Where a resolution that reads “establish a foreign policy to substantially reduce pollution” seems to essentially need the phrase, I’m not persuaded that this resolution does. Ultimately, I will endorse what the committee decides, though leaving it out doesn’t seem to hurt the resolution from an effects topicality standpoint while making the resolution very clean and easy to understand.

3. “with” — The other prepositions that make sense here would be “to” or “towards,” and I don’t have a compelling reason why any of these is superior to the other. “With” just feels better. If the committee determines that “with” implies some sort of action on China’s part and that “towards” is better based on the clear burden it places on the USFG, then I have no objection.
4. “People’s Republic of China” - PRC is the country’s official name, and only putting “China” in the resolution allows teams to alter policies towards Taiwan, which calls itself the “Republic of China.”

Timeliness

As much of the literature suggests, now is a critical time to address the United States’ economic relationship with China. China relies on exports for growth, and the American consumer purchases Chinese goods at a record pace. As defended above, this relationship seems to be a crossroads since it is unsustainable. The time for the United States government to strengthen its economic ties with China so that both can mutually benefit is now.

Research And Access

A wealth of information exists on United States economic ties with China. Because China is has established itself, along with the United States, Japan, and the EU, as one of the world’s major economic players, research is readily accessible no matter the resources one has access to. In addition, there is ample literature available via government websites and free online journals.

China Summary, p. 1

Top Three Resolutions

1. Resolved: The United States federal government should substantially increase economic engagement with the People's Republic of China.
2. Resolved: The United States federal government should establish a foreign policy to substantially increase economic engagement with the People's Republic of China.
3. Resolved: The United States federal government should substantially increase its economic engagement towards the People's Republic of China.

Affirmative Case Areas

1. Develop Chinese Infrastructure — This group of cases would include choosing a particular industry or set of industries and helping the Chinese government modernize them. Specific IACs could include energy production, transportation (high speed rail, highway development, etc), telecommunication overhauls, and internet development.
2. Chinese Labor — This group of cases would address labor issues in China. Largely based on the actions of specific corporations, the USFG could model its actions based on specific examples, including the establishment of labor unions, the ability of Chinese workers to elect their own union representatives, worker education, protection of labor activists, and increased cooperation with the Chinese business community.
[Note: These ideas are largely taken from the Rossoff article listed in the Bibliography.]
3. Agriculture — This group of cases would aim to help Chinese agriculture in some way. Cases could include food safety, market creation, focusing on a specific agricultural commodity, reforestation, etc.
4. Energy Production — This group of cases would address China's growing need for more energy, preferably in a way that addresses its increasing reliance on dirty energy production like coal. Cases could include greener energy production via increased use of alternative energies like nuclear and wind power, or affirmatives could work to reduce the harm of current energy production through cleaner technology for fossil fuels or addressing emissions.
5. Trade — This group of cases would alter trade policies in some way. Since trade policies vary widely, this category captures a number of possible affirmatives. Examples would include lowering tariffs, creating bilateral trade agreements, conditioning trade on certain criteria, etc.
6. Direct Foreign Investment — This group of cases would focus on multinational corporations that invested in China. The United States government could encourage businesses to invest or create policies directly with China that increase investment.
7. Chinese Foreign Investment — This group of cases would address China's holding of foreign debt, most notably U.S. national debt. A primary case in this category could be the USFG purchasing back a large portion of the debt held by China.
8. Food Safety — This group of cases could increase quality control over consumable goods produced in China.

China Summary, p. 2

Negative Positions

1. Disadvantages - Economy, Business Confidence, Politics, Trade, Hegemony, North Korea, Human Rights, U.S.-Japan Relations, U.S.-India Relations
2. Counterplans - China, Other Countries (Japan, India, etc), International Actors (WTO, World Bank, UN, etc), Multilateral Engagement, Military Engagement, Protectionism/ Isolationism, Free Market, Consult Certain Countries or International Organizations
3. Kritiks - Capitalism/Marxism, International Relations Ks (including Feminist International Relations, Realism, etc), Orientalism, Human Rights, the usual suspects

Topic Balance

While the paper focuses on the bulk of literature that could be utilized by the affirmative, there are legitimate arguments from the left and the right as to why economic engagement would be bad. The affirmative can claim a wealth of economic advantages as well as advantages from increased relations with China. The negative, however, also has powerful weapons. The first is the negative's ability to counter the economy arguments. From the right side of the political spectrum, a number of economists argue that we need to decrease economic engagement with China in order to let the free market rule. There are also those that advocate protectionist policies that would hurt Chinese imports. On the left side of the political spectrum, increase engagement with China over economic matters seemingly ignores the egregious human rights violations there, including labor camps and the situation in Tibet. On the relations front, the negative is armed with the idea that diplomacy is a zero-sum game, and time invested with China trades off with key allies like Japan or India, which could have dire consequences.

Glossary

Economic Engagement

From the Department of State's website (URL in the Bibliography):

What is Total Economic Engagement?

Total Economic Engagement seeks to integrate and coordinate all U.S. economic instruments and programs into our regional and country strategies. The Bureau of Economic, Energy and Business Affairs' (EEB) broad cross-section of economic disciplines, interagency contacts, and expertise in such areas as trade, finance, energy, development, transportation, and telecommunications help ensure this coordination.

EEB is actively involved in the entire range of international economic issues affecting America's security and well-being. Our priorities extend from securing reliable, sustainable energy supplies to increasing market access for U.S. goods and services. Protection of American interests, such as intellectual property rights, fair play in international business, and shutting down terrorist access to financial networks, is not only part of our work, it is the foundation on which our efforts rest.

But promoting U.S. economic and security interests is not a short-term endeavor; dealing creatively with emerging markets and alleviating poverty are priorities that are even more important in the era of rapid globalization than they were in the wake of World War II.

To quote Franklin D. Roosevelt: "True individual freedom cannot exist without economic security and independence. People who are hungry and out of a job are the stuff of which dictatorships are made."

Poverty and political unrest walk hand-in-hand, and too many countries' economic situations offer little hope to their citizens. However, the economic landscape does not need to remain dormant. We believe, the crop of economic security, individual prosperity and political stability can be grown through total economic engagement.

Total economic engagement looks beyond the current practice of using financial development assistance as the only ox at the plow. We know that developing countries own the keys to their own economic success. Just as democracy relies on the educated and active common man, so a healthy economy rests on the liberated individual. Our goal, therefore, must be the creation of the right conditions for individual economic growth and success. We must cultivate conditions for private sector growth, investment and trade. This cannot be accomplished through Official Development Assistance (ODA) funds alone. Foreign assistance must support a developing country's own effort to improve their economic climate. Total economic engagement is putting all of the players to the same plow.

EEB is harnessing trade and economic policy formation, proper governance, and ODA activities together. The bureau also integrates the American individual. Working with U.S. citizen-partners participating in developing economies abroad is a key element of total economic engagement.

An accurate accounting of a nation's total engagement must include economic policies as well as, trade, remittances, and foreign direct investment. In these areas, the U.S. leads the world in total economic engagement with the developing world. The private donations of American citizens, military emergency aid and peacekeeping and government assistance provide the primary sources for development financing.

In all of EEB's endeavors with State regional bureaus, the White House, and other economic agencies (e.g., USTR, Treasury), we promote Total Economic Engagement as the standard for

assessing our country and regional economic strategies because we have seen that this holistic economic strategy delivers tangible results.

Contextual example of “economic engagement” as the opposite of “protectionism”

James Dorn, (Cato Institute), *Economic Engagement Makes Sense*. Retrieved July 27, 2009 from http://www.cato.org/pub_display.php?pub_id=6731.

The senators hope to revamp their bill after the new Congress is seated next year. The revised bill is unlikely to be as draconian as the first, but the rhetoric will no doubt be protectionist—threatening to impose tariffs on Chinese products if Beijing fails to allow the yuan to appreciate at a faster pace.

It is curious why the senators have persisted in their effort when they clearly know protectionist measures would impose a heavy tax on U.S. consumers (in the form of higher prices for Chinese-made goods), harm U.S. companies doing business in China, alienate reformers in Beijing, embolden hardliners, and invite retaliation.

Rather than listen to Senators Schumer and Graham, the new Congress would be wise to follow a policy of "long-term strategic economic engagement," as advocated by Secretary Paulson. Unlike the two senators, who have visited China only once, in March of this year, Mr. Paulson, former CEO of Goldman Sachs, has visited China many times and has a deep understanding of its financial markets.

In a major policy speech in Washington, just prior to his trip to Beijing last month, the secretary argued, "Protectionist policies do not work and the collateral damage from these policies is high." He also believes that increasing economic freedom in China will eventually lead to political reform, as it has in other countries. However, we should not expect this to happen overnight; patience is a virtue.

The important thing is to keep China moving in the direction of economic liberalism. The reason is simple, said Paulson: "Economic liberalization—with the interdependence and the growth that it brings—can play an important role in advancing the cause of peace and stability."

Although it is proper to criticize China for its human rights violations, its lack of a transparent legal system, and its violations of intellectual property rights, we should not ignore the substantial progress China has made since it embarked on economic liberalization in 1978.

Contextual example of “engagement” as the opposite of “containment”

Henry M. Paulson, Jr. (2008, Sept/Oct). Strengthening U.S.-China ties. *Foreign Affairs*. Retrieved July 26, 2008 from <http://www.foreignaffairs.com/articles/63567/henry-m-paulson-jr/a-strategic-economic-engagement>.

One of the first challenges the next U.S. president will face will be how to respond to China's emergence as a global power. Some people suggest that China is a threat that must be countered or contained. Others argue that its growth is an opportunity for the U.S. economy and that Washington should manage this rising power through engagement. I believe that engagement is the only path to success.

Contextual example of “economic engagement” as distinguished from “environmental engagement”

Rose, Andrew & Spiegel, Mark. (2008, May). Non-economic engagement and international exchange: The case of environmental treaties. *NBER Working Paper No. 13988*. Retrieved July 27, 2009 from <http://www.nber.org/papers/w13988>.

We examine the role of non-economic partnerships in promoting international economic exchange. Since far-sighted countries are more willing to join costly international partnerships such as environmental treaties, environmental engagement tends to encourage international lending. Countries with such non-economic partnerships also find it easier to engage in economic exchanges since they face the possibility that debt default might also spill over to hinder their non-economic relationships. We present a theoretical model of these ideas, and then verify their empirical importance using a bilateral cross-section of data on international cross-holdings of assets and environmental treaties. Our results support the notion that international environmental cooperation facilitates economic exchange.

“Economic Engagement” and other terms used to describe “the cultivation of economic ties”

Mastanduno, Michael. (Prof., Government, Dartmouth College). (2001, June). *Economic engagement strategies: Theory and practice*. Retrieved July 27, 2009 from polisci.osu.edu/faculty/bpollins/book/Mastanduno.pdf.

Under what circumstances does the cultivation of economic ties, i.e., the fostering of economic interdependence as a conscious state strategy, lead to important and predictable changes in the foreign policy behavior of a target state? Students of economic statecraft refer to this strategy variously as economic engagement, economic inducement, economic diplomacy, positive sanctions, positive economic linkage, or the use of economic “carrots” instead of sticks. Critics of the strategy call it economic appeasement.

Contextual example of “engagement” as the opposite of “confrontation”

Waltmeyer, Bob. (2006, Mar. 15). *Comprehensive engagement with China*. U.S. Army War College Strategic Research Project. Retrieved July 27, 2009 from <http://docs.google.com/gview?a=v&q=cache:Eer8MM2KeKMJ:handle.dtic.mil/100.2/ADA448717+%22economic+engagement+with+china%22&hl=en&gl=us>.

Understanding the significance of China’s rise and its implications for U.S. national interests is complicated by the conflicting views of U.S. policymakers toward China; “with one faction preaching engagement, the other confrontation.” The intensity of the debate has been fueled by proponents on both sides of the argument.

“Economic engagement” in relation to “legitimacy”

Lum, Thomas. (2006, Aug. 28). China’s trade with the United States and the world. Congressional Research Service Report. Retrieved July 27, 2009 from <http://74.125.47.132/search?q=cache%3AMOQSsBuWfsQJ%3Aitaly.usembassy.gov%2Fpdf%2Fother%2FRL31403.pdf+%22economic+engagement+with+china%22&hl=en&gl=us>.

U.S. economic engagement with China arguably contributes to the legitimacy of the socialist government and the strengthening of China’s military by facilitating general economic development.

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