

"BUY AMERICA"

Xinhua

As the "Buy America" provision raises alarms against trade protectionism among state leaders and economists, China said "no" to a similar plan that bans foreign products in domestic stimulus projects.

"We won't practice 'Buy China'," said Vice Commerce Minister Jiang Zengwei [recently] at a press conference. "We'll treat domestic and foreign products equally as long as they are needed."

The US Senate last week voted to soften, not remove, a provision in its roughly US\$900 billion stimulus plan that requires all public works projects funded by stimulus dollars to use only US-made iron and steel.

The provision has invited concerns from major trading partners of the United States, including Europe, Canada and Japan. Economists warned it could trigger trade wars.

"Why should we turn to trade protectionism under the current situation (of global financial crisis)?" said Jiang, noting that it's impossible to meet a country's demand with only domestic products in the course of globalization.

China must be wary of a possible protectionism, said Zhang Xiaoji, a foreign economic relations researcher at the Development Research Center of the State Council, a think tank under the Cabinet.

The country, which relies heavily on its exports, will suffer a heavy blow if trade protectionism gains influence in the face of deepening global crisis, said Zhang.

Exports, which account for about a third of China's total economic output, saw consecutive year-on-year declines in November and December as foreign orders dwindled.

"We should not only oppose trade protectionism in other countries but also support global trade ourselves," said Zhang, suggesting opening up domestic market wider as China's trade surplus remains large.

He told Xinhua China's own massive stimulus package will "certainly give a shot in the arm to the country's imports."

China unveiled a 4 trillion-yuan (US\$586) stimulus plan in November to boost domestic demand and prop up growth.

Chinese Premier Wen Jiabao said earlier this month the government will send a purchasing group to Europe for importing advanced equipment and technology.

During the week-long trip to Europe, he called on nations to guard against trade protectionism, saying China will not purposely seek a trade surplus.

With that move, China sent a clear signal of opposing trade protectionism and call for other countries to join the battle, said Zhang Yansheng, director of the International Economic Research Institute under the National Development and Reform Commission.

Major economies like China and the United States should take on the responsibility of making themselves examples of resisting trade protectionism, said Zhang Hanlin, head of the China Institute for WTO Studies with the University of International Business and Economics (UIBE).

"We'll buy your goods if you buy products from us," he said. "The bigger you are, the heavier the duty you have."

Trade protectionism seems to protect domestic industries and jobs but actually hurts the interests of every country, said Zhang Xiaoji.

"It's a double-edged sword," he said. "While exporters suffer from restrictions, consumers in the importing country will be forced to buy more expensive domestically made goods."

Moreover, impeded international trade could risk prolonging the spreading economic woes, as proved by history, he said.

In the 1930s, sweeping trade wars sharply slashed international trade and contributed heavily to the decade-long Great Depression, as most economists have concluded.

The worldwide protectionist tide was triggered by the US Smoot-Hawley act in 1930 that raised tariffs on foreign imports by an average of 20 percent.

"In logical thinking, such a huge mistake will not be repeated, " said Zhang Xiaoji. "But today's world trade rules are not perfect... Politicians can easily turn to protectionism in the wake of rising unemployment amid deepening crisis."

In Spain, authorities started in November to pay lump-sum unemployment benefits to immigrants who went home and stayed away for three years.

Late in January, thousands of people went on strike across Britain over the use of foreign labor.

Despite signs of protectionism in some countries, things are unlikely to lead to trade wars, said UIBE trade expert Zhang Junsheng.

He said the World Trade Organization rules out the possibility of tariff hikes and state leaders will be more careful to avoid trade wars.

When meeting in Davos last month, leaders from Britain, Mexico, the Republic of Korea and South Africa called for a resumption of stalled free trade talks to combat a dangerous turn to protectionism.

Mei Xinyu, an MOC trade expert, predicted a trend of protectionism will last for a certain period, advising the Chinese government to actively strive for fair treatment for its own industries.

That could be done by immediately reviewing whether China's trading partners have breached the WTO rules, said Mei. He also suggested applying anti-dumping and anti-subsidy duties appropriately. □□□

[Source : News From China, February, 2009]