

Suggestions on the Future Sino-US Economic and Trade Relations and the Reasons

Wei Jingsheng's Statement at the CECC hearing on December 7, 2016

When Donald Trump becomes president of the USA, he is planning to abolish the TPP and began a trade war with China in order to save the US economy. Some people say that this is a disaster, I would say that this is the right way that should have started even earlier. The reality after sixteen years well explain my position: granting China permanent MFN status, that is PNTR, was a huge mistake. It did not promote the development of the US economy, but was a blood transfusion from the USA to the Chinese economy. It gave China the opportunity to engage in trade war with the United States.

The reason is as follows. The so-called free trade, refers to a unified law based on the domestic market, thus allowing free trade. Such free trade can be carried out normally between countries with similar legal systems. There cannot be normal free trade between countries with completely different legal systems.

For example, after trade with China liberated, there were two main problems: one was cheap labor, one was its uncertain laws that always change.

Since Chinese law does not guarantee human rights, it is able to keep labor prices at a very low level. This has led to the relocation of US companies to foreign countries, while also allows Chinese goods entering the US market with low prices, resulting in unfair competition. It is an important cause of unemployment in the United States.

China's precarious legal system creates serious non-tariff barriers. Any local government can develop their own laws and regulations, without the need to implement the signed treaties and agreements between the Chinese central government and foreign countries. So they can actually close their targeted import market. Coupled with the manipulation of the currency by the Chinese central government, these actions increased exports and created a huge trade surplus for China. This is an important reason causing the economic recession in the USA.

Some people say: for the USA, fighting a trade war with China will end in defeat, at best a lose-lose result. I think such statements are to confuse the US policy makers. I think the USA will win this trade war, while China can only succumb to the rules developed by the United States, otherwise it will accelerate the collapse of the Chinese Communist regime. My reasons are as follows.

First: Now the vast majority of goods are in the buyers' markets. The United States holds the markets, thus it has the power to develop rules, instead of forcing itself to comply with that so-called global free trade rule that cannot be enforced. The United States can formulate its own fair trade rules, to replace the invalid so-called free trade rules.

Second: The Chinese domestic market is narrow and cannot afford the disaster of losing the US market. So China can only compromise on the rules thus to protect part of the market share.

Third: In the past, due to over-expansion of export production of shoddy goods, the quality of Chinese enterprises is very poor. In order to adapt to a fair market in the competition, Chinese companies must quickly upgrade. Thus there will be a great demand for technology and services from the United States to open up the import market in the USA. This will help expand US exports and reduce its trade deficit with China.

Fourth: After improving human rights in China, the income of the Chinese working class will increase, therefore the domestic consumer market will expand. This expansion would benefit US exporters after fair trade, thereby reducing the US trade deficit and even eliminating it.

So I think that the USA will win this trade war, and in the long run will also be beneficial to the economic normalization in China. China must accept and should accept it.

Thank you!