



## Should China Stop Buying From Michigan?

### State's favorite political punching bag is one of its best customers

By TOM GANTERT | Oct. 15, 2010

China has become the political bogeyman during in elections in Michigan.

Democratic candidate Virg Bernero as well as Congressman Mark Schauer have both used the country as a dig at their opponents.

Yet, James Hohman of the Mackinac Center for Public Policy says what is being ignored is the good that trade with China has done for the state of Michigan.

According to Hohman's research:

- The Chinese now buy more Michigan products than France and the United Kingdom combined. China is behind only Canada and Mexico as a market for Michigan goods.
- This has been a recent development. In 2000, China had only purchased \$212 million in Michigan products. This grew to \$1.3 billion in 2009. Michigan is on pace to export more than \$2 billion this year.
- Michigan is surpassing national growth rates in trade to China. Total U.S. exports to China rose 35.7 percent for the first half of the year, and Michigan's exports to China rose by 120 percent. Since 2000, total U.S. exports to China rose by 326 percent, while Michigan's exports to China grew by 530 percent.

"How many other economic trends has Michigan beaten the national average? I can't think of any," wrote Hohman, a fiscal policy analyst, in an e-mail. "Politicians love playing on people's fears that their jobs will disappear to low-wage China. But the exponential growth of exports to China shows that Michigan firms are able to compete and thrive in the world marketplace. Trade with China, in fact, has been one of the few things going right in the state economy."

Yet, Schauer has campaigned on the state of Michigan losing 67,800 jobs including 4,700 in the 7th Congressional district, due to unfair trade with China. Schauer is up against GOP candidate and former Congressman Tim Walberg.

"For years we have watched our country's trade deficit with China grow due to unfair practices like currency manipulation, and this bill will force China to play by the rules," said a Schauer press release announcing new trade regulation. "It's time we stopped shipping our jobs overseas, and I'm committed to helping American businesses and manufacturers create jobs here at home for our workers, not workers in China. China has a long history of suppressing the value of its currency to make exports cheaper than they would be if it allowed its currency to be set by the market."

Doug Bandow, senior fellow at the Cato Institute, specializes in foreign policy. He said that no one knows the "right" value of currency.

"It seems strange for a policymaker to argue that it would be better for Americans to pay more for everything they buy from China. I doubt many people would complain if OPEC was selling oil extra cheap. The fact that the Chinese government may be hurting its own people is no reason for the U.S. government to hurt American consumers. Our economy will grow faster and produce more jobs if we take advantage of the mistakes of other nations rather than let U.S. politicians arbitrarily intervene for their own electoral advantage. China long has been a major supplier of U.S. markets. As it grows in wealth, China is becoming an increasingly important market for U.S. products. Michigan is one of the beneficiaries of growing Chinese demand. In this way trade is demonstrating yet again that it is an important job-creator for Americans."

While running for governor, Bernero has tried to use his opponent Rick Snyder's ties with China against him.

Bernero has attacked Snyder for a company he invested in opening up an office in China.

"Who's side is Rick Snyder on?" a Bernero press release stated.

Anthony Randazzo, director of economic research for the Reason Foundation, said in an e-mail that Michigan was built on exporting cars throughout the country and that the world and politics shouldn't stand in the way of Michigan returning to the growth model.

"In an economy where housing will be slumping for the next several years and consumers are more focused on paying down debt than returning to their free spending ways of the past decade, the biggest bright spot is the potential of increased exports," Randazzo said. "There is not a lot of investment in the U.S. economy today because banks and private equity are facing a mountain of new regulatory requirements and the threat of increased taxes. But investors are willing to open up their vaults to good ideas. The more Michigan businesses focus on expanding their exports, and are able to demonstrate growing foreign demand, the more cash will flow into the Wolverine State. Michigan is a state that was built on exporting cars across state lines throughout the country and then the world."

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