
US gains more from trade

By Cui Peng (China Daily)

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China's economic growth and structural transformation will create tremendous opportunities for American businesses

China has become a profit center for enterprises from the United States. Statistics from the Ministry of Commerce of China indicate that by the end of 2010, US companies had invested \$65.22 billion in more than 59,000 projects in China.

According to the 2010 report of the American Chamber of Commerce in China (AmCham-China), 71 percent of US companies in China made a profit in 2009 and for 46 percent of the companies surveyed, the profits from the Chinese market were higher than their global average.

All of the 100 service fields that the Chinese government promised to open up 10 years ago on joining the World Trade Organization have seen investment by US companies.

China is now the second largest trade partner of the US, as well as the fastest growing market for US exports.

The latest data released by the General Administration of Customs of China shows that the trade value between China and the US reached \$385.34 billion in 2010, a nearly 30 percent year-on-year growth, of which \$102.04 billion was imports from the US, an increase of 31.70 percent year-on-year. US manufacturing and agriculture registered a 330 percent rise in exports to China, and China was the largest overseas market for US soybean and cotton and one of the most important markets for US automobiles and airplanes.

The US actually benefits from its commercial cooperation with China. Consumer goods made in China expand the choice for US consumers, especially the middle and lower classes, which is why the US government can still maintain a low inflation rate even with the pressure of huge deficits.

Morgan Stanley's research suggests that buying made-in-China goods saved each US consumer more than \$300 on average in 2009. Research by the United States-China Business Council (USCBC) shows the US yielded 0.7 percent more GDP growth from its increased investments in China in 2010 and its consumer prices dropped 0.8 percent as a result. It means the disposable income of each US family increased by about \$1,000 last year.

The US Secretary of Commerce Gary Faye Locke said in his speech at USCBC in January 2010, that each 1 percent increase in US exports to Asia could result in 100,000 more jobs in the US. This would mean that the increase in US exports to China from 2001 to 2008 created 2.57 million jobs in the US.

Chinese enterprises' direct investments in the US have also increased steadily in recent years, making great contributions to the local employment market. For example, Haier Group, the largest household appliance manufacturer in China, has created thousands of jobs in the US since its industrial park was constructed in the city of Camden in South Carolina in 1999.

China held \$906.80 billion in US Treasury bonds by October 2010 despite the global financial crisis. Rather than dumping the bonds, China increased its holdings, which effectively promoted the stability and liquidity of the US market and played an important role in easing its credit deflation.

The development of Sino-US commercial cooperation is a natural result of the deepening of the global labor division system. In this process, the strengths of the US in management, technology, capital and innovation have been consolidated by means of Chinese labor and the huge market in China. Partnering with China undoubtedly creates better conditions for the US to divert its industries toward high value-added fields.

China's controversial trade surplus with the US doesn't mean that US interests are harmed. A 2010 report by the Cato Institute, a Washington-based think tank, points out that it is the US that benefits the most from Sino-US trade. For example, Chinese manufacturers only make \$4 from each iPod made in China, which retails for \$299 in developed countries.

As for the heated debate over the valuation of yuan, China's surplus in its trade with the US increased considerably from 2005 to 2008, during which the yuan appreciated by 21.2 percent.

US protectionism is another nagging problem affecting Sino-US trade, and one that also hurts the US. The US government levied a special protectionist tariff on tires imported from China in 2009. The US tire industry lost 10 percent of its jobs in the first five months of 2010.

If it lifted its ban on high-tech exports to China, the US would benefit. China's imports of high-tech products jumped from \$64 billion to \$309.85 billion from 2001 to 2009, with an average annual increase of 48 percent. However, the US proportion of China's high-tech imports dropped from 18.30 percent in 2001 to 7.5 percent in 2009.

China and the US are complementary, which provides Sino-US commercial cooperation with a solid foundation of mutual benefits. China's opening-up and reform during its 12th Five-Year Plan (2011-2015) period not only entails a broad structural transformation, it will also release tremendous capital and consumption space for US enterprises.

A healthy and constructive Sino-US commercial partnership is necessary for stronger bilateral ties and, more importantly, crucial for a robust global economic recovery and sustainable world development.

The author is a People's Daily reporter. The article was carried by People's Daily on Monday.