

CHINADAILY

Obama and Romney indulge in debatable accusations

US presidential campaign again targets China, Chen Weihua reports in New York.

By Chen Weihua - Updated: 2012-10-18 02:24

When President Barack Obama and Republican challenger Mitt Romney faced off in the second presidential debate on Tuesday, both grabbed every opportunity to display a tough stance on China.

China was mentioned dozens of times during the 90-minute debate, with questions from the audience covering both domestic and foreign policy, ranging from jobs, taxes and immigration to energy, gun control and equal opportunities for women.

Only the first reference to China, by Obama, was positive, when the president accused Romney of not having a clean-energy plan.

"China and Germany are making these investments (in clean energy)," said Obama, who appeared much more aggressive and confident than during his performance in the first debate.

In outlining his five-point economic plan, Romney said he will expand trade with Latin America, "cracking down on China when they cheat." The presidential hopeful has used those words repeatedly during the campaign.

"I will crack down on China. President Bush didn't," said Romney, in answer to a question on the differences between himself and Obama's predecessor George W. Bush.

Obama hit back immediately: "When he talks about getting tough on China, keep in mind that Governor Romney invested in companies that were pioneers in outsourcing to China. Governor, you are the last person who's going to be tough on China."

The president then touted his tough stand on China, saying that his administration has brought twice as many cases against alleged unfair trade practices than the previous administration. "We won every single one that has been decided," he said.

Obama then blasted Romney for calling him a "protectionist" after the imposition of punitive tariffs on Chinese tires more than two years ago. "We saved thousands of jobs," he said.

However, the president didn't mention that the cost of tires has risen since the tariffs were introduced.

Romney refuted Obama's allegations that he has invested in Chinese companies. He said many of his investments have been managed by blind trusts during the past eight years. "Mr. President, have you looked at your pension? You also have investments in Chinese companies, investments outside the United States," said Romney.

The fiercest attacks on China came when both candidates were asked about outsourcing of US jobs.

While saying China is now the world's largest manufacturing nation, a position formerly held by the US, Romney said that when the US trades with other nations, it has to ensure that those nations play by the rules.

"And China hasn't," he said, accusing China of artificially undervaluing the yuan.

"China has been a currency manipulator for years and years. And the president has had regular opportunities to label China as a currency manipulator, but he refuses to do so," said Romney.

"On Day One, I will label China a currency manipulator, which will allow me as president to be able to put in place, if necessary, tariffs where I believe that they are taking unfair advantage of our manufacturers," Romney said.

"China has been cheating over the years. One, by holding down the value of their currency and two, by stealing our intellectual property — our designs, our patents, our technology," said the former Massachusetts governor.

"There's even an Apple store in China that's a counterfeit Apple store, selling counterfeit goods. They hack into our computers," claimed Romney.

Obama argued that, under the pressure from his administration, the Chinese currency actually has risen 11 percent. "We have put unprecedented trade pressure on China, that's why exports have significantly increased during my presidency," he said.

"Currency manipulator"

The frequency with which China was mentioned may have surprised those watching and listening to the debate, but the subject has engaged both candidates since the start of the campaign.

During a debate in New Hampshire 12 months ago, Romney claimed that he would sign an executive order on his first day in office, identifying China as a currency manipulator.

But that stance was criticized by Romney's fellow Republican, the former US ambassador to China, Jon Huntsman, who said he did not subscribe to Romney's view on international trade. "I don't want to find us in a trade war," he said.

The Chinese currency is now only undervalued by about 7 percent, compared with the 40 percent figure suggested two years ago, according to a report from the Peterson Institute for International Economics in Washington four months ago.

With China's currency rising by 30 percent since 2005 and the narrowing current account surplus, experts believe it does not make sense to pressure China for greater appreciation.

On Friday, the US Treasury Department delayed its report on the exchange rate policies of its trading partners until after a meeting of G20 finance ministers and central bank leaders next month.

While Romney and his running mate Paul Ryan took the opportunity to attack Obama's policy on the yuan during weekend campaigning in Ohio, some US companies, such as GE and Caterpillar, have been overwhelmingly supportive of Obama's decision not to label China a currency manipulator.

Even Marco Rubio, the Republican Senator from Florida who introduced Romney at the Republican National Convention in August, told Bloomberg News on Tuesday that he does not think it would be a good idea for Romney to label China a currency manipulator. "It could kick off a trade war that would be bad for the economy," he said.

China is now the fastest-growing export market for the US and its third-largest export market, trailing only Canada and Mexico.

Some experts said that while a large number of observers don't expect Romney to keep his promise if elected, some were concerned that he may be forced to do so to avoid attacks for breaking his promise.

Richard Bush, director of the Center for Northeast Asian Policy Studies at the Brookings Institution, said Romney will back off from the campaign pledge if he is elected.

Sun Zhe, director of the center for US-China relations at Tsinghua University, said Romney had taken "an extreme stance" toward China in the debate, which was "irresponsible" and would not work in practice, but might gain some votes.

"Neither Obama nor Romney will fulfill their campaign promises (on China) once elected, or there would be a trade war that would hurt both sides," said Guo Xiangang, a researcher into US studies at the China Institute of International Studies.

Negative campaigning

The showdown over who will be tougher on China mirrors countless campaign ads aired across the US during the last six months, especially in swing states such as Ohio, North Carolina and Florida.

China was the focus of 10 district ads from both Obama and Romney, according to the Campaign Media Analysis Group at Kantar Media. The ads ran 47,190 times over a 30-day period, ending Oct 8.

The seven Romney ads that mentioned China were broadcast 29,317 times, while Obama's three ads on China were broadcast 17,873 times. In them, Romney was accused of funneling US jobs to China through Bain Capital, the private-equity outfit that he co-founded in 1984.

Romney's ads repeatedly referred to China as a cheat. In one, called "Stand up to China," it was alleged that, "China is stealing American ideas and technology. Seven times Obama could have taken action, seven times he said no. His policies cost us 2 million jobs."

The belligerent campaign rhetoric has caused concern among some observers of US-China relations, regarded by many as the most important bilateral relationship of the 21st century.

"We must ask our leaders to abandon the campaign rhetoric and focus instead on a future of shared prosperity and cooperation," said Steve Orlins, president of the National Committee on United States-China Relations, at the committee's annual gala on Oct 8.

Henry Kissinger, a former secretary of state, who endorsed Romney, said on Oct 3 that he was "bothered" that both campaigns are "appealing to those suspicious of China" in order to win votes. The architect of modern Sino-US relations also criticized the candidates for using "extremely deplorable" language in describing China as a cheat.

"The sort of China-bashing in the presidential contest may be the strongest since the two countries began to restore ties in 1972. One reason is that China's greater economic clout stands out even more during the longest American downturn since the Great Depression," according to an editorial in the Christian Science Monitor.

Sun said frictions between the two countries, including the exchange rate issue and the protection of intellectual property, have increased as economic ties grow closer and more intertwined.

"These problems can only be resolved through dialogue and negotiation," he said.

China has actually helped to sustain political stability in the US, said Sun, adding that inexpensive Chinese exports have benefited the poor in the US.

Outsourcing

With US unemployment at more than 8 percent, the candidates have accused each other of outsourcing jobs to China.

Obama has repeatedly attacked Bain Capital as a pioneer of outsourcing, while Romney blames Obama for sending millions of jobs to China and India during the past four years.

Michael Tanner, a senior fellow at the Cato Institute in Washington, said there will be less negative talk about outsourcing after the election. "I think they know outsourcing is inevitable. No one can stop it. This (stance) is mostly for election consumption," he said.

"We can't and shouldn't try to keep jobs that are not cost-effective in the United States. In China, some jobs are going to cheaper countries such as Vietnam," he added in response to Obama's campaign promise to give tax breaks to US companies that keep jobs at home.

Meanwhile, Jagdish Bhagwati, professor of economics and law at Columbia University, has repeatedly criticized Obama's outsourcing rhetoric. "The United States under the Obama administration has clearly shown that it's open to protectionism," he said.

"He (Obama) is beginning to sound like Lou Dobbs," said Bhagwati, referring to the Fox Business Network host known for his on-air rants against US companies that outsource jobs.

Positive notes

While US politicians have often criticized China for stealing jobs, a recent study by Rhodium Group in New York showed that the 600 Chinese direct investment transactions made in the US between 2000 and 2012 support 27,000 jobs today compared with 10,000 five years ago. And the figure does not include indirect job creation or the jobs created by US companies with minority Chinese investment.

The report also predicted that if the US can attract \$150 billion of Chinese outbound foreign direct investment by 2020, 300,000 US citizens will be on the payroll of Sino-US affiliates. Rhodium expects total Chinese outbound FDI to hit \$1 trillion to \$2 trillion by 2020.

Japanese companies created very few jobs for US citizens in the 1980s, but now they employ 700,000, according to the report.

Meanwhile at a local level, US state governors and city mayors have been pragmatic, making frequent visits to China to court investment.

Michael Bell, the mayor of Toledo, Ohio, one of the election's key battleground states, said recently that he sees advantages in the relationships Toledo is building with China.

"Last weekend I was in Chicago, I was watching the city of Wuhan making business deals with Chicago. And I'm watching other places throughout the United States creating businesses with China," he said.

Meanwhile, Steve Orlins believed the US election and China's 18th Party Congress, both scheduled for early November, will present the leaders of both countries with a unique opportunity to reset the bilateral relationship, by focusing on solutions rather than the legacy of 20th century conflict.

"We must ask our leaders to abandon the campaign rhetoric and focus instead on a future of shared prosperity and cooperation," he said.

Contact the reporter at chenweihua@chinadaily.com.cn

Tan Yingzi in Washington, Ariel Tung in New York, Deng Zhangyu and Cheng Guangjin in Beijing contributed to this story.