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By Stefanie Klaves

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Negative Brief: Combat Chinese Mercantilism

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NEGATIVE PHILOSOPHY / OPENING QUOTES

Instead of bashing China, we should look for olive branches

*Daniel J. Ikenson* 2012. (director of *Cato’s Herbert A. Stiefel Center for Trade Policy Studies*, where he coordinates and conducts research on all manners of international trade and investment policy; MA in economics from George Washington Univ.) 5 March 2012 Policy Priority One: Averting a U.S.-China “Trade War” <http://www.cato.org/publications/free-trade-bulletin/trade-policy-priority-one-averting-uschina-trade-warTrade>

Even though China-bashing polls well, responsible policymakers should be looking beyond the politics to find bridges, olive branches, and solutions that remind people in both countries of the importance and mutual benefits of the relationship. Gestures of goodwill could go a long way toward stopping and reversing the recent deterioration of relations.

INHERENCY

US policy of peaceful engagement with China has worked well

James A. Dorn 2007. (is Vice President for Monetary Studies at the Cato Institute, Editor of the Cato Journal, and Professor of Economics at Towson University. Dr. Dorn received his Ph.D. in economics from the University of Virginia.) 22 May 2007 Slouching Towards Mercantilism <http://www.cato.org/publications/commentary/slouching-toward-mercantilism>

The U.S. policy of engagement has worked relatively well, as has China’s policy of “peaceful development.” It will take time for China to meet all its WTO obligations. Much progress has been made on market access and rules-based issues, but much remains to be done on enforcing intellectual property rights. The need to preserve “an open communication” among all nations is still of vital importance. When Secretary Paulson meets with Vice Premier Wu Yi and the Chinese trade delegation in Washington for the next round of the Strategic Economic Dialogue, he should emphasize the basic principles of unilateral free trade and not get entangled in the false logic of mercantilism.

Policy of forcing technology transfers was officially abolished after backlash

Mukul Raheja 2014. (Research Associate at the Delhi Policy Group, New Delhi; Bachelor of Technology from Apeejay College; Business Analytics, Certificate Programme in Business Analytics for Executives from Indian Institute of Management, Lucknow) 17 May 2014 The Phenomenon of ‘Technology Transfer’: Lessons from China <http://stsfor.org/content/phenomenon-technology-transfer-lessons-china>

China has a very unwavering approach towards technology transfer, which is actively enabled by the government. The government uses tactics like preferential treatment if the foreign companies are willing to play by the government rules on technology transfer, and threat of inaccessibility as well as exclusion if foreign companies are unwilling. These aspects set China apart from the previous Asian economic development stories. The 2006 'Medium and Long-Term Plan for Science and Technology Development (MLP)' issued by China's State Council, was one of the examples for the use of state coercion in obtaining technology transfer. According to the MLP, if foreign companies wanted to compete for government contracts and subsidies promoted under indigenous innovation policies, they had to transfer their proprietary technology and intellectual property to their Chinese partners. These policies led to a backlash from foreign governments and companies because they gave Chinese companies an undue advantage. In 2011, under mounting pressure from foreign companies, governments, and trade lobbies, the policy of "forcing" foreign companies to transfer their intellectual property to Chinese companies in order to bid for government contracts was officially abolished.

Chinese government has committed to reform and says it won’t require tech transfers for market access

Bloomberg Business 2012. (is a weekly business magazine created to provide information and interpretation about what was happening in the business world.) 9 February 2012 China Won’t Force Technology Transfers, Commerce Minister Says <http://www.bloomberg.com/news/articles/2012-02-09/china-won-t-force-technology-transfers-commerce-minister-says>

“The Chinese government is committed to the policy of reform and opening up and welcomes and encourages, as always, foreign investment,” Chen said in a written response to questions from Bloomberg News. “Technology transfer and technology cooperation shall be decided by businesses independently and will not be used by the Chinese government as a pre-condition for market access.” The U.S. and other Chinese trading partners have increased criticism of the nation’s investment policies. President Barack Obama said in his State of the Union address last month that he will create a trade enforcement unit to investigate unfair trade practices in countries including China. Restrictions and “interventionist policies” on issues such as intellectual property rights remain a concern for American companies operating in China, Claire Reade, the U.S. trade official in charge of China affairs, said in December testimony to Congress.

US has already filed two WTO cases against China on IPRs

*Gary Clyde Hufbauer* 2007. (Reginald Jones Senior Fellow, was formerly the Maurice Greenberg Chair and Director of Studies at the Council on Foreign Relations, the Marcus Wallenberg Professor of International Finance Diplomacy at Georgetown University, senior fellow at the Institute, deputy director of the International Law Institute at Georgetown University; deputy assistant secretary for international trade and investment policy of the US Treasury; and director of the international tax staff at the Treasury, May 2, 2007 Three US-China Trade Disputes <http://www.iie.com/publications/papers/print.cfm?ResearchId=749&doc=pub>

WTO Intellectual Property Rights Cases Description. In April 2007, the USTR announced the filing of two WTO cases against China (consultations are the initial step; see the description of the *Subsidies* case for the WTO timeline).6 The first case involves Chinese restrictions on market access for publications and audio/video products. These restrictions are claimed to violate China’s Accession Protocol to the WTO, and its national treatment obligation. The United States argues that China’s continued reservation of the right to import publications and audio/video products to state trading enterprises is at odds with China’s WTO Accession Protocol. The United States also claims that China restricts the right of foreign companies to distribute these products within China, through measures that favor state-owned enterprises, in violation of the national treatment principle under GATS. The second case centers on alleged deficiencies in China’s IPR regime. While the underlying complaint is weak enforcement of IPR, the US claims are expressed in terms of shortcomings in China’s legal regime. The United States asserts that, in its details, the Chinese regime does not meet the obligations of the Agreement on Trade-Related Aspects of Intellectual Property Rights (TRIPS). The United States argues that the quantitative threshold which must be met in order to initiate criminal prosecutions of IPR infringement allows large scale piracy and counterfeiting by street vendors. The United States argues that Chinese rules allow the disposal of infringing goods through normal market channels, to the detriment of the IPR holder. The United States claims that China denies copyright protection to imported works awaiting censorship review, and that these are often pirated during the waiting period. The United States claims that Chinese law in certain cases does not prosecute unauthorized reproduction of copyrighted works unless reproduction is accompanied by unauthorized distribution.

US won the WTO dispute on Chinese IPR violations

Office of the US Trade Representative 2009. (is the United States government agency responsible for developing and recommending United States trade policy to the president of the United States, conducting trade negotiations at bilateral and multilateral levels, and coordinating trade policy) 2009 United States Wins WTO Dispute Over Deficiencies in China's Intellectual Property Rights Laws <https://ustr.gov/about-us/policy-offices/press-office/press-releases/2009/january/united-states-wins-wto-dispute-over-deficiencies-c>

Acting U.S. Trade Representative Peter Allgeier announced today that a World Trade Organization (WTO) dispute settlement panel has found important aspects of China's intellectual property rights (IPR) regime to be inconsistent with China's obligations under the WTO Agreement on Trade-Related Aspects of Intellectual Property Rights (TRIPS Agreement). The United States brought claims against China because of serious concerns about several shortcomings in China's legal regime for protecting and enforcing copyrights and trademarks on a wide range of products. "Today, a WTO panel found that a number of deficiencies in China's IPR regime are incompatible with its WTO obligations," Ambassador Allgeier said. "These findings are an important victory, because they confirm the importance of IPR protection and enforcement, and clarify key enforcement provisions of the TRIPS Agreement. Having achieved this significant legal ruling, we will engage vigorously with China on appropriate corrective actions to ensure that U.S. rights holders obtain the benefits of this decision." Allgeier added, "We are pleased that the Panel found that China's denial of copyright protection to works that do not meet China's 'content review' standards is impermissible under the TRIPS Agreement. Additionally, we are pleased that the Panel found it impermissible for China to provide for simple removal of an infringing trademark as the only precondition for the sale at public auction of counterfeit goods seized by Chinese customs authorities.”

US already targets China with many WTO disputes

Ka Zeng 2013. (is Professor of Political Science and Director of Asian Studies at the University of Arkansas. Her research focuses on China's role in the international political economy.) 7 February 2013 China, America, and the WTO <http://thediplomat.com/2013/02/china-america-and-the-wto/>

Since its WTO accession, China has been the target of 29 WTO disputes initiated by its trading partners, with the United States accounting for the lion’s share of these cases. The Chinese measures being challenged by the United States include semiconductors, auto parts, intellectual property rights, trading rights and distribution services for certain products, grants and loans and, more recently, wind power equipment, renewable energy, and access to resources. Many of these cases involve the Chinese government supporting domestic enterprises through tariffs, subsidies, grants, refunds, and exemptions from taxes that either provided an unfair advantage to Chinese exporters, or restricted foreign market access in China.

China revolutionizes judicial system by establishing IPR courts

Bloomberg Business 2014. (is a weekly business magazine created to provide information and interpretation about what was happening in the business world.) 3 November 2014 China Opens Intellectual Property Courts To Improve Image <http://www.bloomberg.com/news/articles/2014-11-03/china-opens-intellectual-property-courts-to-improve-image>

China will set up its first specialized court to handle intellectual property cases in Beijing within two weeks as it seeks to answer criticisms the country is lax in protecting such rights. Courts dedicated to handling such trials on patents, trademarks and computer software issues will also be set up before the end of the year in two other major Chinese cities, Shanghai and southern Guangzhou, Wang Chuang, the deputy presiding judge with the IP division of China’s Supreme Court, said at a briefing today. “This will be an important revolution of the country’s judicial system to deal with IP-related cases,” Wang said. It’s also “a step to promote the development of China’s emerging industries,” he said.

IP rights in China are improving thanks to the growing awareness of the issue

Giovanni Guglielmetti 2015. (partner and head of the intellectual and industrial property law department at Bonelli Erede Pappalardo.) 2015 IP in China: Signs of improvement <http://www.worldipreview.com/article/ip-in-china-signs-of-improvement>

China has always been seen as a country that provides limited protection of intellectual property rights. Despite the Chinese government’s increased efforts in recent years to protect IP, damages awarded remain low and piracy and counterfeiting remain high, as does the re-offending rate. Moreover, the judicial system still suffers from inefficiency and corruption. Consequently, companies—luxury brands in particular—encounter problems in enforcing their IP and have difficulty obtaining measures against increasingly sophisticated and organised counterfeiters. Fortunately, however, the situation shows signs of improving thanks to the growing awareness of the issue, with recent successes in combating counterfeiting after collaboration with the authorities. These successes include an increase in customs seizures, following the improvement of the recording system for IP right holders and training provided by them to customs officers. Administrative enforcement, such as raids by the Administration for Industry and Commerce, have resulted in positive outcomes for brand owners. Brands are also collaborating more and more with local businesses, especially e-commerce providers, thereby helping luxury brands to develop IP protection and remove fakes from auction sites connected to large counterfeiters. Important changes to the Chinese IP system have also been introduced, starting with the reform of the trademark law in April 2014 and followed by the establishment of a specialised IP court in December, with more to follow.

HARMS / SIGNIFICANCE

China’s not a monolithic economic rival: American companies are more likely to be collaborators than competitors

Daniel Griswold 2011. (director of the Cato Institute's Center for Trade Policy Studies; master's degree in Politics of the World Economy from the London School of Economics) 26 January 2011 U.S.-China Trade a Collaborative Effort <http://www.cato.org/publications/commentary/uschina-trade-collaborative-effort>

Despite the trade-war rhetoric we heard last week, it’s a mistake to see China as a monolithic economic rival to the United States. While certain U.S. companies do compete head to head with producers in China, the reality is that producers in both countries occupy different locations in an increasingly complex global supply chain. U.S. companies are more likely to be collaborators than competitors with producers in China. This is true not just for U.S. companies but for firms throughout East Asia. The story of the past two decades is that companies in Japan, South Korea, Taiwan and elsewhere have been slicing up their own supply chains, basing their lower-end, labor-intensive operations in China while retaining production of higher-end components and services in their home markets.

China has made significant progress; US businesses are making money in China

Dr. James A. Dorn 2007. (is Vice President for Monetary Studies at the Cato Institute, Editor of the Cato Journal, and Professor of Economics at Towson University. Dr. Dorn received his Ph.D. in economics from the University of Virginia.) 22 May 2007 Slouching Towards Mercantilism <http://www.nationalreview.com/article/221019/slouching-toward-mercantilism-james-dorn>

All the protectionist hyperbole diverts attention from those simple principles and ignores the significant progress China has made in its transition from plan to market. The Chinese people now have greater economic and pesonal freedom, and foreign trade has substantially increased the range of individual choices. The simple truth is that no one is forced to trade with China. As Bo Xilai, the minister of commerce, noted in responding to U.S. protectionist threats, “If they [American businesses] could not make money doing business with China, they would not have been doing it.”

Annual net job losses from Chinese imports are only 1% of overall job displacement

Dr. James A. Dorn 2007. (is Vice President for Monetary Studies at the Cato Institute, Editor of the Cato Journal, and Professor of Economics at Towson University. Dr. Dorn received his Ph.D. in economics from the University of Virginia.) 22 May 2007 Slouching Towards Mercantilism <http://www.cato.org/publications/commentary/slouching-toward-mercantilism>

Daniel Griswold, director of Cato’s Center for Trade Policy Studies, estimates that annual net job losses in the United States due to imports from China “account for only about 1 percent of overall job displacement.” Yet industries that feel the pain of those losses will find it expedient to lobby for protection at the expense of American consumers.

The idea of owning ideas (IPR) doesn’t make much sense

Dr. Brian Martin 1995. (is Professor of Social Sciences at the University of Wollongong, Australia. He was president of Whistleblowers Australia; PhD in theoretical physics from the University of Sydney ) July - September 1995 Against intellectual property <https://www.uow.edu.au/~bmartin/pubs/95psa.html>

The type of property that is familiar to most people is physical objects. People own clothes, cars, houses and land. When people own ideas, this is called intellectual property. But there has always been a big problem with owning ideas - exclusive use or control of ideas doesn't make nearly as much sense as it does applied to physical objects. Many physical objects can only be used by one person at a time. If one person wears a pair of shoes, no one else can wear them at the same time. (The person who wears them often also owns them, but not always.) This is not true of intellectual property. Ideas can be copied over and over, but the person who had the original copy still has full use of it. Suppose you write a poem. Even if a million other people have copies and read the poem, you can still read the poem yourself. In other words, more than one person can use an idea - a poem, a mathematical formula, a tune - without reducing other people's use of the idea. Shoes and poems are fundamentally different in this respect.

IP rights are not true “property rights” – in fact, exercise of so-called IP rights violates true human rights

Jacob H. Huebert 2011. (Senior Attorney at Liberty Justice Center; Adjunct Professor of Law at Ohio Northern University Pettit College of Law; JD from University of Chicago Law School; BA in Economics from Grove City College) 2 March 2011 The Fight against Intellectual Property <https://mises.org/library/fight-against-intellectual-property>

So IP rights cannot be true "property rights." And when government grants IP rights, it's not really granting a property right in an idea, but is instead granting a *monopoly* on the right to *use* an idea for certain profitable purposes. If you own a copyright in a book, only you (or someone to whom you give permission) can produce and sell copies of that book. If you own a patent on an invention, only you (or someone to whom you give permission) can produce and sell the invention for a certain period of time. This means that IP rights are not property rights, but are in fact a power to *stop other people* from exercising *their own* property rights.[10] If I own a copyright in a book, I can use the force of government to stop someone from using their own paper and ink to produce their own copies of the book. If I own a patent in an invention, I can use the force of government to shut down someone else's factory that produces copies of my invention, even though the other person is using his or her own equipment, machinery, and components. I can even do this if the other person is *not* using a "copy" of my invention, but independently invented it all on his or her own. For a libertarian, this is unjust because it's using aggressive force against peaceful people. As law professor Tom W. Bell has put it, By invoking state power, a copyright or patent owner can impose prior restraint, fines, imprisonment, and confiscation on those engaged in peaceful expression and the quiet enjoyment of tangible property. Because it thus gags our voices, ties our hands, and demolishes our presses, *the law of copyrights and patents violates the very rights Locke defended*.

IPRs prevent people from making peaceful use of the information they possess

Dr. Roderick T. Long 1995. (professor of philosophy at Auburn University. He also serves as a senior scholar for the Ludwig von Mises Institute, an editor of the Journal of Ayn Rand Studies, director and president of the Molinari Institute;Ph.D. from Cornell Univ) August 1995 The Libertarian Case Against Intellectual Property Rights <http://freenation.org/a/f31l1.html>

Ethically, property rights of any kind have to be justified as extensions of the right of individuals to control their own lives. Thus any alleged property rights that conflict with this moral basis — like the "right" to own slaves — are invalidated. In my judgment, intellectual property rights also fail to pass this test. To enforce copyright laws and the like is to prevent people from making peaceful use of the information they possess. If you have acquired the information legitimately (say, by buying a book), then on what grounds can you be prevented from using it, reproducing it, trading it? Is this not a violation of the freedom of speech and press? It may be objected that the person who originated the information deserves ownership rights over it. But information is not a concrete thing an individual can control; it is a *universal*, existing in other people's minds and other people's property, and over these the originator has no legitimate sovereignty. You cannot own information without owning other people. Suppose I write a poem, and you read it and memorize it. By memorizing it, you have in effect created a "software" duplicate of the poem to be stored in your brain. But clearly I can claim no rights over that copy so long as you remain a free and autonomous individual. That copy in your head is yours and no one else’s. But now suppose you proceed to transcribe my poem, to make a "hard copy" of the information stored in your brain. The materials you use — pen and ink — are your own property. The information template which you used — that is, the stored memory of the poem — is also your own property. So how can the hard copy you produce from these materials be anything but yours to publish, sell, adapt, or otherwise treat as you please?

IPRs make no moral sense

Dr. Roderick T. Long 1995. (professor of philosophy at Auburn University. He also serves as a senior scholar for the Ludwig von Mises Institute, an editor of the Journal of Ayn Rand Studies, director and president of the Molinari Institute;Ph.D. from Cornell Univ) August 1995 The Libertarian Case Against Intellectual Property Rights <http://freenation.org/a/f31l1.html>

Suppose you are trapped at the bottom of a ravine. Sabre-tooth tigers are approaching hungrily. Your only hope is to quickly construct a levitation device I've recently invented. You know how it works, because you attended a public lecture I gave on the topic. And it's easy to construct, quite rapidly, out of materials you see lying around in the ravine. But there's a problem. I've patented my levitation device. I own it — not just the individual model I built, but the universal. Thus, you can't construct your means of escape without using my property. And I, mean old skinflint that I am, refuse to give my permission. And so the tigers dine well. This highlights the moral problem with the notion of intellectual property. By claiming a patent on my levitation device, I'm saying that you are not permitted to use your own knowledge to further your ends. By what right? Another problem with patents is that, when it comes to laws of nature, even fairly specific ones, the odds are quite good that two people, working independently but drawing on the same background of research, may come up with the same invention (discovery) independently. Yet patent law will arbitrarily grant exclusive rights to the inventor who reaches the patent office first; the second inventor, despite having developed the idea on his own, will be forbidden to market his invention.

“IPRs important for innovation" - Response: Great historical innovators operated without IPRs

Dr. Roderick T. Long 1995. (professor of philosophy at Auburn University. He also serves as a senior scholar for the Ludwig von Mises Institute, an editor of the Journal of Ayn Rand Studies, director and president of the Molinari Institute;Ph.D. from Cornell Univ) August 1995 The Libertarian Case Against Intellectual Property Rights <http://freenation.org/a/f31l1.html>

Some will say that such rights are needed in order to give artists and inventors the financial incentive to create. But most of the great innovators in history operated without benefit of copyright laws. Indeed, sufficiently stringent copyright laws would have made their achievements impossible: Great playwrights like Euripides and Shakespeare never wrote an original plot in their lives; their masterpieces are all adaptations and improvements of stories written by others. Many of our greatest composers, like Bach, Tchaikovsky, and Ives, incorporated into their work the compositions of others. Such appropriation has long been an integral part of legitimate artistic freedom. Is it credible that authors will not be motivated to write unless they are given copyright protection? Not very. Consider the hundreds of thousands of articles uploaded onto the Internet by their authors everyday, available to anyone in the world for free. Is it credible that publishers will not bother to publish uncopyrighted works, for fear that a rival publisher will break in and ruin their monopoly? Not very. Nearly all works written before 1900 are in the public domain, yet pre-1900 works are still published, and still sell. Is it credible that authors, in a world without copyrights, will be deprived of remuneration for their work? Again, not likely. In the 19th century, British authors had no copyright protection under American law, yet they received royalties from American publishers nonetheless.

“IPRs important for innovation" - Response: Creativity more likely to thrive in society without IPRs

Dr. Brian Martin 1995. (is Professor of Social Sciences at the University of Wollongong, Australia. He was president of Whistleblowers Australia. He has a PhD in theoretical physics from the University of Sydney ) July - September 1995 Against intellectual property <https://www.uow.edu.au/~bmartin/pubs/95psa.html>

But what about the incentive to create? Without the possibility of wealth and fame, what would stimulate creative individuals to produce works of genius? Actually, most creators and innovators are motivated by their own intrinsic interest, not by rewards. There is a large body of evidence showing, contrary to popular opinion, that rewards actually reduce the quality of work (Kohn 1993). If the goal is better and more creative work, paying creators on a piecework basis, such as through royalties, is counterproductive. In a society without intellectual property, creativity is likely to thrive. Most of the problems that are imagined to occur if there is no intellectual property - such as the exploitation of a small publisher that renounces copyright - are due to economic arrangements that maintain inequality. The soundest foundation for a society without intellectual property is greater economic and political equality. This means not just equality of opportunity, but equality of outcomes. This does not mean uniformity and does not mean levelling imposed from the top: it means freedom and diversity and a situation where people can get what they need. There is not space to deal fully with this issue here, but suffice it to say that there are strong social and psychological arguments in favour of equality (Baker 1987; Deutsch 1985; Ryan 1981).

SOLVENCY

Large foreign companies are willing to do anything to gain access to Chinese market

Mukul Raheja 2014. (Research Associate at the Delhi Policy Group, New Delh; Bachelor of Technology from Apeejay College; Business Analytics, Certificate Programme in Business Analytics for Executives from Indian Institute of Management, Lucknow) May 17 2014 The Phenomenon of ‘Technology Transfer’: Lessons from China <http://stsfor.org/content/phenomenon-technology-transfer-lessons-china>

For most large foreign companies, the risk of not getting into the Chinese market is bigger than the risk of sharing technology. With a total population of more than 1.3 billion, world's largest middle class at about half a billion consumers and their rising disposable incomes, China is a business opportunity that the foreign companies cannot afford to miss. Hence, in the past, foreign companies willingly or otherwise agreed to comply with the technology transfer regulations set by the government in China like the MLP. Though foreign companies have benefitted in terms of sales and revenue by operating in China, but at the same time, past grievances from their side continue to emerge. Kawasaki has publicly complained that CSR's high-speed rail technology is based on their design, and has threatened to sue CSR if it begins to export trains based on that design. Similarly, during German Chancellor's official visit to China in 2010, executives from Siemens complained directly to the then Chinese Premier Wen Jiabao about the "forced" technology transfer.

Companies agree to tech transfer because Chinese markets are so large

Thomas Holmes, Ellen McGrattan, and Edward Prescott 2015. (Holmes is a consultant at Federal Reserve Bank of Minnapolis. He has a PhD in Economics and is a research associate at the National Bureau of Economic Research. McGrattan is a Monetary Advisor at the Federal Reserve Bank of Minneapolis and an Adjunct Professor of Economics at the University of Minnesota. Prescott has a PhD from University of Chicago) January 29, 2015 The Costs of Quid Pro Quo <https://www.minneapolisfed.org/research/economic-policy-papers/the-costs-of-quid-pro-quo>

To gain access to its markets, the Chinese government sometimes requires high-technology foreign firms to transfer partial property rights to their technology. Because the Chinese market is large and potentially lucrative, major multinationals typically agree to this quid pro quo policy, often through joint ventures with Chinese firms. We use a quantitative macroeconomic model to analyze the effects of this policy on firm investment incentives, Chinese technology goals, and overall international technology and investment flows.

Unlikely that any WTO enforcement will bring change to China’s policies

The Washington Post 2012. (Reported by Howard Schneider) 6 August 2012 At WTO, U.S. racks up wins against China, but the benefit is less than certain <http://www.washingtonpost.com/business/economy/at-the-wto-a-growing-us-record-of-wins-against-china-but-a-less-than-certain-benefit/2012/08/06/345fc5a2-d285-11e1-adf2-d56eb210cdcd_story.html>

Experts say it is unlikely that WTO enforcement will broadly change China’s policies. The Chinese “think they have a pretty good model, and they don’t see the WTO as an institution that can make major changes,” said Gary Hufbauer, a trade expert at the Peterson Institute for International Economics who follows U.S.-China economic relations. “Modest changes. Minor changes. But not major systemic change.”

WTO is ill-equipped to deal with the problem

Stephen Ezell 2011. (is the Vice President of Global Innovation Policy at the Information Technology and Innovation Foundation, with a focus on science and technology policy, international competitiveness, and trade, manufacturing, and services issues.) Fall 2011 A Bretton Woods for Innovation <http://www.worldpolicy.org/journal/fall2011/bretton-woods>

Unfortunately, the international economic system is governed by institutions rooted in a past era. Regrettably, the Bretton Woods framework was not designed to maximize innovation. So far, the international order has failed to produce a sustainable globalization system largely because it’s organized to deal with finances and the flow of goods across borders, not with innovation. Not only are the three major international economic organizations—the IMF, World Bank, and WTO—ill-equipped to take on new forms of unfair or counterproductive behavior but also, by sins of omission and commission, they perpetuate the problems. These institutions do little to promote innovation policies and even less to pressure countries to play fair. There’s no one refereeing the global innovation competition.

WTO has largely abdicated its role in fighting innovation mercantilism

Stephen Ezell 2011. (is the Vice President of Global Innovation Policy at the Information Technology and Innovation Foundation, with a focus on science and technology policy, international competitiveness, and trade, manufacturing, and services issues.) Fall 2011 A Bretton Woods for Innovation <http://www.worldpolicy.org/journal/fall2011/bretton-woods>

Like the other two bodies, the WTO has largely abdicated its role in fighting innovation mercantilism. Instead, it adjudicates disputes and views what is systemic as merely occasional infractions of trade provisions that should be handled on a case-by-case basis. Why do these international organizations either sit on the sidelines or actively support nations engaged in innovation mercantilism? It’s because sustainable global innovation is either not their mission or not thought to be important. For the WTO, expanded trade flow is all that matters. For the World Bank and the IMF, two priorities stand out—responding to individual national economic fiscal crises and ensuring robust international capital and trade flows. Neither asks if these are the results of deeply dysfunctional mercantilist policies.

WTO cases are narrowly decided and drag on for years

Carolyn Bartholomew 2009. (chairs the U.S. China Economic and Security Review Commission) 20 December 2009 The Great Industrial Wall of China <http://prospect.org/article/great-industrial-wall-china>

And internationally, we need to strengthen the trade mechanisms that already exist. Then we need to bring new cases challenging Chinese subsidies and mercantilist practices. Unfortunately, some of the existing WTO mechanisms can now be characterized as too little, too late. Cases taken to the WTO are narrowly decided, in secret, without the benefit of precedent. The cases are allowed to drag on for years. By the time action has been taken, the damage is often already done.

Wrong focus: Being tough on China will not fix our US economy

Dr. Derek Scissors 2012. (Research Fellow for Asia Economic Policy at The Heritage Foundation's Asian Studies Center; adjunct professor at George Washington University; master’s degree in economics from the University of Chicago, and a doctorate in international political economy from Stanford Univ.) 6 July 2012 Bashing China Won’t Fix Our Economy <http://dailysignal.com/2012/07/06/bashing-china-wont-fix-our-economy/>

Both ends of the political spectrum seem to be competing to be tougher on China economic issues. They’re both wrong. Chinese policy does warp the global economy in a number of ways, but 99 percent of our current problems is of our own making. Bashing China feels good but accomplishes nothing. President Obama has announced a new World Trade Organization case against China. This is another in a series of steps featuring the new bureaucracy added last winter. Some of these are minor in impact; others are outright harmful.

Wrong focus: US should be focused on fixing our economy, not China’s

Derek Scissors 2012. (is a Research Fellow for Asia Economic Policy at The Heritage Foundation's Asian Studies Center. Scissors is also an adjunct professor at George Washington University. He has a master’s degree in economics from the University of Chicago, and a doctorate in international political economy from Stanford University.) 6 July 2012 Bashing China Won’t Fix Our Economy <http://dailysignal.com/2012/07/06/bashing-china-wont-fix-our-economy/>

Either Chinese currency policy has the opposite effect than protectionists expect or, more likely, it just doesn’t matter. The U.S. creates jobs when we handle our own economy properly, and it loses them when we don’t; what China does is almost irrelevant. This is the real lesson of the political back and forth. If you’re talking a lot about China, you’re not talking enough about how to fix American policy and really help the economy. That’s a mistake no matter who’s making it.

DISADVANTAGES

1. Trade War With China

Link: Getting tough on China will be counterproductive and bring retaliation

Clyde Prestowitz 2012. (founder and President of the Economic Strategy Institute; M.A. in East-West Policies and Economics from the East-West Center of the University of Hawaii) 7 March 2012 Don’t Get Tough with China, Get Even <https://hbr.org/2012/03/dont-get-tough-with-china-get>

But getting tough in the usual American way by initiating some legal or quasi legal dispute-settlement action and threatening to impose anti-dumping duties or some other tariffs, surcharges, and fines not only is not going to work, it’s going to be counter-productive. It won’t work because the whole premise of the actions is false, and it will be counter-productive because it will engender retaliation — the fear of which will inhibit the cooperation necessary to make the case. Let’s start with the false premise. It is the American notion that the U.S. and China should be playing the same free-market, free-trade global game in accordance with the rules of the WTO and IMF (to which both countries belong). In other words, there is no systemic difference between the two economies, and problems can thus only arise if someone is not playing by the rules. Under this premise, a penalty administered by an independent, outside body for rules infractions will halt the infractions and bring the market situation back into proper competitive balance. This premise is wrong because America and China are not playing the same game. The United States is playing free-market free-trade capitalism while China is playing mercantilist state capitalism. Or to put it another way, China is playing football while America plays tennis and acts like China is, too. Now here’s the important part. The U.S. keeps trying to show (in endless bilateral discussions) the Chinese how to hold the racquet, and when the Americans get tackled in the midst of their tennis lesson they scream: “Unfair play!” Doing so is not going to persuade the Chinese to stop playing football. China isn’t playing football unfairly. It doesn’t go offside or clip or rough the passer. But football is a rougher game than tennis.

Link: China will feel rightly discriminated; US has accepted mercantilism by other Asian countries

Clyde Prestowitz 2012. (is the founder and President of the Economic Strategy Institute. He has an M.A. in East-West Policies and Economics from the East-West Center of the University of Hawaii) 7 March 2012 Don’t Get Tough with China, Get Even <https://hbr.org/2012/03/dont-get-tough-with-china-get>

One problem here is that the rules of the WTO are so limited and have been unenforced for so long that mercantilists can honestly argue and believe that what they’re doing is free trade. Another problem is that the United States has acquiesced to the mercantilism practiced by Japan, South Korea, Taiwan, and others to such an extent that the Chinese can rightly feel discriminated against if Washington suddenly gets very picky about the rules.

Impact: Net benefits. US trade retaliation would be mutually destructive

*Daniel J. Ikenson* 2012. (director of Cato’s Herbert A. Stiefel Center for Trade Policy Studies, where he coordinates and conducts research on all manners of international trade and investment policy; MA in economics from George Washington Univ.) 5 March 2012 Policy Priority One: Averting a U.S.-China “Trade War” <http://www.cato.org/publications/free-trade-bulletin/trade-policy-priority-one-averting-uschina-trade-warTrade>

The media have portrayed the United States as a victim of underhanded Chinese practices, including currency manipulation, dumping, subsidization, intellectual property theft, forced technology transfer, discriminatory “indigenous innovation” policies, export restrictions, industrial espionage, and other ad hoc impediments to U.S. investment and exports. Indeed, it is beyond doubt that certain Chinese policies have been provocative, discriminatory, protectionist, and, in some cases, violative of the agreed rules of international trade. But there is more to the story than that. U.S. policies, politics, and attitudes have contributed to rising tensions, as have rabble-rousing politicians and a confrontation-thirsty media. If the public’s passions are going to be inflamed with talk of a trade war, prudence demands that the war’s nature be properly characterized and its causes identified and accurately depicted. Those agitating for tough policy actions should put down their battle bugles and consider that trade wars are never won. Instead, such wars claim victims indiscriminately and leave significant damage in their wake. Even if one concludes that China’s list of offenses is collectively more egregious than that of the United States, the most sensible course of action — for the American public (if not campaigning politicians) — is one that avoids mutually destructive actions and finds measures to reduce frictions with China.

Impact: Failing to avert a trade war will make things worse; US should reduce bilateral frictions

*Daniel J. Ikenson* 2012. (director of *Cato’s Herbert A. Stiefel Center for Trade Policy Studies*, where he coordinates and conducts research on all manners of international trade and investment policy; MA in economics from George Washington Univ.) 5 March 2012 Policy Priority One: Averting a U.S.-China “Trade War” <http://www.cato.org/publications/free-trade-bulletin/trade-policy-priority-one-averting-uschina-trade-warTrade>

U.S. policymakers — with the help of a sympathetic media — scapegoat China for a host of homegrown policy shortcomings and assume the inevitability of a bitter rivalry that forecloses the possibility of a mutually beneficial bilateral relationship. The president frequently refers to the imperative of beating China or “winning the future” as a justification for subsidies and industrial policy. The recent establishment of an interagency task force devoted to trade enforcement is so transparently targeted at China as to be provocative. Likewise, the ongoing Trans-Pacific Partnership trade negotiations have been pitched by the administration as a component of its “pivot” toward Asia to counterbalance China’s rise. The administration touts its security and foreign policy aspects more frequently than its economic benefits. Defending U.S. interests in the realm of international trade rules is a legitimate obligation of U.S. officials, but failure to avert a trade war would constitute perhaps the worst dereliction of that duty. So rather than saber rattle over arguably discriminatory Chinese trade policies, U.S. officials should look for actions, gestures, or even changes in tone that could help reduce bilateral frictions.

Impact: Trade war with China would be detrimental to US and the global economy

CNN News 2010 (Reported by Paul R. La Monica) 29 September 2010 A trade war with China is a bad idea <http://money.cnn.com/2009/09/14/markets/thebuzz/>

Protectionism is a bad idea. In this increasingly globalized economy, it just doesn't make sense to alienate trading partners. "One would hope we can avoid more of this. There is no positive side to raising tariffs," said Kurt Karl, chief U.S. economist with Swiss Re. "In this global crisis, you want global cooperation. This doesn't help.” And that's especially true with China since it is also the largest foreign holder of U.S. Treasury debt, owning about $776 billion of Treasurys as of June. If the Chinese stopped buying Treasurys -- or worse started selling them en masse -- it could have a catastrophic effect on the dollar and the nation's fiscal state as a whole. "A trade war would be very detrimental to the U.S. and the global economy," said Michael Pento, chief economist with Delta Global Advisors, Inc., a money management firm. "We should have fair, open trade. But our banker right now is the Chinese, and it's best not to bite your banker's hand."

2. Economy and Consumers Harmed.

Link: If US focuses on producers by restricting the Chinese market, the long run impact will hurt consumers

Dr. James A. Dorn 2007. (is Vice President for Monetary Studies at the Cato Institute, Editor of the Cato Journal, and Professor of Economics at Towson University. Dr. Dorn received his Ph.D. in economics from the University of Virginia.) 22 May 2007 Slouching Towards Mercantilism <http://www.cato.org/publications/commentary/slouching-toward-mercantilism>

The false logic of mercantilism is enticing but dangerous. As David Hume pointed out in 1758, the idea that a trade deficit is bad and a surplus good is “a narrow and malignant opinion.” Undue attention to the bilateral trade deficit with China accounts for a large amount of the China-bashing going on in Washington today. By focusing on producers who may have been harmed by trade rather than on consumers who benefit, Congress commits the same fallacy of composition that Hume exposed. Moreover, by failing to recognize the widespread benefits of trade for all nations, protectionists have lost sight of the liberal idea best expressed by Hume that “where an open communication is preserved among nations, it is impossible but the domestic industry of every one must receive an increase from the improvements of the others.” If China had not unilaterally liberalized its state-controlled trading regime after 1978, both China and the global economy would surely be much worse off today. Likewise, if the United States is overly zealous in restricting the importation of Chinese goods, the long-run impact will be to lower the growth of U.S. exports to China and reduce the wealth of both nations. What Congress needs to be told is (1) free trade is mutually beneficial — consumers gain regardless of why imports are cheap; (2) the purpose of trade is not to create jobs but to create wealth; (3) the balance of payments must always balance because of double-entry bookkeeping.

Impact: Retaliation against China for “cheating” can impede US-China trade and harm global economy

Dr. James A. Dorn 2007. (Vice President for Monetary Studies at Cato Institute, Editor of the Cato Journal, and Professor of Economics at Towson University; Ph.D. in economics from Univ of Virginia.) 22 May 2007 Slouching Towards Mercantilism <http://www.cato.org/publications/commentary/slouching-toward-mercantilism>

Too many politicians view trade with China as a zero-sum game: China wins by running a trade surplus; America loses by running trade deficit. A crescendo of voices on Capitol Hill is calling for retaliation against China for “cheating” on its trade commitments and for undervaluing its currency. Sen. Byron Dorgan, a Democrat from North Dakota, has even introduced a bill to end normal trade relations with China. The presumption that China is “cheating” — and doing so at the expense of U.S. jobs — is strengthening as the U.S. bilateral trade deficit with the PRC continues to reach new highs. Pressures are growing for Congress to “level the playing field” and correct the trade imbalance, which reached $233 billion last year. The danger is that mounting pressure will lead to unwise protectionist legislation that could impede U.S.-China trade and harm the global economy. China is the fastest growing market for U.S. exports, and a key aspect of SED II will be to make sure U.S.-China trade relations stay on a steady course of long-run engagement.