**Season 17: Status Quo  
—  
Debating the 2016-2017 NCFCA Policy Resolution**

The following articles and worksheets correlate with Unit IV of Monument Publishing’s *Blue Book for Policy Debate*. Study this resource much like you studied the model resolutions in Unit III. Become incredible learners of the year’s policy debate resolution, this addendum being your initial launch into the debate season. Good luck!

**“Resolved: The United States Federal Government should substantially reform its policies toward the People’s Republic of China.”**

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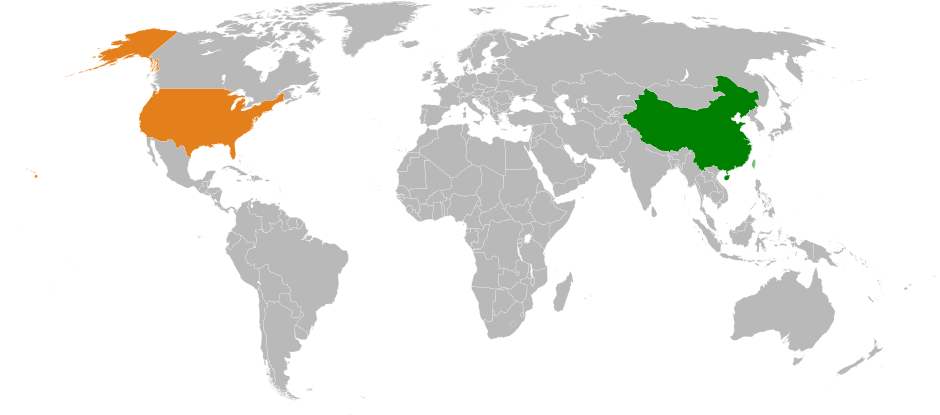
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*All content written by Vance Trefethen. Chris Jeub wrote the worksheets at the end of the essay.*

Status Quo of US Policy with China



NCFCA’s 2016-2017 Policy Resolution:

“*Resolved: The United States Federal Government should substantially reform its policies toward the People’s Republic of China.*”

Let’s review the major areas of concern in US-China foreign policy in the Status Quo, many of which will provide the ideas from which will come debate cases during this academic season. While not an exhaustive list, in this overview we can examine many of the major highlights that are likely to arise in Affirmative cases. For the purposes of this overview, they will be divided into four major categories: 1) Trade 2) National Security 3) Taiwan 4) Other (non-military/non-trade) forms of cooperation and interaction.

Part 1: Trade

The Question of Trade Deficits

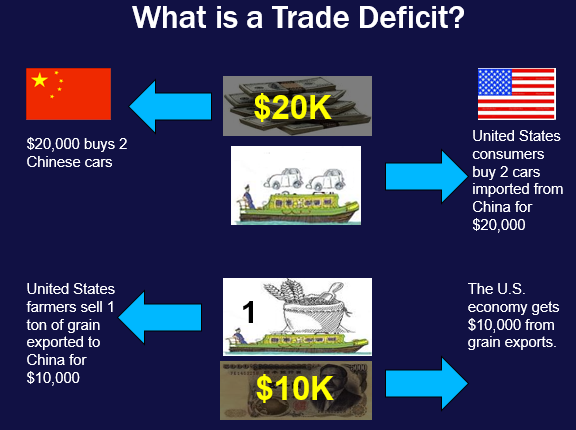
The rapid economic development of China in the last two decades has rocketed that nation into a position as a major player in the global economy. China, with 16% of our total foreign trade, is the United States’ number one largest trade partner as of 2015, just ahead of Canada and Mexico.[[1]](#footnote-2)

Many are alarmed when they look at the statistics a little deeper. The 2015 import/export numbers show the US exported $116.2 billion worth of goods to China, while we imported $481.9 billion, which makes our trade with China a big contributor to the overall US trade deficit.[[2]](#footnote-3) It’s not a question of whether we have a trade deficit with China, it’s a question of whether it’s a problem and if so, what should be done about it.

Experts debate, and so will you, whether trade deficits are a bad thing, which will, in turn, affect the decision as to whether we should enact any policy changes to rectify them, or whether we should simply ignore them. Beware of any Affirmative team that says “The trade deficit is high, therefore we should do X.” Unless the trade deficit has some impact (causes harm to someone), then it is simply a number on a chart and we could safely ignore it.

Don’t confuse a “trade deficit” with the “federal deficit.” The “trade deficit” is the difference between all the individual decisions of consumers and producers in the market place who are buying and selling, importing and exporting, when the import total exceeds the export total. It’s the result of millions of private economic choices made by individuals and corporations. No one decides or votes on what the trade deficit will be. By contrast, the “federal deficit” is the difference between how much money the federal government takes in, compared to how much more than that it spends. The excess government spending above revenue collection is the federal deficit. It’s the result of a political decision made by Congress voting how high taxes will be and voting how much they will spend in the federal budget. The sum total of all the federal deficits accumulated since George Washington is the national debt.

To further understand the trade deficit, consider the simplified model below, in which there are only two products being traded between the US and China, cars and grain.

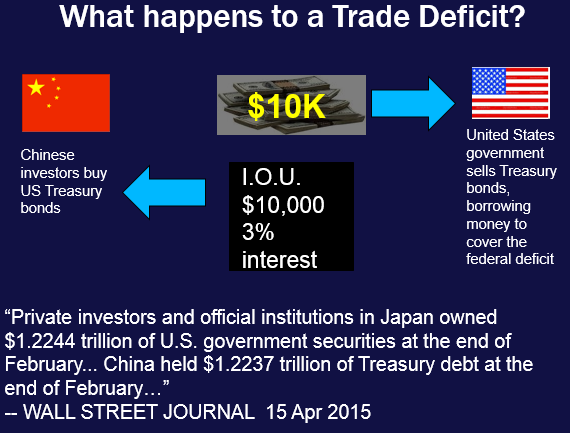


At this point, we would say the US has a $10,000 trade deficit with China, while China has a $10,000 trade surplus. Is that good or bad for either China or the US? If consumers in both countries equally got exactly what they bargained for, is there a problem here to be solved?

Some economists would say, Yes! The problem is that the Chinese economy has benefited at the expense of the US economy because of the relatively more jobs created in China by the $20,000 spent on their cars, compared to only $10,000 that was spent in the US economy. To simplify the model, assume that every $10,000 spent in the economy requires 1 employee to produce the goods. In the picture above, 2 jobs were created in China (at the car factory) by this trade, and 1 job was created in America (at the farm).

Imagine what would have happened instead if American consumers had spent just half their money on American cars instead of Chinese cars (in this example, they could have bought 1 Chinese car and 1 American car). There would have been no trade deficit, and the result would have been that half the jobs created in the Chinese automotive industry would have been created in the US automotive industry instead. In this illustration, it appears that our $10,000 trade deficit has cost the US 1 job. In the alternative, imagine if the Chinese consumers had bought $10,000 worth of grain plus some other product made in the U.S., let’s say a $10,000 airplane. That other purchase would have used up the surplus, created a job in the US, and balanced things out. Why didn’t the Chinese consumers do that? Was it because they couldn’t find anything in the US worth buying? Or was it because the Chinese government and industry put up barriers to the importation of American products into China?

Not so fast, reply another batch of economists. Maybe we’ve stopped the scenario too soon, because we haven’t yet considered what happens next. Since US dollars are not legal currency in China, what do they do with the $10,000 in trade surplus cash? They can’t spend it in China, so instead they must spend it somewhere that takes US dollars. While there are some international places to spend it that would do so[[3]](#footnote-4), the most logical place where most of that money will end up is in the United States. And, indeed, it does, at the chart below shows.



Interesting, reply the first economists, but that doesn’t mean the problem is solved. First, not all the money comes back, since some of it is held in foreign banks as reserve currency (used as a medium of trade between other nations trading among themselves and pricing their exchange in dollars). Second, dollars coming back in Treasury bonds are not the same as dollars coming back to buy airplanes or grain. These dollars aren’t creating jobs by employing anyone to manufacture anything.

Certainly they are, reply the second economists. The federal government immediately spends those deficit dollars in the US economy by paying the salaries of government employees and military servicemen, sending out Social Security checks to retirees, buying fighter jets and naval ships from defense contractors, and sending food stamps to the poor. All of that money goes directly into the US economy, and it must be creating jobs somewhere. And imagine if those Chinese investors stopped buying US bonds. The government would have to offer higher interest rates to attract other investors, and if interest rates go up, it will slow down job creation in the US economy by making business growth harder to finance.

Well, this will go on and on, but you see the point. There is a lot of debate about whether trade deficits are harmful, irrelevant, or even beneficial. Learn all sides of this issue, because I’m sure you will get to debate it many times this year.

Currency Valuations

Because of their complexity, we left currency conversion issues out of the charts above. Let’s deal with them now. As you surely know, foreign trade often involves trade between countries who ordinarily don’t use the same currency. One of the reasons many countries in Europe decided to form their single common currency, the euro, was to speed up foreign trade among European trade partners. And the costs avoided, and predictability improved, by eliminating currency conversions among European traders have, indeed, proven beneficial.[[4]](#footnote-5)

But the US and China have different currencies, meaning that every time trade occurs between us, currency exchanges must take place. This adds another layer of complexity that must be considered when evaluating trade policies. Nations often have policies designed to influence the value of their currency, in order to affect the balance of trade.

Currencies behave just like any other goods available in the marketplace when subjected to the laws of supply and demand. When the supply of something is high or excessive, or demand for it is low, its price will be reduced. When supply is low, or demand is high, its price will go up. It’s easy to understand supply and demand of currencies by doing a thought experiment: What if the US government legalized counterfeiting? The supply of dollars would shoot up dramatically – everyone would print them all the time. But what would happen to their “price” (their value, the amount of goods that they would be traded for)? It would rapidly hit zero. The dollar would become worthless overnight. Their supply would be so big that no one would think they had any value at all.

What does that have to do with currencies and foreign trade? Governments may try to manipulate the value of their currency in order to gain an advantage in foreign trade. Specifically, they may try to rig the market by attempting to devalue their own currency. It seems counter-intuitive that devaluing one’s own currency could somehow benefit a country (and there are many economists who believe it doesn’t, in the long run). But when a nation’s currency is devalued, goods manufactured and sold in the devalued currency become cheaper to foreigners paying with foreign currency. That makes the manufacturer’s cheaper goods more desirable and exports rise. Countries with big trade deficits (like the U.S.) may complain that the devaluing nation is “cheating” by rigging the market with cheaper currency in order to artificially boost exports and jobs in its country, at the expense of the importing country. Many believe China is doing exactly that, and that the US should take policy steps to counteract it.

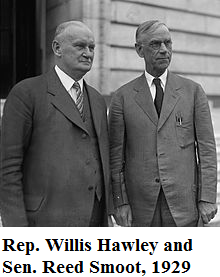
Protectionism

The most common policy response to a perceived imbalance of trade is the imposition of tariffs, or taxes on imported goods. “Protectionism,” or the use of high tariffs as a barrier to foreign competition with domestic industries, is quite simple: Tariffs raise the price of imported goods, making them more expensive compared to domestically-produced items. Consumers thus are more likely to purchase the (artificially) cheaper domestic item, thus growing the industrial base and employment in domestic industry.

Some of the Founders (e.g. Alexander Hamilton) advocated for high import tariffs for the purpose of protecting American industries from overseas competition. Hamilton’s argument was that because America was a new, underdeveloped country whose “infant industries” had not had time to reach maturity and competitiveness, they needed to be “protected” for a while by high tariffs.

But the potential downsides to protectionism are several. First, the “infant industries,” never having to compete squarely against others in the market, often never “grow up.” They will always have some reason why the protection must continue indefinitely. And mature industries that ask for protection often do so because it is easier than fixing the issues that made them uncompetitive in the first place. Why spend millions of dollars on more efficient equipment when you can just ask Congress to block the competition?

And let’s not forget who is paying for this protection: The consumers. Remember them? They are the millions of folks whose pockets are being picked by the artificially higher prices they are forced to pay due to the imposition of the tariff. Protectionist tariffs are in some ways a giant transfer of wealth from millions of consumers to a few domestic producers.

The most famous “protective” tariff in US history was the infamous “Smoot-Hawley” tariff of 1930. Enacted as the Great Depression was wiping out jobs and business all across America, its goal was to raise tariffs high enough to discourage imports, thus redirecting consumer demand to American goods and preserving jobs. Many historians, however, believe it worsened the Depression because of its easily predictable side-effect: foreign government retaliation. Other nations quickly reacted to Smoot-Hawley by enacting high tariffs of their own, so American jobs in export industries evaporated quickly.

Level Playing Field

Another reason for tariffs in some industries might be to offset subsidies given by foreign governments to their own exporting industries. For example, if a foreign government provides its car exporters with a 10% subsidy, they can sell the car 10% cheaper in the United States than an equally competitive American company could sell it for. One could argue in that case that a 10% protective tariff is only “leveling the playing field,” and isn’t violating any genuine principle of competition. When a government subsidizes its domestic industry to the point that it can export goods abroad for less than the fair market value, and in some cases less than it costs to produce them, this practice is known as “dumping.” Why would a government incur such a cost and encourage a business to sell its product for less than it cost to make it? Normally it would be done as a short-term tactic to gain market share and drive foreign competitors out of business in their own domestic market. Later, when the higher priced competitors are out of business, the dumping government will end the subsidy and its industry will raise its prices, having cornered the market.

Some would argue that this is nothing to worry about. After all, if, say, China wants to subsidize some product and send it to America at below its market price, that’s a gift of free money from Chinese taxpayers to American consumers. Wouldn’t we be crazy to turn down free money?

Today, many are worried about unfair competition of US manufacturers against products produced in countries that have little or no labor safety standards, no environmental rules, etc. If an American industry must spend extra money to treat its pollution and avoid discharging it into the environment, while a similar factory in China can pollute the air and water without restriction, it seems obvious that the Chinese and the American manufacturers are not competing on a level playing field.

Could a tariff be justified in order to raise the price of imported goods up to the point where its price is judged to be equal to the same good produced under the same conditions domestically? Or a tariff exactly equal to the foreign government subsidy? Who is qualified or knowledgeable enough to know all the variables that would go into such a calculation? Would the harm to consumers from higher prices be enough to offset the benefits, if any, of the tariff? What to do about potential “playing field” discrepancies is a topic that you will likely debate this year.

The World Trade Organization

The World Trade Organization, or WTO, was established in 1995 and currently consists of 161 nations, including the US and China.[[5]](#footnote-6) Countries must agree to follow its rules in order to join, and its rules are generally designed to reduce barriers to trade, although WTO adjusts its rules in many cases to take into account special circumstances of lesser developed countries.[[6]](#footnote-7)

WTO also has dispute resolution mechanisms, where a country that believes it has been the victim of a trade practice in violation of WTO rules can call out the offending nation and demand it stop its bad practice. If the WTO panel agrees, the offender must change its trade policy, “or else.” The “or else” can include authorization by WTO for the victimized trade partner to impose retaliatory tariffs on goods exported by the offender.[[7]](#footnote-8) For example, in 2015, Canada and Mexico received WTO permission to impose retaliatory tariffs against the United States. They were upset because of an imported meat labeling law that Congress passed a few years ago, in which the meat labeling requirements (a possible “non-tariff barrier” in the form of a regulation either designed to or having the effect of discouraging imports) exceed those agreed to under WTO rules.[[8]](#footnote-9) Fearing the consequences, Congress repealed COOL in December, 2015. It’s a really good example of how the WTO, while it cannot write US legislation, can have a big influence on Congress to change trade laws.

Affirmative teams can fiat that Congress does some trade policy even if it violates WTO rules. Negative teams cannot argue that the changes won’t happen – the WTO doesn’t override the sovereignty of Congress over American trade law. However, if an Affirmative does enact a plan that the Negative team can prove would run afoul of the WTO, Negative can argue that the disadvantages of breaking WTO rules, and therefore inviting foreign trade retaliation, would outweigh the benefits of whatever the Affirmative is doing. Some Affirmative cases this year will involve the US making complaints about China’s trade policies before the WTO and asking for sanctions to be authorized.

Trade Sanctions

Raising a tariff might be the mildest form of sanction for some mildly undesirable behavior on the part of a trading partner. For more egregious misbehavior, trade sanctions can take harsher forms. For example, Congress imposed a ban on exports of military equipment to the People’s Republic of China after its brutal crackdown on pro-democracy protestors at Tiananmen Square in 1989, which remains in effect today.

The U.S. has extensive trade sanctions against import and export trade with Iran, attempting to punish that country for its nuclear program many believe is intended to produce an atomic bomb. Similar sanctions exist against trade with North Korea, also because of its nuclear weapons program.

There has been much debate over the years as to whether trade sanctions are an effective means of influencing a foreign country to comply with our desired policy. Some say sanctions can be successful in some cases, and point to the lifting of the racist apartheid policy in South Africa after many years of sanctions damaged the economy and international reputation of the white minority government. Others argue that sanctions only harm the common people who lose their jobs or can’t get consumer goods needed for daily survival, while the rulers live comfortably and are not personally affected. They may even harden the resolve of the target state by giving the rulers a foreign entity to blame for any economic troubles they experience, thus uniting the suffering people against the common enemy.

Affirmatives may want to expand punitive trade sanctions against China, to try to “send a message” about human rights. Or, in the alternative, they might wish to abolish the existing sanctions, under the theory that they make no difference to China and only deny US companies profits and jobs.

Export Controls

In addition to obvious military equipment like guns and rockets, the US imposes other trade restrictions on things that could theoretically be used in a military context even if that is not their intended or immediate use. A good example is the recent federal action to block export to China of a U.S. supercomputer.[[9]](#footnote-10) So-called “dual use” items, goods that have a legitimate industrial or consumer use but could also help a foreign enemy increase its military capability, are restricted by Export Controls. Companies who produce certain high-tech items have to get exports of those items reviewed by the federal government before they can be exported to certain countries (e.g. China).

Some believe export controls are an effective way to prevent enemies or potential enemies (and you can debate whether China is either of those) from developing advanced weapons that could ultimately be pointed back at American troops someday. Others say that export controls are mostly useless because anyone could obtain pretty much equivalent technology off the shelf at Radio Shack, or from some European or Japanese competitor. Meanwhile, American businesses lose jobs and money as foreign suppliers replace them on world markets.

Intellectual Property Rights

Intellectual property rights (IPR) consist of things like patents, copyrights and trademarks. IPR can be extremely valuable to industries that make things that can be easily duplicated, like movies, pharmaceuticals, designer apparel, etc. Lots of research and investment money goes into making the first copy, but anyone can make cheap copies and destroy the market for the product, which relies on IPR to maintain its price and profitability.

Chinese threats to IPR come in multiple ways. First, there’s the cyber threat, where Chinese hackers steal blueprints from insecure US companies and copy the technology for their own manufacturing uses. Second, there are mandatory “sharing” clauses in some contracts given to US companies that want to do business in China. “Sure, you can come over here and do business, but you have to give us copies of your technology as the price of entry.”

Chinese culture has traditionally taken a different view of copying and innovation than American culture. Our Constitution specifically created a federal role in patent law to encourage technology development, and we typically view copying as “piracy.” Chinese culture traditionally looked at copying as an honorable and useful activity and saw nothing wrong with it.[[10]](#footnote-11) But by joining the WTO, China agreed to play by the rules of IPR, and if they fail to take action against IPR piracy, perhaps there’s a role for US policy in trying to motivate them to do more.

Part 2: National Security

China has figured in US national security calculations for some time. Shortly after the communist revolution, US and Chinese forces directly clashed during the Korean War, when China intervened on behalf of North Korea. Tensions and fears characterized the relationship during the Cold War years that followed, until Pres. Nixon began making overtures to China in 1972. Part of his motivation was to try to move China closer to the U.S. as a counterweight against the arch-enemy, the Soviet Union. Warming relations turned cold again after the 1989 Tiananmen Square massacre, the US bombing of the Chinese embassy in Kosovo in 1999, and a mid-air collision between a Chinese fighter jet and a US Air Force plane in 2001.

China’s rising economic power has given it the revenues needed to pay for upgrading and expanding its military, and it has done so. But there are always two questions to be asked when evaluating a potential foreign military threat: What are their capabilities? And what are their intentions?

China currently lags behind the US in overall military capacity, but may be rapidly trying to close the gap. Remember, too, that China does not have to outpace the entire US military to have a credible threat in the region: they only have to field a force big enough to deny US access and/or defeat whatever forces the US could bring into the region on short notice. If the US could only get 1/3 of its total military capabilities into the South China Sea on short notice, then China only has to be strong enough to defeat 1/3 of the US capability.

Keep in mind that China, like the US, has nuclear weapons, and the ability to deliver them on intercontinental missile warheads. A direct shooting war between the US and China would run the risk of escalating into nuclear disaster.

What are China’s intentions? If you read the press releases from Chinese leaders, they intend world peace and friendship. That may be true: Remember, it is not China that has military bases and troops stationed around the world, but the U.S. We have ships, troops and bases around China, while China has none around us. China last fought a significant war in 1979,[[11]](#footnote-12) while the US during the same time has invaded five countries[[12]](#footnote-13) and conducted bombing campaigns against at least three others.[[13]](#footnote-14) One might be justified in asking who is the real threat to whom?

But on the other hand, China has signaled some of its intentions by declaring expanded sovereignty over disputed islands in the South China Sea and threatening action against foreign ships that pass through these newfound territorial waters. China is also building artificial islands on existing reefs in the same region, hoping to extend its sovereignty and military presence in the strategic waterway. Many consider these to be a threat to commerce and the sovereignty of the neighboring nations, some of whom are calling on the US to come to their aid to push back against China’s claims.[[14]](#footnote-15)

Many of your debates this year will hinge on the question of whether China should be perceived and treated as a threat, and if they are a threat, what is the best way to manage the threat. Will increased cooperation with China soften the threat? Or will it embolden Chinese leaders to more provocative behavior? Will harsher countermeasures make China back down? Or will they galvanize Chinese leaders and confirm their fears, leading to escalation of conflict?

Part 3: Taiwan

The United States is obligated by the Taiwan Relations Act to sell Taiwan any military items necessary for its defense. US policy is that there should be no change to the status quo (where Taiwan effectively, if not officially recognized by other nations, has independence from the mainland) without the consent of both parties, and that the US would probably intervene militarily to defend Taiwan if China should take any violent actions to change that status quo.

Arms sales to Taiwan are particularly controversial due to the troubled political situation between China and Taiwan. China views Taiwan as a break-away province of China that is improperly trying to conduct its own foreign policy. Imagine if Hawaii built its own army and navy, bought weapons from other nations, and established its own form of government different from the rest of the USA, and you could imagine the view of the leaders of the People’s Republic of China toward Taiwan. Taiwan, on the other hand, has never politically been a part of the People’s Republic of China and has its own democratically elected government. Taiwan also has a much higher economic standard of living than mainland China, while also upholding respect for democracy and human rights for its citizens, in stark contrast to the one-party dictatorship of China. Since they have never been part of the People’s Republic of China, they don’t view themselves as breaking away from anything, and believe they have a right to defend themselves like any other people.

US arms sales to Taiwan in furtherance of that policy always trigger angry reactions from China. In the past, the US could safely ignore them. Today, however, with China’s economic and military influence on the world stage growing as never before, many analysts wonder how long the US can afford to ignore China’s anger. The US has no treaty with Taiwan obligating us to come to their aid, and Congress could amend the Taiwan Relations Act at any time. Is it worth the risk to our relations with China to go on defending an island that, militarily, may not be defensible if China wants to take it badly enough? You may be debating both sides of that question this year, as you will likely see affirmative plans to either increase or decrease US arms sales to Taiwan.

Part 4: Other Policies

A few remaining areas of interaction between the US and China will round out our discussion of current issues between the two countries.

One important area to consider is space exploration. Current US law prohibits NASA from cooperating with China on any space exploration projects. Advocates believe the two countries could accomplish much more together than working independently. Opponents argue China will simply steal US technology and give us nothing in return.

Another potential avenue of cooperation is the Asian Infrastructure Investment Bank. Created by China as an alternative to the World Bank (which is dominated by the US and headed by an American), the AIIB plans to lend money to developing governments for projects that could bring numerous benefits in poor regions, and spread Chinese influence globally. Or, it might simply put more poor countries deeper in debt and send them into bankruptcy or default when they fail to pay back loans they never should have taken in the first place. The US has thus far refused to join AIIB because of the perception that it would boost China’s prestige and detract from the power of the World Bank.

Other areas of potential cooperation include efforts to safeguard nuclear materials, in which the US and China recently signed a joint declaration announcing steps toward this goal.[[15]](#footnote-16) There are also ongoing negotiations over a US-China Bilateral Investment Treaty, which could provide significant benefits to both sides as investors could receive better legal protections for their overseas operations.[[16]](#footnote-17) Clean energy and climate change are another area where the US and China are exploring avenues of cooperation.[[17]](#footnote-18)

In summary, you will find no shortage of good ideas for debate cases this year. Be sure to keep up to date on the latest developments in US-China news events, since new issues may arise that could either remove an Affirmative case from being available (the plan gets implemented in the real world), or could create new opportunities for new case ideas you hadn’t thought of at the beginning of the season.

Worksheet: Status Quo of US Policy with China

Name: \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ Date: \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

Answer the following in the spaces provided.

1. What were the import/export numbers in 2015 between China and the US?
2. What is the difference between a “trade deficit” and the “federal deficit”?
3. Why would a country intentionally devalue its currency?
4. What is “protectionism” and what does it intend to do?
5. What is “dumping”? What is a way a country can counter-balance dumping and make for a more level playing field?
6. If the US believes that China has been unfair in its trade practices, who do they complain to?
7. What major event instituted trade sanctions for military supplies on China that remain in effect today?
8. How has China violated IPR? How has Chinese culture influenced IPR violations?
9. What are the two questions to be asked when evaluating China’s potential military threat?
10. What is the alternative Asian proposal to the World Bank? Why has the US refused to join?

Answers

1. The 2015 import/export numbers show the US exported $116.2 billion worth of goods to China, while we imported $481.9 billion, which makes our trade with China a big contributor to the overall US trade deficit.

2. The “trade deficit” is the difference between all the individual decisions of consumers and producers in the market place who are buying and selling, importing and exporting, when the import total exceeds the export total. By contrast, the “federal deficit” is the difference between how much money the federal government takes in, compared to how much more than that it spends.

3. When a nation’s currency is devalued, goods manufactured and sold in the devalued currency become cheaper to foreigners paying with foreign currency. That makes the manufacturer’s cheaper goods more desirable and exports rise.

4. “Protectionism,” or the use of high tariffs as a barrier to foreign competition with domestic industries, is quite simple: Tariffs raise the price of imported goods, making them more expensive compared to domestically-produced items. Consumers thus are more likely to purchase the (artificially) cheaper domestic item, thus growing the industrial base and employment in domestic industry.

5. Dumping is when a government subsidizes its domestic industry to the point that it can export goods abroad for less than the fair market value, and in some cases less than it costs to produce them. A country can counter-balance dumping by imposing a tariff equal to the foreign government’s subsidy.

6. If the US believes that China has been unfair in trade, the US can complain to the World Trade Organization (WTO).

7. Congress imposed a ban on exports of military equipment to the People’s Republic of China after its brutal crackdown on pro-democracy protestors at Tiananmen Square in 1989.

8. Two ways are listed here: (1) Chinese hackers steal blueprints from insecure US companies and copy the technology for their own manufacturing uses, (2) China forces “sharing” clauses in some contracts requiring US businesses to give copies of technology as a price to do business in China. Chinese culture traditionally looked at copying as an honorable and useful activity and saw nothing wrong with it.

9. The two questions to be asked when evaluating China’s potential military threat are (2) what are their capabilities and (2) what are their intentions?

10. The alternative Asian proposal to the World Bank is the Asian Infrastructure Investment Bank (AIIB). The US has thus far refused to join AIIB because of the perception that it would boost China’s prestige and detract from the power of the World Bank.

1. https://www.census.gov/foreign-trade/statistics/highlights/top/top1512yr.html [↑](#footnote-ref-2)
2. A “trade deficit” occurs when the value of a nation’s imports exceeds its exports. When exports exceed imports, a nation is said to have a “trade surplus.” [↑](#footnote-ref-3)
3. Oil, for example, is priced on international markets in dollars, so a Japanese customer could buy oil from Saudi Arabia with those dollars. In addition, a few countries like Panama and El Salvador use the US dollar as their currency. The Japanese could also take it to the bank and trade it for yen. But in that case (or in the case of the Saudi oil trade), the bank (or the Saudis) will spend or invest it in the US, under this theory. [↑](#footnote-ref-4)
4. Although that is not to say that there are not also disadvantages that occurred as well. However, avoiding currency conversion costs and business risks from currency rate fluctuations have, indeed, been beneficial despite the other issues. [↑](#footnote-ref-5)
5. <https://www.wto.org/english/thewto_e/whatis_e/tif_e/org6_e.htm>. You can find the WTO member list at this website. [↑](#footnote-ref-6)
6. <https://www.wto.org/english/thewto_e/whatis_e/what_stand_for_e.htm> [↑](#footnote-ref-7)
7. <https://www.wto.org/english/thewto_e/whatis_e/tif_e/disp1_e.htm> [↑](#footnote-ref-8)
8. http://www.agri-pulse.com/Canada-seeking-3-billion-in-retaliatory-measures-in-COOL-dispute-06042015.asp [↑](#footnote-ref-9)
9. Wall Street Journal http://www.wsj.com/articles/u-s-agencies-block-technology-exports-for-supercomputer-in-china-1428561987 [↑](#footnote-ref-10)
10. <http://rendezvous.blogs.nytimes.com/2012/07/25/why-do-the-chinese-copy-so-much/> [↑](#footnote-ref-11)
11. Against Vietnam [↑](#footnote-ref-12)
12. Grenada, Panama, Haiti, Iraq twice, Afghanistan [↑](#footnote-ref-13)
13. Serbia, Libya, Syria. And that’s not including drone attacks. [↑](#footnote-ref-14)
14. Philippines: <http://uk.reuters.com/article/uk-southchinasea-philippines-usa-idUKKCN0X50VV>. Vietnam: <http://www.nytimes.com/2016/05/20/world/asia/access-to-bay-adds-enticement-as-us-weighs-lifting-vietnam-embargo.html?_r=0> [↑](#footnote-ref-15)
15. <https://www.whitehouse.gov/the-press-office/2016/03/31/us-china-joint-statement-nuclear-security-cooperation> [↑](#footnote-ref-16)
16. http://www.bjreview.com/Opinion/201604/t20160405\_800053736.html [↑](#footnote-ref-17)
17. http://www.chinafaqs.org/blog-posts/us-and-china-sign-join-paris-agreement-year-deepen-cooperation-climate-and-clean-energy [↑](#footnote-ref-18)