Reevaluating Free Trade with China

by Phyllis Schlafly December 31, 2010

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The voters who elected the new Congress expect it to cast off unconstitutional and discredited policies such as Keynesian big-spending and judicial grabbing of legislative prerogatives. We also hope Congress will shake itself loose from the dishonest, anti-American trade policies of other countries, especially Communist China.

Although China is called a major trading partner, it treats U.S. companies like suckers, cheating them coming and going. China even intimidates U.S. businessmen so they don't dare to criticize China's unfair trade tactics.

Take, for example, the attitude of CEO Jeffrey R. Immelt of General Electric, the company now laying off hundreds of U.S. workers and giving those jobs making light bulbs to Chinese workers. He won't comment about the current U.S. case in the World Trade Organization accusing China of giving illegal subsidies to Chinese wind turbine makers.

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A few years ago, G.E. caved into the Chinese government's demand that G.E. build a large wind turbine factory in China. Since G.E. owns a crucial patent for wind turbines, this demand was based on the Chinese anti-free trade policy called indigenous innovation (which China expert James McGregor calls "a blueprint for technology theft on a scale the world has never seen before").

China then developed its own wind turbine manufacturers, and is now directing purchasers to buy from those Chinese firms instead of from G.E. That's the reality

in what free traders naively believe is the world's fast-growing market for U.S. goods.

China wants to be the world's biggest exporter based on stealing U.S. know-how and subsidizing local manufacturers. China blatantly violates international trade laws and has no plans to be a market for U.S. products; China's principal imports are and will continue to be U.S. jobs.

When asked about China's cheating of G.E. on wind turbines, Immelt responded by saying that G.E. will fine-tune its competitive tactics to adapt to Beijing policy. The New York Times quoted a California lawyer specializing in Asia deals, Judy Lam, as explaining that his reaction translates as, "I understand my place" and big American corporations are "willing to suck it up -- that will win them points."

Although the Obama Administration filed a wind-turbine complaint with the World Trade Organization, no U.S. company joined to defend itself. WTO disputes take up to three years to come to a decision, which usually turns out to be against U.S. interests.

The United Steelworkers Union has dared to complain about China's cheating practices on alternative energy products such as wind turbines, solar panels and batteries, filing a 5,800-page petition under section 301 of the Trade Act of 1974. Google said it might shut down its China-based internet search engine if Chinese censorship continues.

The Chinese government passes short laws on complex industrial and financial subjects while leaving unlimited discretion to bureaucratic regulators (like the Obama Administration). In authentic socialist practice, the regulators can use their discretion to advantage their friends and punish their enemies.

China has a long record of disciplining companies that fail to conform to Chinese regulatory demands. Chinese regulations presume to dictate ordinary managerial decisions of non-Chinese companies such as what equipment may be bought and from whom.

China has a Communist government, so the Communist Party is in the driver's seat. China can violate with impunity all international law and trade agreements, slap taxes and regulations on U.S. plants in China, compel U.S. corporations to give their trade secrets and manufacturing know-how to Chinese competitors, and force Americans to keep silent about the unfairness of it all.

G.E.'s Immelt was gung-ho for trade with China in 2002. He then told G.E. managers: "I talk China, China, China, China, China. You need to be there. I am a nut on China." But G.E. got only half the China market that Immelt was counting on.

In 2010, after G.E. had handed over technology in everything from rail locomotives to antipollution equipment in order to gain access to the Chinese market, Immelt was singing a different tune: "I really worry about China. I am not sure that in the end they want any of us to win, or any of us to be successful."

After major U.S. corporations, including our biggest technology companies, gave away their most valuable industrial secrets, they are asking themselves, Was it all worthwhile?

Some people foolishly call our relationship with China "free trade." But there is nothing free or fair about it; it is trade war between an aggressively protectionist Communist government and a U.S. that is shackled by foolish and out-of-date illusions about free trade.