

Economic Interests

Double-Teaming China

By Bruce Stokes

BRUSSELS—Baroness Catherine Ashton, the European Union's new foreign minister, will come to Washington next week on a mission. One of her goals is to strengthen the trans-Atlantic dialogue about China.

However, she may be pushing on a closed door. American and European opinions differ on what to do about the undervalued Chinese currency. And Obama administration officials are not at all sure that cooperating with Europe is the best way to maximize American interests in the People's Republic.

Nevertheless, the U.S. and E.U. business communities increasingly share concerns about China, and the China lobby's To Do list could provide a starting point for broader cooperation between Washington and Brussels on the China challenge.

Both the European Union and the United States have a worsening trade balance with China. The E.U.'s deficit for the first five months of this year was \$75 billion, 3 percent higher than for that period last year. The U.S. deficit with China was \$93 billion, up 10 percent over the same period in 2009.

Thanks in part to these imbalances, pluralities of Americans and Europeans now see China as more of an economic threat than as an opportunity.

Both the European and American business communities, long staunch defenders of relations with China, are becoming increasingly frustrated with their treatment by Beijing.

In its 2010 position paper, the European Union Chamber of Commerce in China reported that 36 percent of its members surveyed say that the Chinese regulatory environment has become less fair over the past two years. Moreover, 39 percent expect the regulatory situation to worsen over the next two years.

The American Chamber of Commerce in China's 2010 white paper painted a similarly bleak picture. Many of its members "have begun questioning their long-term viability in China as they consider the obstacles presented by an increasingly difficult regulatory environment. Many new industrial policies show signs of protectionism that arouse concern over whether market access for both foreign invested enterprises and trading partners will narrow significantly in the years ahead."

Both groups are extremely worried about China's new "indigenous innovation" policy. This would give products containing Chinese intellectual property—everything from computer code to product design—preferential treatment in public procurement, including buying by the state-owned enterprises that constitute a huge share of the economy.

The joint U.S.-E.U. business outcry against this directive helped persuade Beijing to take a second look at its implications. Although the jury is still out, the reconsideration is evidence of the two business communities' leverage when they speak with one voice.

Each year, the American Chamber in China sends a cross section of its executives to Washington for a "door knock" on Capitol Hill. For many years, this lobbying effort was largely defensive, trying to stave off anti-China congressional action. Lately, the business community's message has become more proactive, urging Washington to get Beijing to halt objectionable practices. European Chamber in China representatives make the same kind of annual lobby-

ing pilgrimage to Brussels, and it has similarly shifted in tone and focus.

It's time that the U.S. and European business lobbies travel together to Washington and Brussels to make a common pitch about their shared China concerns. After all, members of Congress and the European Parliament each have a constituent self-interest to protect: European

companies' U.S. operations employ 3.5 million Americans, and U.S. firms employ 4.2 million Europeans in Europe. Any blow to the bottom lines of trans-Atlantic enterprises in China could undermine the security of those jobs.

The economics, the politics, and the diplomacy of dealing with China are changing. The two sides now share concerns about business conditions in China and have common interests to defend. There is also a desire, at least in Brussels, to deal jointly with China.

With the White House focused on obtaining Beijing's cooperation in dealing with Iran and North Korea, and with Congress seemingly fixated on the exchange rate of the yuan, it is up to the U.S. and European business communities to shape and to drive a response to the China challenge. ■

bstokes@nationaljournal.com

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