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It's best to be realistic about China

The recent state visit of Chinese President Hu Jintao offers an opportune time to reflect on the state of business relations between the United States and China.



Trey Denton

While there is much political capital to be gained by demonizing China and inflating its economic potential, this course of action is likely to push China in directions not beneficial to either the human rights of Chinese citizens nor the strategic interests of the United States.

It is much more helpful to observe China realistically, to note its strengths and weaknesses and to try to negotiate with the Chinese on all matters of import in a non-zero sum fashion.

China is emerging from an extended era in which the Chinese people perceive great humiliation at the hands of foreigners. As China begins to flex its economic and military muscle, it remains extremely sensitive to all perceived slights, both real and imagined.

All talk of the "Dangers of a Rising China" (a recent front page headline from The Economist magazine) and strategic discussion of the need for "containment" of Chinese power only exacerbate what David Shambaugh, writing in the New York Times, refers to as China's "aggrieved nationalism."

This sentiment is used by the Chinese ruling party to consolidate their power,

justify policies that undermine the rights and freedoms of their citizenry and push China toward more aggressive regional behavior.

The upcoming release of the remake of the movie Red Dawn, in which the United States is occupied by a combination of Chinese and Russian forces, will not make the Chinese feel better about our relationship.

China has the world's second largest economy, trailing only the United States, and is expected by many to overtake the U.S. in the next few decades. A better indicator of economic power, however, is GDP per capita adjusted for purchasing power parity.

By this measure, according to the World Fact Book, China comes in ranked 128th among the poor nations of Algeria, Turkmenistan, and El Salvador.

Income disparity in China is alarming, and while the standard of living found in the major cities of Shanghai, Beijing, and Guangzhou mirrors those encountered in the developed world, a large portion of China remains woefully poor and undeveloped.

The Chinese Ministry of Agriculture recently announced the 2010 urban-rural income gap was the widest reported in 32 years. This is creating a culture of "haves and have nots" in which hundreds of millions are getting left behind.

The Chinese ecological system is in trouble. Air and water pollution are at intolerable levels. Birth defects, asthma and other health problems are largely unreported and at epidemic proportions.

The vast majority of the people live in the same areas that contain the most productive farmland. The percent of arable land is now down to less than 15 percent of China's land area.

Rampant pesticide and antibiotic use stimulates growth of supergerms. Humans and farm animals live in such close proximity that viruses long thought to infect only animals are jumping to human hosts.

Even though China is being recognized for its efforts to produce "green" energy related products, approximately 70 percent of China's energy still comes from coal.

China is also guzzling oil at a rate that surpasses 10 million barrels a day, importing about half of that amount, with oil imports up almost 18 percent from the previous year.

Finding reliable sources of oil is a Chinese strategic imperative and explains much of their interest in investing in Africa and other oil-exporting

areas. China has shortfalls in many other natural resources, too, such as timber, having to import more than a third of its annual consumption of wood.

Corruption in China remains a problem, as is the general business environment. Transparency International, in its annual Corruption Perceptions Index, ranks China 78th on the list of least corrupt nations, worse than Cuba and Rwanda and tied with Colombia.

Intellectual property protection is lacking, placing foreign companies who do business in China at constant risk of corporate theft, which is a problem for domestic as well as foreign companies, although rarely discussed.

The Index of Economic Freedom prepared by the Heritage Foundation ranks China as 135th, mostly unfree, with list neighbors Haiti, Vietnam, and Cameroon.

Speculation in the booming housing market in China combined with a dearth of

comparable-return investment vehicles has led to millions of new units with no occupancy and a housing bubble that could explode at any time.

Future Chinese economic expansion will eventually be cooled by these and other factors. The double digit annual growth rates will eventually recede as China grapples with these daunting issues.

Human rights abuses and economic inequities within the Chinese domestic market will continue to confound U.S. leaders as we make room for this emerging superpower. China will remain perhaps our most important trade partner and competitor, yet China is not invulnerable. We should not exaggerate its threat to U.S. economic hegemony.

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