

C.V. Starr Lecture
China's Place in World Trade and Finance
November 9, 2005

"My biggest complaint on the way [American] trade policy towards China is being conducted is just that it's dishonest," said Robert Howse, who discussed his own views on recent international trade developments concerning China, which have ignited a worldwide debate on the economic and political ambitions of that country in recent months.

During a C.V. Starr Lecture on November 9, 2005, Howse – who is the Alene and Allan F. Smith Professor of Law at the University of Michigan Law School and an authority on international economic and trade law – said that while "there is an image of talking tough" to the leadership in China when it comes to various trade disputes, he described U.S. policy towards that country as a "charade."

During the lecture, he pointed out that many policymakers and members of the business community have questioned China's commitment in fulfilling its obligations as a member of the World Trade Organization, especially in cracking down on the piracy and counterfeiting of American computer programs, DVDs, and music recordings. Howse claimed that the U.S. government and even large American corporations "don't really believe that talking tough will lead to many real results" on intellectual property protection. "If you speak to their managers privately," he said referring to American businesses, "they'll tell you they don't have any hopes to fully or largely protect intellectual property in China." Instead, "they [the U.S. government] have to talk tough to set an example or threat to other countries in the world."

In another example, Howse pointed out that some analysts have argued that China manipulates the value of its currency to promote Chinese exports. Saying that his lecture was not simply about "China bashing," Howse described such a belief as "really more or less just a fantasy of protectionist lobbying in Congress," and noted that a wide variety of factors affected the value of any currency. While China did recently allow its currency to float within a targeted range, Howse noted that its government had firmly rebuffed American entreaties to allow a further loosening, and that U.S. officials probably did not even want the value of the Chinese currency to fluctuate wildly. And commenting on a recent agreement where China would impose further quotas on its textile exports to the United States, Howse said that "anyone who thinks that this will save the U.S. textiles industry globally, I think, has to be dreaming."

Howse said that while China's political leadership has presented its country as politically progressive, dynamic, and agile in managing changes brought about by its booming economy, he believed that "China's leaders have no conception of the tools necessary to manage [these] conflicts . . . other than violence" (such as government crackdowns). Economists have credited China's booming economy – the sixth largest in the world – in helping to create a growing middle class, but they have also noted rising social and economic inequalities, which have led to riots and demonstrations against the government. Howse was also not optimistic about whether China's engagement with the world community would affect its governance. "I don't think that China represents a viable or desirable political or social model for any country. It combines the worst attributes of both tyranny and anarchy," he said.

Howse also cast doubt on optimistic forecasts that China will dominate global economic relations by creating innovative technology in a services-driven economy. He stated that gaining such a competitive advantage depends, in part, on a free flow of information. "It's unimaginable to me

that something like the iPod or the BlackBerry could have been invented in the political culture of a totalitarian state, which China remains,” Howse said.

In dealing with China in the future, Howse urged the United States to address the “real issues” such as those concerning the degree of transparency in China’s laws and whether that country is truly addressing its growing internal problems involving social and economic inequalities. “These are the issues that urgently need to be addressed,” he said, “through America having some kind of approach . . . based on a realistic view of what [China’s] society is like . . . and not [one] based on fantasy.”