

THE FLIP SIDE OF THE COIN, Part I

By Dr. Edward Lin

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As an all inclusive organization, GCAA warmly welcomes in brotherhood and friendship all who are interested in Chinese culture and friendship with the Chinese people. We live in a time wanting of world peace and geopolitical stability. It is expedient for political opportunists to point to America's problems and blame it conveniently on other countries such as China and India. Such sentiments can directly affect GCAA members and their children, at work, at school and at play. As your president, I'd like to share some information with you that can be helpful in engaging fellow Americans in a healthy and reasoned discussion on US-China relations.

As we all know, blaming is easy and satisfying, but does nothing to help understand or deal with the actual problems which only fester with increasing neglect.

Take, for example, the unfortunate loss of over one million manufacturing jobs in the US in recent years. On first look, it is clear many of these jobs have gone to Asian nations such as China and India, and it'd appear therefore these countries deserve blame for taking these jobs from Americans.

Laura D'Andrea Tyson (currently, Dean of the London Business School and formerly Dean of the Haas School of Business at the University of California at Berkeley), an internationally renowned American economist, wrote in recent issues of BusinessWeek that the loss of manufacturing jobs is **worldwide** and permanent, and due to improved productivity and efficiency brought about by computers, software and automation. While US lost 1 million jobs, China lost over 24 million during the same time period. The impact of technology is felt worldwide. In order to remain a global leader, we must be willing to adapt and continue to innovate. Change is inevitable.

Dr. D'Andrea Tyson also wrote:

“Despite the howls from Congress, China's management of its exchange rate is not the reason America's current account deficit has soared in this period. As Morgan Stanley economist Stephen S. Roach recently observed, it would take the current account surpluses of 10 economies -- including those of Japan, China, Russia, Germany, and Saudi Arabia -- to equal the U.S. current account deficit. America is running a massive current account gap not because of an undervalued Chinese currency, but because the U.S. is saving too little to finance its investment needs. America's net national savings rate has been hovering at a record low of 1.5% of GDP since 2002”

“China's exports in the electronics industry have driven out similar exports from competing higher-cost Asian economies. The real victims of China's formidable production cost advantages are its emerging-market competitors. And American consumers have been the beneficiaries. Since 1997, U.S. consumers have saved about \$100 billion a year in import bills as lower-priced goods, primarily from China, have supplanted goods from other regions.

China's large trade surplus with the U.S. obscures the fact that China is also a voracious importer. Since 1995, China's imports have grown twice as fast as U.S. imports. This year, sales to China will account for nearly three-quarters of the increase in Japan's exports, 40% of the rise in Korea's exports, 99% of the boost in Taiwan's exports, and about a quarter of the increase in U.S. exports. China is America's fastest-growing export market, expanding at an annual rate of about 20%. American companies sell \$20 billion worth of goods to China.

Finally, China is helping America's economic expansion by helping to keep U.S. interest rates low through substantial purchases of government debt.” As the second largest holder of US Treasury notes (after Japan) China bought more than \$325 billion in U.S. government securities as of 5/06. “China is a primary source of funding for the U.S. fiscal and current-account deficits,” noted Dr. Tyson.

It is impossible in the very limited space here to even scratch the surface of the complex co-dependent and mutually benefiting relationship between the US and China. There are legitimate grievances, and we need to understand the facts surrounding this complex issue before we can determine how best to improve the situation, and help make America a stronger nation.

In closing, I urge you to become involved in your Association and in your community. In making a better world, we ALL can make a difference, and we must!

Regards to all,

Ed

Dr. Edward Lin
GCAA President
Encourage Inspire Empower

“You must be the change you wish to see in the world” Mahatma Gandhi