

The Nightly Business Report
US and China – A Brewing Confrontation?
July 24, 2007

There has been much news about China lately, mostly concerning the recalls of tainted food and unsafe products.

The results of a recent Zogby/UPI poll are illuminating. 61% of respondents see Chinese products as non-beneficial to US consumers, a reversal of respondents' views just 2 years ago. And 62% think the US should impose restrictions on the quantity of Chinese imports.

The Congress reflects these attitudes. There are a myriad of bills: to curb Chinese imports, press for currency appreciation, and attack the food and product safety problems. Hearings are scheduled this month and one or two bills may get to the floor. If anything passes, the President would probably veto it, but China might retaliate anyway.

This is a classic expectation gap. China argues that it works hard to upgrade standards and wipe out counterfeit products, but this takes time. However, our Congress wants action now.

The big challenge is to manage a brewing confrontation. Secretary Paulson has started the Strategic Economic Dialogue with his counterpart, Chinese vice premier Wu Yi, and this is the best vehicle we have. Avoiding a confrontation is in everyone's interest; otherwise, we risk disrupting trade. The coming months will test the resolve of both sides if we are to maintain the momentum of this important economic relationship.

I'm Barbara Hackman Franklin