



Mr. Johnson

## U.S.-China Poised on Collision Course due to Trade Differences

As the **U.S.**'s trade deficit with **China** increases, **C. Donald Johnson**, a former chief U.S. textile negotiator, warned in **Atlanta** last week that the two countries are poised to challenge each other's trade policies and adopt protective measures.

During an April 4 **U.S. Pan Asian American Chamber of Commerce Southeast Chapter** meeting held at the **Coca-Cola Co.** headquarters downtown, Mr. Johnson cited China as having bypassed **Japan** as the holder of the world's largest foreign exchange reserves, which totaled some \$853.7 billion in February.

"We're giving a foreign country control over our economy in many ways because of the deficit. A lot of problems in the U.S.-China trade relations are created in China, but a lot are created right here," said Mr. Johnson, who is the director of the **University of Georgia School of Law's Dean Rusk Center- International, Comparative and Graduate Legal Studies**.

While the U.S.'s trade deficit to China increases, the U.S. government is taking a protectionist stance toward the country, questioning China's role in taxing U.S. imports to protect its strategic industries.

Mr. Johnson, who was the lead textile negotiator for the U.S. when China joined the **World Trade Organization** in 2001, cited a recent complaint brought to the organization by the U.S. and the **European Union** that says China's tariffs on imported automotive parts are a barrier to fair trade.

The grievance was filed less than one month before Chinese President **Hu Jintao's** scheduled visit to **Washington** on April 20, which Mr. Johnson believes underscores the U.S.'s increasingly aggressive tone in its trade dialogue with China.

A Chinese ban on U.S. beef imports, which was enacted in 2003 when the first case of mad cow disease was discovered in the U.S., may be another reason for the U.S. to file a complaint against China, Mr. Johnson said.

He added that intellectual property violations of U.S. films, music and computer software could also go before the WTO.

If the U.S. challenges China's trade policies, the Chinese government could retaliate, Mr. Johnson warned during the seminar.

"I think that now that we're starting to take China to the World Trade Organization, we can expect to see China taking the U.S. to the WTO, as well," he said. Chinese grievances about U.S. safeguards on textiles have been negotiated in the past, but future Chinese grievances could be taken directly to the WTO, he added.

While the countries' trading relationship is strained, Mr. Johnson does not believe that Chinese companies should be deterred from entering the U.S., especially since investing here would create jobs and help to diffuse tensions between the two countries.

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"They have the money to invest, it's just finding the 'where' to invest," Mr. Johnson said of the country's foreign exchange reserves. "I think that we should encourage them to invest in Georgia."

Georgia's efforts to locate a state trade office in China are a good start in attracting investment, Mr. Johnson said, but he acknowledged that states such as **South Carolina** were already a step ahead. **Qingdao**, China-based refrigerator manufacturer **Haier Group Co.** built a \$40 million manufacturing facility in **Camden**, S.C. in 2000.

Mr. Johnson was the lead speaker for the Pan Asian American Chamber meeting, which was the first in a series on doing business in **Asia**.

The chamber, a 25 year-old national organization, opened a Southeast chapter two years ago, which has more than 50 members. It is directed by **P.I. Joy**, president of the software development company **Think Development Systems Inc.** of **Tucker**, and chairman of **American United Bank** in **Lawrenceville**.

For more information on the chamber, visit [www.uspaacc-se.com](http://www.uspaacc-se.com).

Contact Mr. Johnson at (706) 542-5135 or [johnsacd@uga.edu](mailto:johnsacd@uga.edu).

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