

China moving away from free market: US

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As Taiwan moves toward finalizing an Economic Cooperation Framework Agreement (ECFA) with China, a US Congressional commission reports a “disturbing trend” by Beijing away from the development of a free market system and toward greater government control of the economy.

“Contrary to its claim of being a market-oriented economy, Beijing continues to comprehensively plan, direct, support and control its economy,” said Carolyn Bartholomew, chairman of the US-China Economic and Security Review Commission.

Releasing the commission’s seventh annual report on Thursday, she said: “Many of China’s economic reforms over the past 30 years are, in reality, a government-directed industrial policy that seeks to promote export-led growth.

“Key industries including auto parts, machine tools, information technology, optics, photonics and clean renewable energy are targeted for government support,” she said, adding that Beijing provides massive loans from state-owned banks to industries already producing over capacity.

Bartholomew said: “This approach gives China’s exporters a substantial price advantage in international markets and disadvantages companies hoping to export to China.”

‘CHILLING’

A leading US economist, speaking on the condition that he not be named, said that Bartholomew’s words were particularly chilling for Taiwan in view of what the report itself said about an ECFA.

“There is widespread opposition to the plan [ECFA] on Taiwan,” the report said.

It added: “Some opponents of the plan, led by the Democratic Progressive Party, charge that a free-trade agreement would sell out Taiwan. Skeptics also maintain that it would be tantamount to a one-China market and eventually political reunification with the mainland.”

BEST OPTION

The report said that proponents of an ECFA, spearheaded by the administration of President Ma Ying-jeou (馬英九) and major industry associations, argued that signing the proposal with China represented Taiwan’s best near-term option for revitalizing its economy after the effects of the global economic crisis.

The report said, however, that other commentators believe that an ECFA would harm Taiwan’s economy by hollowing out its manufacturing and electronics industries, crowding out trade with the US, Japan, the EU and ASEAN nations, while increasing Taiwan’s economic dependency on China.

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Rupert Hammond-Chambers, president of the US-Taiwan Business Council, said: “Ma doesn’t have support for the political/-military initiatives that China will demand post-ECFA and that’s when support drops off. Not for ECFA but for those initiatives that are political and military in nature.”

“ECFA will continue to enjoy support through the process — unless its roll out is handled poorly,” he said.

Bartholomew said it was the commission’s responsibility to focus on the difficult areas of the US relationship with China and “shine some light” on areas where there were problems.

FIGHTER JETS

Asked if the commission was in favor of the US selling advanced F-16 fighters to Taiwan, Larry Wortzel, vice chairman of the Commission, said that it was very clear that the balance of air power across the Taiwan Strait was tipping in favor of China and that Taiwan’s aging air force fleet needed to be improved to address the imbalance.

He said: “It’s not our place to recommend specific weapons systems.”

Bartholomew said, however, that the commission members were going to Asia next month and would spend some time in Taiwan where they would focus their discussions on air power.

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