

The looming US-China economic clash?

DR. ABDULLAH SHIBLI

It is no secret that President-elect Donald Trump's election caused some concerns in the corridors of power in Beijing. Just last week, Trump fired the first salvo challenging one of the cornerstones of the 44 years of US-China policy by making formal contacts with the Taiwanese President, Tsai Ing-wen. The Wall Street Journal under the headline "Trump Spoke With Taiwan President in Break With Decades of U.S. Policy" proclaimed that the conversation between Trump and Tsai runs counter to a long-established US diplomatic canon known as One China Policy. However, it needs to be seen what other policies Trump, once he is in office, will take to reformulate US ties with China. Many US analysts have warned Trump that China could play hardball and withdraw some of its extensive investments in the US causing major tremors in financial markets.

Ironically, US has already gone on the offensive in its war with China even before Trump announced his nomination for Secretary of State. On December 15th, the Obama administration launched a renewed challenge against Beijing at the World Trade Organisation, accusing it of practices that limit US's ability to export rice, wheat and corn to China. When China joined the WTO, it agreed to allow imports of US grains and corn at lower tariff rate, but reneged on its promise. In frustration, US officials described the Chinese system as "not transparent, predictable or fair." United States Trade Representative Michael Froman

said China's policies "limit opportunities for U.S. farmers to export competitively priced, high-quality grains to customers in China."

During the long election campaign in the US, Trump repeatedly accused China of manipulating its currency to make its exports cheaper, stealing jobs from US manufacturers, and trying to weaken the US, economically as well as militarily. Speaking on Fox News in early December, he said he understood the principle of a single China that includes Taiwan, but declared, "we're being hurt very badly by China with devaluation; with taxing us heavy at the borders when we don't tax them; with building a massive fortress in the middle of the South China Sea, which they shouldn't be doing; and frankly, with not helping us at all with North Korea."

In support of his position, he can now draw on a recent report — the annual report of the US-China Economic and Security Review Commission — which in October pointed to a growing threat to U.S. national security from Chinese spying, including infiltration of U.S. organisations, and called on Congress to bar Chinese state enterprises from acquiring control of US firms.

Obviously, the US and China have conflicting interests in Asia and beyond. China and US have clashed over China's move to build a naval base in South China Sea. For many years, China has used its foreign exchange rate as a tool for boosting

its economy, particularly its exports. The Alliance for American Manufacturing, once accused China of being a "currency manipulator" which tries to keep its yuan-to-dollar exchange rate low to boost exports and curtail imports. Unfortunately, recent evidence suggests that China is manipulating its exchange rate not to boost it, rather to weaken it, which a currency manipulator would do! If Trump, true to his words, plans to declare China as a currency manipulator within the first 100 days in office as he had promised and start the process of doing something about it, he will be in for a big surprise. His Administration will discover that if China returns to letting yuan trade at its correct free market value and allows it to slide against the dollar, Chinese goods will flood the US market even more, and do nothing to improve US's balance of trade with China.

Not all of Trump's economic or trade policies will enrage China much, though. Take the case of

Trans-Pacific Partnership Treaty (TPP). President Obama, during a speech early on in support of TPP had indicated that the treaty would serve as a bulwark against China's efforts to dictate the terms of international trade. TPP was pitched as an effort by US administration to thwart China's plans to write the rules of trade. President Obama even saw TPP as "Writing the Rules for 21st Century Trade".

So, how did China react after Trump's election victory? Immediately following Trump's declaration that TPP was dead, China's leaders fanned out across the globe to espouse its own version of global trade scenario. China had earlier floated its own regional trade arrangement, Regional Comprehensive Economic Partnership (RCEP), as an alternative to TPP which excludes China and India. China's President Xi Jinping went to Lima, Peru for the APEC Summit and promised to speed up negotiations for the conclusions

of RCEP. He pledged at the APEC summit to open China's economy, and advocated for RCEP as "the only path to the broader Free Trade Area of the Asia-Pacific (FTAAP)."

But it would be premature for China to open the champagne cork. USA and Chinese relations will go through some rough economic patches. Donald Trump had also railed against many other issues related to the pattern of US-China trade relations, and spoke out against China for "dumping" cheaper products on the US consumer through various policy actions. US steel industry had brought numerous cases before WTO, and is "seeking punitive duties from the Commerce Department to combat below-cost dumping and unfair subsidies that slashed prices of various steel products to historic lows last year, causing layoffs at U.S. steel mills."

Should the Trump trade team decide to take China the courts and pursue aggressively its case with US International Trade Commission, accusing China of providing subsidies on exports and raising barriers on imports, it has already built a team with seasoned warriors on its side. One of Trump's advisors, lawyer Robert Lighthizer, is a veteran of past trade wars, and worked during the Reagan administration and successfully persuaded Japan to agree to voluntary export restraints. Trade experts familiar with their views and history of confrontation with China say they will not be afraid to push

the limits of what is legal under World Trade Organisation rules in defence of US's trade interests.

Let it be known that Donald Trump is also showing some willingness to deal by nominating Terry Branstad, Governor of Iowa, who has had extensive dealings with China, as the new US Ambassador to Beijing. Donald Trump has repeatedly cited US trade deficits, currently running at approximately USD 800 billion, as evidence that US is being taken advantage of. China accounts for half of US's trade deficits, which exists because US exports to China are only USD 116.2 billion while imports from China hit a new record of USD 481.9 billion. He has threatened to impose damaging tariffs on Chinese imports. However, here Trump will soon have a rude awakening. His threat of imposing a 45 percent tariff across the board on Chinese imports will surely be knocked down by WTO. Unilateral tariffs will also face the wrath of its trading partners and run against the rules and spirit of international trade.

And China has a few cards up its sleeves, too, to hit back. China has been a major market for the Silicon Valley high tech companies. A senior Chinese state planning official has warned that Beijing could impose a penalty on a US automaker for monopolistic behaviour, soon after Trump's challenge to the One China policy. All this might bring back some sense to the Trump team.

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The unimaginable price of poor governance

SHAKHAWAT LITON

THE biggest mass poisoning by toxic medicine in the world in the last one hundred years perhaps occurred in Bangladesh as more than 2,700 children died in a decade since 1982.

A report prepared by Scientific Committees of European Commission in 2008 listed nine countries including the US, India, Nigeria, Bangladesh, Haiti and Panama where incidents of mass poisoning by Diethylene Glycol (DEG) took place in the last century. But none of the countries witnessed deaths on as large a scale as Bangladesh.

The first incident of mass poisoning was uncovered in the US in 1937 in which 105 children and adults died. According to the report, 21 people died in 1986 and 36 in 1998 in India, 88 in 1995 in Haiti, 47 in Nigeria in 1990 and 51 in Panama in 2006 (the death toll in Panama later, however, increased to at least 400.)

The report indicates that 236 children died in Bangladesh in a short period of time—between 1990 and 1992. But the death toll in Bangladesh was more than 2,700 in one decade (from 1982 to 1992). And at least 28 young children died in 2009 due to poisoning by toxic paracetamol syrup.

In Bangladesh, their deaths were no way an accident. In legal terms it was manslaughter due to gross negligence. Some pharmaceutical companies used poisonous chemicals in the production of paracetamol syrup for children. Their motive was to make money by using cheaper, but poisonous, Diethylene Glycol chemical which is used in tannery and battery industries.

The syrup, instead of reducing fever and pain in children, had the opposite effect. Children began to experience acute problems including kidney failure, leading to the death of many. Parents came to know much later, the real reasons behind the deaths. Victims of mass poisoning in Bangladesh still await justice.

When the first mass poisoning occurred in 1937 in the US, it was not possible for the authorities to take legal action against companies for producing toxic medicine. At the time, the food and drug law did not require



In 2013, law enforcement officers seized around USD 640,000 worth of fake and unauthorised medicines from the central medicine sales hub, Mitford.

PHOTO: PRABIR DAS.

that safety studies be done on new drugs. Sale of toxic drugs, although bad for business and a firm's reputation, was not illegal. The tragic incident led to the passage of the 1938 Food, Drug and Cosmetic Act which increased the Food and Drug Administration's power to regulate drugs. The new law gave the US a new system of drug control which provided superior protection while stimulating medical research and progress. It prevented any major drug tragedy in the US.

There was a law to punish pharmaceutical companies for manufacturing toxic syrup at the time these tragic deaths took place in Bangladesh. The regulatory authority—the drug administration—failed to prevent companies from manufacturing and selling toxic

syrup because of its poor governance. Bereaved families sought justice and cases were filed against some pharmaceuticals companies.

But that was the beginning of another tragic chapter due to misgovernance in the drug administration. In December 1992, chemical analysis proved that paracetamol syrups manufactured by five companies—Adflame Pharmaceutical Ltd, Polychem Laboratories Ltd, BCI (Bangladesh) Ltd, Rex Pharmaceutical, and City Chemical and Pharmaceutical Works Ltd—contained the lethal chemical Diethylene Glycol.

Criminal cases were filed against four manufacturing companies except City Chemical and Pharmaceutical Works Ltd

which was not prosecuted apparently because the companies had close connections with the then ruling BNP.

Manufacturers of poisonous syrups have been able to escape punishment due to an extraordinary combination of corruption and mismanagement in the Directorate of Drug Administration (DDA) and other government agencies.

In November 2003, a Mymensingh drug court acquitted the two owners of Rex Pharmaceutical of the charge of manufacturing toxic syrup questioning the integrity of the chemical tests. The court ruling, however, shows that the court was not informed of how the tests had been undertaken and the role of World Health Organization in ensur-

ing their accuracy. Moreover, the court was also not told that the law in fact did not permit it to question the accuracy of the tests. But DDA never appealed the acquittal.

Last year in March, three officials of Adflame Pharmaceuticals were sentenced to a severe 10-year imprisonment for manufacturing adulterated drug and six owners. And in August of the same year, a Dhaka court jailed six owners and employees of the now-defunct BCI (Bangladesh) for 20 years for producing lethal paracetamol. Most of them punished in the two cases were later released on bail.

Failure to punish people responsible for manufacturing toxic drugs in the 1990s paved the way for another disaster in 2009 as at least 28 children died due to poisoning by toxic paracetamol syrup manufactured by another pharmaceutical company Rid Pharma. A probe committee formed by the government found poisonous chemical was used to manufacture paracetamol syrup by Rid Pharma. Diethylene glycol is used in the manufacture of unsaturated polyester resins, polyurethanes, and plasticisers.

A criminal case was filed against officials of Rid Pharma. But parents of the victims could not imagine the shock when a drug court in Dhaka on November 28 acquitted all five officials of Rid Pharma of the charges.

What were the reasons behind the acquittal? According to the judgement released on Tuesday (December 6) two officials of the Drug Administration involved in the case against Rid Pharmaceuticals Ltd knowingly violated due procedure of law, and exhibited sheer negligence, inefficiency and incompetence in dealing with the case which led to the officials' acquittal.

What can be more glaring examples of poor governance than the above cases? The incidents show how people become easy victims and expose the state's inability to deliver justice to these victims. Poisoning by toxic drugs shows our collective negligence and failure to save the lives of thousands of children. Only time will tell if more tragedy and horror await us in the coming days as a result of poor governance.

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Quotable Quote

John Keats
ENGLISH ROMANTIC POET

The problems of the world cannot possibly be solved by skeptics or cynics whose horizons are limited by the obvious realities. We need men who can dream of things that never were.

CROSSWORD BY THOMAS JOSEPH

ACROSS

- Holds up
- Shocked sound
- Movie category
- Worship site
- Desert spot
- Racer Andreotti
- Parrot
- Swearingin vow
- Court sight
- Rations holder
- Fairy tale sister
- Camera part
- Honshu port
- Dojo blow
- Treacherous ones
- Inveigled
- Rent out
- Peyton's bother
- Pigged out
- Saw
- Wyomings -- Range
- Yard plus a bit
- Sluggish
- Citi Field team

DOWN

- Pipe cleaner
- Like some training
- Yank's ally
- Bun seeds
- Toumey makeup
- According to
- Bowling feat
- Added to a fund
- On the way out
- Alex Haley work
- Israeli city
- Fresh reaction
- Hit the bottle
- Moving
- Coffee add-in
- Poker variety
- Morphine, e.g.
- Brightens
- Snappy answer
- Artery opener
- Active folks
- Gambling city
- Acquire

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YESTERDAY'S ANSWER

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BEETLE BAILEY

by Mort Walker

BABY BLUES

by Kirkman & Scott