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# Perspectives

## America's New Scapegoat: Why China Will Fit the Bill



With most things foreign going badly and an election coming up, America's hunt for a scapegoat is on. Not anyone will do. Osama bin Laden is difficult to engage in serious debate, mostly because he can't be found. Kim Jong Il is too wacky to keep the American public firmly focused and the French don't qualify because they're just so irrelevant.

That's why China fits the bill. In the upcoming election campaign, it'll make as fine a whipping boy as there ever was. To begin with, Chinese products are everywhere—so the country is highly visible. Better yet, China is so successful that increasingly many understand that it will one day take the torch from the USA and run with it for a long, long time. But what makes China a truly great scapegoat is the fact that it can be portrayed as doing well at the expense of the United States. That's what'll really irk America's heartland!

### **Visible and successful**

Quick, does anyone remember a young Dick Gephardt bringing a sledgehammer down on a Japanese automobile? Every camera in the nation seemed to be present (and every union boss, too), when the frenzy over Japan's wholesale theft of American jobs and American dollars reached its apex. Come to think of it, that was also before an election.

It was when Ronald Reagan was favored and, consequently, young Dick Gephardt's antics made for good television, but were otherwise ignored. Except by the Japanese. They decided to take a good part of what they earned in the export trade and put it back to work in America. Tens of billions of dollars flooded into US Treasury securities and real estate in Hawaii and California. Some Americans turned xenophobic and predicted that Japan would soon own their entire country; others sold their places to the foreigners and benefited handsomely. The US Treasury, meanwhile, kept issuing bonds in ever larger numbers and never lacked a bidder.

Soon after, the Clinton era dawned and the threat of Japan was forgotten. America was reinventing itself on many fronts and its power steadily rose. So productive was the country, thanks to technological advances, that jobs were exported by the millions and manufacturing was considered an old hat. And so compelling was the lure of high technology that only comparisons to the industrial revolution itself would do.

That's when China made its bid. I remember the garment market collapsing. The typical European or North American T-shirt cost about six bucks to make and all of a sudden Hong Kong and Taiwan could do it for four. Then Thailand, Indonesia and the Philippines took turns, and before long the cost to buy one unit sank to nearly three dollars. In the end, China put everybody out of business, because it managed to produce the same quality T-shirt for half again. That's called deflation! The same story could be told about hundreds of products in dozens of industries. In some cases China displaced other Asian nations as the lowest-cost exporters; in others, Mexico or Brazil took the hit.

US jobs, too, migrated to China. And not just in manufacturing, but the service sector as well. Critics also point to the massive investments US corporations made in China, arguing that these should have been made at home. And there's something else that doesn't sit well with Americans: unlike Japan, which achieved its breakthrough during the 1970s and early 1980s when the US was a weak power, China's success occurred in the 1990s, of which many think as America's decade.

### **Snow's unsuccessful trip**

So now that election time is near, a point has to be made: America wants China to reverse this inexcusable injustice! And the US is not without specific advice. Increase the value of your currency, leaders of the People's Republic were told a few days ago...or else! Presumably to preempt the Democrats from getting too much press, Treasury Secretary Snow made a trip to Beijing himself. The Chinese listened, as they always do, and then responded. Yes, they said, revaluing the yuan is an intriguing idea and one day we may just do it.

Mr. Snow politely left (what else was he supposed to do?), but I imagine he didn't pack his bags with a light heart. Back home, a horde of restless Congressional Representatives will be waiting, and the odds are they'll find a better way to spin the Chinese story than the uninspiring Mr. Snow could ever come up with. After all, there *is* a story to be told. America's economy is unable to create jobs and congressional candidates think they know whose fault that is. China's!

So don't be surprised if you see politicians wielding sledgehammers once again. And don't be surprised either, if Beijing's sages wait a long time before revaluing their currency. Remember: patience was invented in China. □

**Publisher: Cavelti & Associates Ltd., Toronto, Canada.**

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