

## Unit 2

### International Trade

### 国际贸易

#### Comprehension questions:

1. What is international trade?
2. How were international trade traditionally regulated and how is it now regulated?
3. What is agricultural interests' attitude toward free trade?
4. When is there often strong domestic pressure to increase tariffs?

#### Part A Exercises

**1) Directions:** *Listen to the first news item carefully and decide whether the following statements are "T" (true) or "F" (false).*

- (1) (    ) China has been undergoing increasing anti-dumping, anti-subsidy, protection measures and special safeguard investigations since its accession to WTO.
- (2) (    ) China has suffered the most in anti-dumping investigation in the for nine years running.
- (3) (    ) 56 anti-dumping, anti-subsidy, protection measures and special safeguard investigations were launched by 12 countries and regions against China in the first of this year.
- (4) (    ) The amount of money involved in the anti-dumping investigations against China reached US\$1.1 billion, 5 per cent more than that of last year.
- (5) (    ) From 1979 to end-September 2004, 34 countries and regions launched 594 anti-dumping disputes, 2 anti-subsidy disputes, 58 protection measure disputes and 11 special safeguard disputes against more than 4000 Chinese commodities.

**2) Directions:** *Listen to the second news item carefully and complete the following passage by filling the missing information.*

A second \_\_\_\_\_ of negotiations between China and the United States aimed at \_\_\_\_\_ a dispute over textile trade broke down Thursday, said a statement from the U.S. Embassy.

"Despite our best efforts we were not able to reach a \_\_\_\_\_ agreement," U.S. negotiator David Spooner was quoted as saying. "We will be \_\_\_\_\_ the Chinese over the next few days on the date and location of the next round."

Washington has been \_\_\_\_\_ on Chinese-made textile imports under pressure from U.S. manufacturers who say Chinese clothing imports, which \_\_\_\_\_ after a worldwide quota system \_\_\_\_\_ on Jan. 1, are costing them profits and jobs.

The dispute is especially sensitive amid rising \_\_\_\_\_ at the country's \_\_\_\_\_ trade deficit with China, which reached a record \_\_\_\_\_ last year. Washington says the trade deficit this year is running \_\_\_\_\_ above that level.

## Part B Exercises

**1) Directions:** Listen to the interview and fill in the following table to make a summary of the talk.

Between 1994 and 1997	The exchange rate _____, reflecting _____.
At the end of 1997, at the request of neighboring economies and international institutions	China substantially _____ to help reduce the shock of the Asian financial crisis and _____.
As a central bank, we are clear that	the Chinese government does not _____, but rather _____.
The outbreak of the Asian financial crisis in 1997 led to	reconsideration of _____ among Asian countries and _____ was thought to be desired. China's foreign exchange reserves _____.
It was not until the end of 2001 that	China was accepted as _____, which _____.
In the five years following the accession to WTO,	China will continue to _____.
International trade theories and WTO spirit	call for _____.
The US trade	may be attributable to _____.

deficit	rather than _____.
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**2) Directions:** *Listen to the interview again and answer the following questions.*

- (1) Will China continue to maintain large trade surplus and high foreign reserves growth?
- (2) Will China be able to achieve a rough overall trade balance as a policy objective?
- (3) Is it possible to address Sino-US trade imbalance by means of exchange rate?

## Part C Exercises

**1) Directions:** *Listen to the news coverage and fill in the blanks with the appropriate words you hear.*

- (1) With protectionist sentiment \_\_\_\_\_ Capitol Hill in recent months, Beijing \_\_\_\_\_ a decade-old policy of pegging the renminbi, or yuan, to the dollar, that had effectively \_\_\_\_\_ its currency. It now sets daily trading ranges based on \_\_\_\_\_ several currencies.
- (2) The United States relies on these \_\_\_\_\_, judging from the reaction on Wall Street -- which experienced \_\_\_\_\_ recently when the Korean central bank said it would \_\_\_\_\_ buying of U.S. Treasuries.
- (3) By purchasing vast amounts of U.S. debt, foreign governments help keep interest rates here low. Treasury bond yields, or rates, have \_\_\_\_\_ since China revised its currency policy, and mortgage rates \_\_\_\_\_, which is why trade retaliation would be \_\_\_\_\_ it would be satisfying.

**2) Directions:** *Listen to the news coverage and complete the following gaps with figures.*

- (1) The shortfall between U.S. exports to China and imports of Chinese goods has surged from \_\_\_\_\_ in 2002, to \_\_\_\_\_ in 2003, to \_\_\_\_\_ last year.
- (2) By comparison, the deficit with Japan was \_\_\_\_\_ in 2004, and \_\_\_\_\_ with the 25 countries making up the European Union.

- (3) China is the second-largest holder of marketable U.S. Treasury securities, with \_\_\_\_\_ in May. According to Treasury data, it held \_\_\_\_\_ of total outstanding U.S. Treasuries -- issued in part to finance the U.S. budget deficit. (The Japanese hold \_\_\_\_\_ in U.S. Treasury securities.)

### 👤 👤 Acting out

1. Ask students to mimic the interview in Part B. One will be the CCTV host and the other will be a US trade representative. Ask questions below:
  - How do you view the trade relations between the US and China?
  - What are the main reasons for the huge US trade deficit with China, in your opinion?
  - How to solve the problem?
2. Ask students to form into groups of 4 and make a presentation on the topic "Will free trade benefit all countries?"
  - A brief introduction to free trade
  - Hot debate revolving around the benefits of free trade
  - Your own opinion

### Key to Exercises

#### Part A

**1) Directions:** *Listen to the first news item carefully and decide whether the following statements are "T" (true) or "F" (false).*

1. ( F )    2. (T)    3. (F)    4. (F)    5. (T)

**2) Directions:** *Listen to the second news item carefully and complete the following passage by filling the missing information.*

A second round of negotiations between China and the United States aimed at resolving a dispute over textile trade broke down Thursday, said a statement from the U.S. Embassy.

"Despite our best efforts we were not able to reach a broader agreement," U.S. negotiator David Spooner was quoted as saying. "We will be consulting with the Chinese over the next few days on the date and location of the next round."

Washington has been seeking restrictions on Chinese-made textile imports under pressure from U.S. manufacturers who say Chinese clothing imports, which have

surged after a worldwide quota system expired on Jan. 1, are costing them profits and jobs.

The dispute is especially sensitive amid rising American frustration at the country's soaring trade deficit with China, which reached a record \$162 billion last year. Washington says the trade deficit this year is running 32 percent above that level.

## Part B

**1) Directions:** *Listen to the interview and fill in the following table to make a summary of the talk.*

Between 1994 and 1997	The exchange rate <u>the RMB against the US dollar appreciated from 8.71, reflecting the feature of a managed float regime</u> .
At the end of 1997, at the request of neighboring economies and international institutions	China substantially <u>narrowed the floating band of the RMB exchange rate</u> to help reduce the shock of the Asian financial crisis and <u>dispel the fear of RMB devaluation</u> .
As a central bank, we are clear that	the Chinese government does not <u>pursue trade surplus</u> , but rather <u>aims at a rough overall balance in the current account</u> .
The outbreak of the Asian financial crisis in 1997 led to	reconsideration of <u>the appropriate level of foreign reserves</u> among Asian countries and <u>a higher level</u> was thought to be desired. China's foreign exchange reserves <u>have recovered to an adequate level and are no longer expected to grow at a high rate</u> .
It was not until the end of 2001 that	China was accepted as <u>a member of WTO</u> , which <u>entailed a series of trade reforms</u> .
In the five years following the accession to WTO,	China will continue to <u>cut tariff and relax quantitative import restrictions</u> , further liberalize service trade, including <u>financial and communication sector</u> .
International trade theories and WTO spirit	call for <u>multilateral-trade balance rather than bilateral trade balance</u> .
The US trade deficit	may be attributable to <u>structural imbalances and fiscal deficits in the United States</u> rather than <u>the RMB exchange rate</u> .

**2) Directions:** *Listen to the interview again and answer the following questions.*

(1) Will China continue to maintain large trade surplus and high foreign reserves growth?

As a central bank, we are clear that the Chinese government does not pursue trade surplus or rapid growth of foreign exchange reserves, but rather aims at a rough overall balance in the current account.

(2) Will China be able to achieve a rough overall trade balance as a policy objective?

It is difficult to predict whether China will record trade surplus or deficit. Unlike many other countries, China is in a stage of overhaul of its trade regime. In the five years following the accession to WTO, China will continue to cut tariff and relax quantitative import restrictions, further liberalize service trade, including financial and communication sector. All these will increase the difficulty to forecast current account balance. Estimates generally show that the growth of imports will be approximately nine percentage points higher than that of exports this year. With a trend of imports outgrowing exports, China's trade will balance in a year or two.

(3) Is it possible to address Sino-US trade imbalance by means of exchange rate?

Given the two countries' existing economic and trade structure, the United States would continue to have big trade deficit with China, even if China achieved an overall current account balance through changes in trade and currency policies. The US trade deficit may be attributable to structural imbalances and fiscal deficits in the United States rather than the RMB exchange rate.

## **Part C**

**1) Directions:** *Listen to the news coverage and fill in the blanks with the appropriate words you hear.*

- (1) With protectionist sentiment mounting on Capitol Hill in recent months, Beijing scrapped a decade-old policy of pegging the renminbi, or yuan, to the dollar, that had effectively undervalued its currency. It now sets daily trading ranges based on the movements of several currencies.
- (2) The United States relies on these lines of credit, judging from the reaction on Wall Street -- which experienced a sell-off recently when the Korean central bank said it would slow its pace of buying of U.S. Treasuries.
- (3) By purchasing vast amounts of U.S. debt, foreign governments help keep interest rates here low. Treasury bond yields, or rates, have edged higher since China revised its currency policy, and mortgage rates are bound to follow, which is why trade retaliation would be as risky as it would be satisfying.

**2) Directions:** *Listen to the news coverage and complete the following gaps with*

*figures.*

(1) The shortfall between U.S. exports to China and imports of Chinese goods has surged from \$103 billion in 2002, to \$124 billion in 2003, to \$162 billion last year.

(2) By comparison, the deficit with Japan was \$75 billion in 2004, and \$109 billion with the 25 countries making up the European Union.

(3) China is the second-largest holder of marketable U.S. Treasury securities, with \$243.5 billion in May. According to Treasury data, it held 4.2 percent of total outstanding U.S. Treasuries -- issued in part to finance the U.S. budget deficit. (The Japanese hold \$685.7 billion in U.S. Treasury securities.)