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## Investments Promote Prosperity

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With the collapse of the latest round of world trade talks due to the inability of the developed nations to reach agreements on farm subsidies, it is becoming more urgent to reach accords on many levels with our trading partners. A local issue raised in our upcoming gubernatorial election is the investment of Michigan companies in foreign countries.

Investment in foreign countries has occurred between nations for centuries. Following the Revolution and the War of 1812, British merchants displayed a keen interest in ensuring the good trade relations and open markets were the norm between the new United States and its mother country. At its outset, the United States was an emerging market to the established European countries.

We benefited by trade and foreign investment. America's relations with China are more complex, given China's unique 5,000 year history and a communist regime that has ruled since the 1940's. Michigan investment in China will, over time, yield benefits to the nation. If we can successfully engage China and raise its standard of living, the Chinese will be more able and willing to buy our goods and services. Ultimately, our prosperity is dependent on the prosperity of our neighbor.



Current protectionist fervor in the U.S. Senate demanding the isolation of China through tariffs and other trade barriers will only fuel economic nationalism, a root cause of the Second World War. We see this now in Iran, Venezuela, Cuba and North Korea. We need to lessen global tensions, not increase them. Michigan can aid in this process and it should.

Engagement should be the norm. Ronald Reagan successfully brought an end to the Soviet Union by following a "dual track" strategy. Build up militarily, while pursuing wide ranging summits and agreements. There was a profound difference between the world in 1980 and the world in 1990. That did not just happen; that was pushed.

There are three major global trends that have emerged since 1945. Falling political barriers, increased technological development and increased trade. These trends intensify two factors: increased resource mobility and lower prices. We need to further expose China to these positive market-based trends. Investment and improved relations will assist this process.

The most important historical reason to engage China is the free trade and increased investment abroad means peace. You do not wage war against your customers.

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