

Research Proposal

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1 Context

Chinese share in world trade has increased four times over the last decade. This increase has been mainly driven by increased exports which by now far surpass China's imports. China has been accused of artificially aiding these exports by manipulating the exchange rate of the Renminbi (RMB). By keeping the value of the Renminbi low, it becomes cheaper for western consumers to buy products produced in China, and more difficult for western producers to sell western products on the Chinese market. This accusation has become one of the major diplomatic issues between the United States and China during the last ten years. In the political discourse US politicians are accusing China of stealing American jobs on unfair terms, while the Chinese administration claims that the RMB is not artificially undervalued. Each use economic arguments to defend their claim, and this usage of economic theory in diplomatic discourse sheds light on the practical value of the field of economics in economic diplomacy.

2 Research question

We intend to illuminate this issue by first exploring how the economic arguments for both sides of the debate are presented in academic discourse. We will not enter the academic economic debate but we will try to convey the economic arguments as clearly and simple as possible, meant for a reader without any background in economic theory.

With the economic argumentation in mind we explore the resulting political discourse and analyse how this discourse is connected with the underlying economic theory. Based on these observations we will try to judge the validity of the stances both for and against the RMB and discuss how

the economic theories influence the decisions. Are the politicians well informed in their argumentation? Do economic arguments prove decisive or is economics used purely as guise for a political agenda?

3 Method

By analyzing academic literature arguing for and against an artificial depreciation of the RMB and holding these arguments up against statements made in official speeches by politicians we hope to make clear how the economic theory corresponds with diplomatic practice.

4 Structure

- Introduction: We contextualize the theme and frame the research question, and outline the methods used in the report.
- Economics 101: What are the basic models and theories that come in to play when we talk about undervaluation of the RMB?
- Applied economics: Within this basic framework we will flesh out the arguments made for and against the appreciation of the RMB in the academic discourse.
- The political debate: China has been heavy criticized by the United States during the last decade. We would like to highlight the arguments used by both sides in the diplomatic debate, with a special attention on who is saying what.
- Discussion of economic arguments: Based on the academic discussion on the issue we intend to discuss the merit of the different viewpoints and what part of economics are used by either side.
- Discussion of political use of economics: We intend to discuss how politicians are making use of economic arguments and try to use knowledge of economics and common sense to judge if they have any root in reality.
- Conclusion

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