

## **Donald Trump's Foolish Plan to Hand Asian Economic Leadership to China**

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President-elect Donald Trump's attack on international trade, and especially his intention to withdraw from the Trans-Pacific Partnership (TPP), will allow the People's Republic of China to seize the economic lead in Asia and prevent any goal of making America great again.

Trade is good for the U.S. Not just Americans who sell products and services abroad, but Americans who buy inexpensive products and services from abroad. The U.S. enjoys a large market at home, but 95 percent of the world's people and 80 percent of the world's economy lie outside America's borders.

Trading with and investing in other nations offers especially large benefits for lower-income households, whose members gain the most from lower prices on basic goods that act as an income boost. Concluded John Goodman of the Goodman Institute: "The biggest winners from free trade are in the bottom half of the income distribution. What's more, these gains are so large that if real income were measured properly, inequality in the U.S. has been falling not rising—precisely because of increased trade."

Although most people win, a few people suffer disproportionately when they lose their jobs. And they are more likely to vote based on this issue. While a good society should seek to ease their difficult transition, they should not be able to hold the rest of society hostage. A desire to share in the benefits of trade is not an argument for closing off trade.

Indeed, according to a recent study by Ball State's Center for Bureau and Economic Research, only 13 percent of the 5.6 million manufacturing jobs lost during the 2000s were due to trade. Automation and increasing productivity has shrunk the number of manufacturing employment worldwide. Even President Donald Trump won't be able to bring these jobs back.

In recent years, progress toward a freer international market through the World Trade Organization stalled. As a result, regional pacts, such as the pending Trans-Pacific Partnership, became the new path forward. The TPP would tie together 12 countries accounting for 40 percent of global GDP.

Like other "free trade agreements," the TPP provides for freer rather than free trade. Still, the accord would eliminate roughly 18,000 tariffs, cut non-tariff barriers, and speed customs

processing. Although the specific provisions vary in efficacy, overall the TPP would encourage commerce. Americans would benefit disproportionately since the U.S. already has generally low tariffs and non-tariff restrictions. America's losers would be vastly outnumbered by the winners.

President-elect Trump's plan to kill the agreement would abandon governments that paid a high political price for following the U.S., such as Japanese Prime Minister Shinzo Abe. Washington would find it correspondingly harder to win foreign support for future initiatives. Why take the risk when the U.S. doesn't have your back?

Worse, an American commercial retreat would leave Asia open for Chinese domination. No surprise, Beijing would be only too happy to grab economic leadership in the Asia-Pacific. U.S. Trade Representative Mike Froman warned, "We are the only ones who are going to be left on the sidelines as others move forward."

The U.S. economy remains more sophisticated, innovative, and transparent than China's economy. Investors and traders in America benefit from the rule of law, democratic process, and respect for human rights. Nevertheless, geography gives the People's Republic of China an important advantage. China already is the biggest investor and trader in the region. Even South Korea, a long-time American military ally, trades more with the PRC than with the U.S. and Japan combined.

Moreover, Beijing has been pushing its own trade agreements. Chinese President Xi Jinping told business leaders at a Pacific Rim summit: "China will not shut the door to the outside world but will open it even wider," in sharp contrast to President-elect Trump's plans. The PRC already has reached FTAs with several TPP signatories. Beijing also is pushing a Free Trade Area of the Asia-Pacific and an expanded, 16-member version of ASEAN's Regional Comprehensive Economic Partnership. America's trading partners, but not America, would be invited to join these networks.

In this case Beijing, not Washington, would be choosing participants. Beijing also would be creating commercial structures and writing investment and trade rules for the world's most dynamic economic region. These agreements would not have the labor and environmental standards favored by U.S. negotiators.

Even America's friends will choose China. New Zealand's Prime Minister John Key said, "If the United States doesn't want to participate in free trade, Trump needs to know that other countries will." Australian Foreign Minister Julie Bishop said the TPP's failure "would leave a vacuum in trade deals which most certainly will be filled by others," most notably Beijing's FTAAP and RCEP.

Malaysia and Vietnam have indicated that they will shift their attention to RCEP. Peru, also left adrift by the TPP's collapse, said it would support a new Pacific trade deal including China and Russia if not the U.S.

American firms may take the same position, despite the incoming president's promise to save U.S. jobs. American businesses cannot thrive globally locked in a high-cost America. "Two-thirds of what we do [in the Asia-Pacific] ends up in another country," General Electric's John

G. Rice told The New York Times: “So if they’re going to lower tariffs and trade barriers within that region, we’ll find ways to do more there.”

Since World War II the U.S. has promoted freer global trade. Refusing to ratify the TPP will cost Americans dearly. Economists Peter A. Petri and Michael G. Plummer concluded: “Delaying the launch of the TPP by even one year would represent a \$77 billion permanent loss.” Ultimately the geopolitical cost might be even greater. The loss of economic and political clout may leave the Trump administration convinced that it has little choice but to turn to military confrontation.

President-elect Trump has been adjusting candidate Trump’s more controversial positions. The promise to withdraw from the TTP should join other bad ideas in the political garbage bin. If President Trump wants America to be great, he should work to set American traders free.

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