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Trump may hand China economic leadership

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U.S. President-elect Donald Trump says he wants to make America great again. But his economic policies are likely to have the opposite effect.

His attack on international trade, and especially his intention to withdraw from the Trans-Pacific Partnership, will allow China to seize the economic lead in Asia.

Trade is good for the United States as well as other nations. Not just Americans who sell products and services abroad. But Americans who buy inexpensive products and services from abroad. Trade offers especially large benefits for lower-income households, whose members gain the most from lower prices on basic goods, which act as an income boost.

Although most people win, a few people suffer disproportionately when they lose their jobs. 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 American jobs lost during the 2000s were due to trade. Automation and increasing productivity has shrunk the number of manufacturing employment worldwide. Even 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 TPP, became the new path forward. The TPP would tie together 12 countries accounting for 40 percent of global GDP.

The TPP would eliminate roughly 18,000 tariffs, cut nontariff barriers and speed customs processing. Americans would benefit disproportionately since the U.S. already has generally low tariffs and non-tariff restrictions.

Trump's plan to kill the agreement would abandon governments that paid a high political price for following the U.S., such as Prime Minister Shinzo Abe. Washington would find it correspondingly harder to win foreign support for future initiatives.

Worse, an American commercial retreat would leave Asia open for Chinese domination. Warned U.S. Trade Representative Mike Froman, “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 China an important advantage. China already is the biggest investor and trader in the region.

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 Trump’s plans.

China already has reached FTAs with several TPP signatories. Beijing also is pushing a Free Trade Area of the Asia-Pacific (FTAAP) and an expanded, 16-member version of ASEAN’s Regional Comprehensive Economic Partnership (RCEP).

For these 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.

Even America’s friends will choose China. New Zealand Prime Minister John Key said that “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.

American firms may take the same position, despite the incoming president’s promise to save U.S. jobs. American businesses cannot thrive globally if they are 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.”

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.

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

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