

## Terence Corcoran: Trump's team is helping China undermine the free-trade international order

Terence Corcoran

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One of the stars of Thursday night's Munk Debate in Toronto holds opinions on China that curdle the minds of many Americans, especially the mind owned by President Donald Trump. In his 2015 book, subtitled *China's Secret Strategy to Replace America as the Global Superpower*, Michael Pillsbury describes the emerging Chinese economic colossus as a threat to the United States' position as the world's dominant economic power.

In a deliberate plan to overthrow America, Pillsbury writes, China has adopted the fundamental tenets of an economic theory known as mercantilism. "An important element of China's grand strategy is derived from what is known in the West as mercantilist trade behaviour — a system of high tariffs, gaining direct control of natural resources, and protection of domestic manufacturing."

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The Chinese invented mercantilism, says Pillsbury, and China's current leaders "reject the West's contention that mercantilism has been rendered obsolete by the success of free markets and free trade."

As the China-U.S. trade negotiations reach some kind of turning point this week, Trump and his key strategists also appear to reject the Western free-trade model.

Trump has called Pillsbury, a veteran U.S. analyst and adviser in Washington, his "leading authority on China." It was therefore not surprising that Pillsbury came to Trump's defence on Monday after the president tweeted that he planned to raise tariffs from 10 per cent to 25 per cent on \$200-billion worth of Chinese imports. In comments Thursday, Trump hinted that the tariffs — scheduled to come into force at midnight Thursday — could eventually be imposed on all Chinese imports if a trade deal is not reached.

At the Munk Debate, the motion spelled out the global nature of the growing trade conflict between the two nations: "Is China a threat to the liberal international order?"

Arguing against Pillsbury's alarmist claims that China is a threat to the world and America, Huiyao Wang, president of the Center for China Globalization, said China "seeks to safeguard and enhance the liberal international order, not threaten it."

Scheduled to join Pillsbury at the Munk event was H.R. McMaster, one of Trump's White House insiders who clashed with other White House advisers over whether the United States should

impose steep tariffs and engage in a mercantilist trade war with China. The internal conflict was colourfully documented this week in a PBS Frontline special, in which former Trump adviser Steve Bannon blasts McMaster for inconsistency. Bannon also says that Trump has been obsessed by China (and earlier in his life, Japan) over trade deficits, something he learned from TV anchor Lou Dobbs.

The Frontline documentary highlights Trump's mercantilist interpretation of trade data and his obsession with the need to protect U.S. jobs from imports. He railed against "the \$500 million" trade deficit with China. "We can't continue to allow China to rape our country, and that's what they're doing," Trump told an audience in 2016.

Trump repeated his obsession with the bilateral trade deficit in tweets this week. On Wednesday, in an attack on China's alleged pullback on a trade promise, Trump tweeted: "The reason for the China pullback & attempted renegotiation of the Trade Deal is the sincere HOPE that they will be able to 'negotiate' with Joe Biden or one of the very weak Democrats, and thereby continue to ripoff the United States ((\$500 Billion a year)) for years to come...." In a follow up tweet, he added: "Guess what, that's not going to happen! China has just informed us that they (Vice-Premier) are now coming to the U.S. to make a deal. We'll see, but I am very happy with over \$100 Billion a year in Tariffs filling U.S. coffers... great for U.S., not good for China!"

Bilateral trade deficits are of little or no economic significance and Trump's fixation on the US\$500-billion gap serves only to undermine the principles of free trade that underpin global economic activity.

By highlighting the gap, and attributing it to China's mercantilist and protectionist economic policies, the United States is essentially arguing that mercantilism works. By imposing tariffs as a counter strategy, with a view to protecting jobs and the dominance of America in the world economy, Trump and his advisers are promoting the benefits of greater government intervention.

Trump's Twitter boast that his tariffs will fill U.S. coffers with US\$100 billion a year may be true, but the taxes will be paid by U.S. consumers. As Daniel Ikenson of the Washington-based Cato Institute wrote this week in USA Today: "Contrary to Trump's simplistic portrayal of trade, the United States doesn't purchase goods from China. Trade is not conducted between countries. Rather, trade is the culmination of billions of daily transactions between individuals around the world seeking to obtain the most value from that exchange — the biggest bang for their buck. By raising costs, tariffs ensure that consumers get less bang for their bucks."

With its trade war with China, the United States is threatening the dominant international economic idea for much of the last couple of hundred years. While the concept of free trade has been bowdlerized by a succession of closet protectionists into "fair trade" and "reciprocal trade" and other terminological camouflage, the underlying ideal has more or less remained in place: the free movement of goods and services across borders will produce the greatest progress through the miracle of comparative advantage.

That ideal, however, has been royally skewed by China and the United States. As the two nations face off over trade, the concept of free trade has been pushed aside and replaced by trade theories and policies that — in the words of the Munk Debate resolution — pose a threat the liberal free-trade international order.