



Tackling IP Rights, Technology Transfer Issues with China

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The final item on the tariff report card, intellectual property rights and technology transfer is curiously hard to grade. Since we have no new trade agreement with China and the pending agreements with Mexico and Canada are no longer tariff-related since they have been lifted, I am tempted to award an incomplete for this goal.

However, it turns out that China is making strides toward addressing these trade issues and may soon agree to strong protection measures – just not with us. The new, US-free version of the Transpacific Trade Partnership – the CPTPP – may soon include China and enact rules that address these complaints. In addition, trade agreements now underway with the EU will contain similar measures. They are not signed yet but appear to be far closer to happening than IP protection in a new trade treaty with the US. So, in a way it's working, but for our trade competitors. That compels me to award an F for this goal.

In fact, a strong case can be made that tariffs have made each one of these problems worse for the US. The balance of trade with China is going south, the number of jobs gained in newly protected industries is partially offset by losses in industries hit by retaliatory tariffs. Wages for manufacturing jobs have lagged other sectors as well. Meanwhile, tariffs have cost the average US citizen their entire tax cut by raising prices. It is now clear that by using the language of war, we have succeeded in convincing many Chinese businesses and citizens the US is an absolute adversary, not a potential business partner. This has been a godsend to the previously fading Communist Party, providing an enemy to justify tighter political controls and new popularity, and has allowed Xi Jinping to embed himself as premier for life. Every day the trade war and tariffs continue, permanent workarounds and new trade flows are put in place, ensuring that the end of the war will not result in anything like a return to our former trade levels with the second largest and fastest growing market in the world. Finally, tariff-offsetting subsidies have damaged agriculture's public image and divided us into handout losers and winners arbitrarily.

We can't say nobody warned us. I am wearing and saying it: From Scott Lincicome at the libertarian Cato Institute: Tariffs not only impose immense economic costs, but also fail to achieve their primary policy aims and foster political disfunction along the way. I agree.