

Donald Trump is standing up for American interests

by: Peter Navarro, published in Financial Times

China's unfair trading practices have distorted markets around the world

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US President Donald Trump, left, and Chinese President Xi Jinping in Beijing last year © EPA

When China joined the World Trade Organization in 2001, it promised to abide by the rules of the international trading order. Instead, it has broken every rule in the fair trade book on the way to expanding its annual gross domestic product from \$1.3tn to \$11.2tn.

Meanwhile, since 2001, under the Bush and Obama presidencies, the US economy lost more than 60,000 factories and millions of manufacturing jobs.

Only now is the American economy beginning to renew its strength on the wings of President Donald Trump's four-point growth plan: historic tax cuts, a wave of constructive deregulation, the unleashing of America's energy sector and progress on a number of trade fronts — from domestic investment-inducing tariffs on solar and washing machines to a new, fair deal with South Korea.

Nonetheless, progress with a relentlessly protectionist China remains elusive. It is certainly not due to a lack of American effort. When Mr Trump took office, he gave China every opportunity to negotiate an end to its unfair trade practices, hosting a summit in April at Mar-a-Lago and visiting Beijing in November. Despite these olive branches, the Chinese have refused to end their unfair trade practices; and the US trade deficit in goods with China has grown from \$347bn in 2016 to \$375bn during Mr Trump's first year in office.

While the trade deficit balloons, China continues to steal US intellectual property and force American companies operating there to surrender their leading edge technologies in exchange for access to the Chinese market. Today, Chinese sovereign wealth funds and other state actors are scouring Silicon Valley trying to buy up the crown jewels of the American high-tech industry.

Nothing less than the US's economic future is at risk from China's assault on American technology and IP, and its mercantilist bid to capture emerging high-tech industries. In its Made in China 2025 policy manifesto, the Chinese government has explicitly targeted industries ranging from artificial intelligence, robotics and quantum computing to self-driving vehicles, automated machine tooling and advanced medical devices. If China captures these industries, the US simply will not have an economic future.

It is not just American prosperity at risk. Mr Trump's National Security Strategy describes a National Security Innovation Base that provides the intellectual knowledge and human capital to ensure that the US remains safe. The IP China is trying to take is the very heart of this concept and a key to continued US military dominance. Because of the high stakes involved, in August Mr Trump directed Robert Lighthizer, the US trade representative, to consider investigating China's unfair technology transfer policies and practices.

After reviewing the results of that investigation, the president imposed \$50bn of tariffs on Chinese high-tech products and implemented significant investment restrictions that will prevent Chinese state capital from buying America's future.

Critics of Mr Trump are quick to blame the stock market's recent volatility on the president's trade policies. The reality is that stock prices are driven by earnings growth and earnings growth is driven by economic growth. Mr Trump's agenda has put the US economy on a path to robust growth and corporate earnings.

China's reaction to Mr Trump's legitimate defence of the American homeland has been a Great Wall of denial — despite incontrovertible evidence of Beijing's illicit and protectionist behaviour. Instead, China is attacking American farmers with the threat of retaliatory tariffs in the apparent hope of rattling a key component of the coalition that put Mr Trump in office. There is a reason, however, that the president sits behind the Resolute desk in the Oval Office. And when he stands, Mr Trump stands up for the American people — and American farmers.

Mr Trump seeks only a shared prosperity based on trade peace. His vision is that of a global trading system free of the imbalances and unfair practices that now hold growth back, not just in the US but around the world. To realise this vision, trade must first be fair and reciprocal. China's policies have distorted markets and harmed producers around the world. Others have long shared US concerns, and we welcome like-minded countries in taking concrete action with us to fight market-distorting policies.

These principles are the foundation of the Trump administration's trade policies. It would be a welcome change if China were to embrace them too.

The writer is assistant to the US president, director of trade and industrial policy