As the clock runs down on President Trump’s 100-day “action plan” with China, he is reportedly considering trade sanctions and a return to the China-bashing rhetoric of his campaign.

It was never realistic to expect to significantly reduce the U.S. trade deficit with China as well as achieve concrete progress towards North Korean denuclearization in just 100 days. With the July 16 deadline looming and talk of a trade war back in the headlines, this is a good time to remember that engagement with Beijing has been successful for both American and Chinese consumers.

China’s WTO Accession has Delivered

China’s 2001 entry into the World Trade Organization (WTO) is one of the best examples of engagement that has delivered progress for a wide range of Americans and Chinese.

China’s inclusion in the WTO has been a boon to many American companies. Over the last 15 years, U.S. exports to China rose by 500%, while U.S. exports to the rest of the world were up by only 90%.

Exports to China are especially important to American farmers. China is their largest overseas market and over the past 10 years the value of farm exports to China rose by more than 200%.

While U.S. firms continue to battle against non-tariff barriers and non-transparent government regulatory policy in China, many American companies have done well in that market. Boeing, for example, delivered more aircraft in China than in the U.S. over the last five years. The majority of U.S. firms operating in China are profitable, according to surveys by the American Chamber of Commerce in Beijing and the U.S.-China Business Council.

Exports to China Create American Jobs

You’ve probably read reports that imports from China led to 2.4 million U.S. job losses. But those jobs were lost over a more than 10-year period, while another study found that U.S. exports to China directly and indirectly supported 1.8 million new jobs in just one year, 2015.

It is also worth noting that imports from China are good for American household budgets. A new study by economists at the New York Fed and other institutions concludes that “U.S. consumers gained from China’s WTO entry through lower prices on varieties of manufactured goods.”
Structural Change in China

WTO accession has also driven structural changes in China’s own economy, which have given Chinese people a better standard of living and more personal (although not yet political) freedom. The absence of political rights and the rule of law are serious long-term problems, but Chinese people have the freedom to run their own lives to a degree that was unimaginable just 25 years ago. And, in my view, continued expansion of personal freedom and wealth creation will inevitably lead to more political rights.

For many years, China’s economy was dependent on investment and exports. Today, net exports contribute nothing to China’s GDP growth, while domestic consumption accounts for about two-thirds of growth and more than half of GDP.

There were no private companies when I first worked in China during the early 1980s, but small, entrepreneurial private firms now account for more than 80% of urban employment and all new job creation.

Since 2001, per capita urban household income rose by 390% in China. As a result, spending by Chinese consumers, which was equal to only 22% of U.S. retail sales a decade ago, was equal to 87% of American consumer spending last year and is likely to surpass U.S. retail spending by the end of the decade.

This has opened up opportunities for many American companies. GM sold almost 4 million vehicles in China last year, and that country accounts for 20% of Apple’s revenue. Nike’s China sales are up 17% over the last twelve months.

Challenges Remain, but Engagement will Deliver More than Protectionism

Despite all of this progress, many challenges remain. China, for example, continues to restrict market access for foreign firms in sectors such as technology, financial services and accounting. The Trump administration should focus on this, rather than on reducing the U.S. trade deficit with China. As we explained in the March 17, 2017 issue of Sinology, the trade deficit has little impact on U.S. employment and is determined by balances between saving and investment, rather than by trade policy.

Protectionist policies by the Trump administration would not further open Chinese markets for U.S. firms. Rather, such steps would lead to retaliation, which would reduce U.S. exports and harm the many American jobs they support. Protectionism would hurt American families, because imports have resulted in more affordable prices for many consumer goods.

Finally, we need to be realistic about Beijing’s ability to force North Korean leader Kim Jong-un to give up his nuclear weapons. Kim probably believes that his possession of weapons of mass destruction is the only reason the U.S. has not attempted to overthrow him, so there is no reason to believe any amount of outside pressure will lead him to disarm.

One hundred days was always an unrealistic deadline for solving any of the difficult problems in the U.S.-China relationship. On July 16, the Trump administration should return to the process of long-term engagement that has delivered progress for American companies, workers and consumers, as well as for the average Chinese citizen.

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