

The Columbus Dispatch

Opinion

Fareed Zakaria: Trump is right to call out giant trade cheat China

Posted Apr 11, 2018 at 12:01 AM

Updated Apr 11, 2018 at 6:34 AM

Ever since the departure of top advisers Gary Cohn and H.R. McMaster, it does seem as if the Trump White House has gotten more chaotic, if that were possible. But amid the noise and tumult, including the crazy tweets about Amazon and Mexico, let's be honest — on one big fundamental point, Donald Trump is right: China is a trade cheat.

Many of the Trump administration's economic documents have been laughably sketchy and amateurish. But the U.S. Trade Representative's report to Congress on China's compliance with global trading rules is an exception worth reading. In measured prose and great detail, it lays out the many ways that China has failed to enact promised economic reforms, backtracked on others and uses formal and informal means to block foreign firms from competing in China's market. It points out correctly that in recent years the Chinese government has increased its intervention in the economy, particularly taking aim at foreign companies — all of which directly contradict Beijing's commitments when it joined the World Trade Organization in 2001.

Whether one accepts the Trade Representative's conclusion that "the United States erred in supporting China's entry into the WTO," it is clear that the expectation that China would continue to liberalize its markets after its entry has proved to be mistaken.

Washington approached China's entry into the world trading system no differently than with other countries who joined in the mid-20th century. As countries were admitted, the free world (especially the U.S.) opened up its markets to the new entrants, and those countries in turn lowered barriers to their markets. That's how it went with nations such as Japan, South Korea and Singapore. But there were two notable factors about these countries: They were relatively small compared with the size of the global economy, and they also lived under the American security

umbrella. Both factors meant that Washington and the West had considerable leverage over new entrants. Japan was larger, with 90 million people and a gross domestic product of under \$800 billion.

And then came China, with 1.3 billion people and a GDP of almost \$2.4 trillion when it joined the WTO in 2001. That was almost a fifth of the U.S. economy. The Chinese seemed to recognize that once they were in the system, the size of their market would ensure that every country would vie for access, and this would give them the ability to cheat without much fear of reprisal. Moreover, Beijing was never dependent on Washington for its security. It had fought a war against American troops in the 1950s with some success and had grown into a great power in its own right.

The scale and speed of China's integration into the world trading system made it a seismic event. The distinguished economist David Autor, along with two colleagues, has published study after study on the impact of the so-called "China Shock." They conclude that about a quarter of all manufacturing jobs lost in America between 1990 and 2007 could be explained by the deluge of Chinese imports. Nothing on this scale has happened before.

Look at the Chinese economy today. It has managed to block or curb the world's most advanced and successful technology companies, from Google to Facebook to Amazon. Foreign manufacturers are forced to share their technology with local partners who then systematically reverse engineer some of the same products and compete against their partners. And then there is cybertheft. The most extensive cyberwarfare waged by a foreign power against the United States is not done by Russia but by China. The targets are American companies, whose secrets and intellectual property are then shared with Chinese competitors.

Countries like India and Brazil are also trade cheats. In fact, the last series of world trade talks, the Doha round, was killed by obstructionism from Brazil and India in tandem with China.

The Trump administration might not have chosen the wisest course forward — focusing on steel, slapping on tariffs, alienating key allies, working outside the WTO — but its frustration is understandable. Previous administrations exerted pressure privately, worked within the system and tried to get allies on board with limited results. Getting tough on China is a case where I am willing to give Trump's unconventional methods a try. Nothing else has worked.

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