

Unwinding America's Catastrophic China Mistakes

Don't even remember Armand Hammer? If you're over 50, you may. Hammer was a business tycoon who died in 1990. He was most famous for his deal-making with the Soviet Union. Hammer would cut business deals directly with the Kremlin. This was unusual; most U.S. businesses had very few dealings with America's greatest adversary. Today, by contrast, many American multinational businesses see their growth as much or more tied to China, our new primary adversary, as they do to America.

I began my career as a young lawyer on a special congressional committee set up to investigate the transfer of sensitive U.S. missile technology to China in the 1990s. As a result of our investigation, two of America's top satellite companies -- Hughes and Loral -- were forced to pay record multimillion-dollar fines for transferring dangerous missile technologies to China. As you read the news that China has now launched hypersonic nuclear-capable missiles around the globe, remember where it all started. American businesses helped them along the way.

Hughes and Loral were just the tip of the spear. In the 1990s, after the Soviet collapse, there was a sense that the world was entering a period of total U.S. supremacy. There was no world peer. As we now know, this didn't last very long. China filled the void quickly. Unlike the days when Hammer was noteworthy for his singular business exploits in the Soviet Union, China figured out how to use the top corporate powers of its greatest adversary, the United States, to fuel its own growth.

The first major step American business executed was taking down trade barriers to China. Open trade, they argued, would lead to a more open China. A more internationally intertwined China would lead to human rights reforms, the argument continued. Interestingly, Hammer had tried to make the same exact arguments about the Soviet Union: "The Soviet leadership is gradually coming to see trade, rather than confrontation with the West, as the way to improve economic conditions." Luckily, most Americans didn't buy it. President Ronald Reagan certainly didn't. The U.S. did not trade extensively with the Soviets. What trade existed was heavily regulated, especially in the technology area. Corporate America, as a general matter, was on the sidelines.

With the Soviet collapse, attitudes seemed to change. The lure of the huge Chinese marketplace and the promise of cheap Chinese labor was too much for corporate America to resist. Finally, in 2000, the U.S. permanently normalized trade relations with China and voted to allow China into the World Trade Organization. Everything since has been a total disaster.

Drive across small-town America and you will see hollowed out communities, boarded-up main streets and shuttered plants that used to employ thousands. This decay has led to skyrocketing drug overdoses, increasing crime and a political upheaval that's still playing out. It's too simplistic to pin everything bad that's happened in America on China's rise and our China policies. It's just as naive to pretend it hasn't had a big effect.

Nothing predicted by those who promoted free trade with China has come true. Proponents said normalized trade relations with China would reduce our trade deficit. The deficit has instead skyrocketed, led chiefly by a tripling of America's trade deficit with China. Proponents said

Unwinding America's Catastrophic China Mistakes

Normalized trade with China would benefit America's economy. Instead, a full one-third of American manufacturing jobs have disappeared, with studies showing many moved to China. Proponents also famously predicted that opening trade would ease China toward a period of political liberalization and respect for human rights. This prediction by so many so-called experts was so wrong that it should be at the top of the list of why Americans have lost faith in national institutions and leaders. You can't be this wrong about things this important and retain the trust of the people. China, of course, didn't liberalize. They are running slave labor camps right now.

Free-market believers love free trade for good reason. It makes sense. It adds efficiency and increases total economic output. What we did not debate enough is how free trade works with a country like China. When one side is a free capitalist market and the other is still a closed, corrupt mercantilist market willing to use slave labor, how will things work out?

In total, it's hard to argue that the normalized trade relations with China have been a net positive for average Americans. They have definitely been a net positive for some multinational American businesses, Wall Street and the very wealthy. American businesses have used cheap Chinese labor to great benefit. How much of that benefit conveys back to the American people is debatable. Americans who invest in equities benefit from higher stock valuations for some American companies. Others benefit from cheaper goods made in China. The downsides include lost jobs, broken communities and weakened national security due to dependence on a foreign power.

With the benefits from U.S./China relations flowing to a small segment of the American population and the detriments flowing to the masses, the political ramifications of America's huge China mistake of the past 20 years are still playing out. The U.S. government is finally getting around to taking action against China's use of slave labor many years after evidence of it was first uncovered. America is also thinking more clearly about its dependence on China for crucial goods and services. We are debating how to decouple ourselves from this dependence on a repressive and largely adversarial China. This debate is long overdue. The politicians who figure out how to do this while minimizing harm to the economy will be rewarded. Those who continue to ignore it will be punished.

Neil Patel co-founded The Daily Caller, one of America's fastest-growing online news outlets, which regularly breaks news and distributes it to over 15 million monthly readers. Patel also co-founded The Daily Caller News Foundation, a nonprofit news company that trains journalists, produces fact-checks and conducts longer-term investigative reporting. The Daily Caller News Foundation licenses its content free of charge to over 300 news outlets, reaching potentially hundreds of millions of people per month. To find out more about Neil Patel and read features by other Creators writers and cartoonists, visit the Creators website at www.creators.com