

# It's time Biden ended Trump's trade war with China

Not only have the tariffs and sanctions failed to achieve their aims, but they also undermine America's long-term interests in East Asia



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Earlier this month, I participated in the Harvard Asia Conference panel on US-China commercial relations. My co-panellists were Mr Steve Orlins, president of the National Committee on United States-China Relations, and Harvard professors Graham Allison and William Kirby. Remarkably, there was a strong consensus among us that former president Donald Trump's trade war against China hadn't helped American workers or consumers. Nor had it reduced the trade deficit. Or helped the US economy. In short, the trade war had completely failed.

If it has failed, why has the Biden administration not reversed it? One answer, provided by a senior Biden administration official, is that the US was keeping the trade sanctions and tariffs in place to use as leverage with China. A wise co-panellist of mine commented that this was akin to saying to China: "If you don't heed my demands, I will shoot myself in the foot again."

Since this column is going to be slightly critical of the Biden administration, it is vital to emphasise here that most of the world, including our own Asean region, cheered when Mr Joe Biden defeated Mr Trump. We want Mr Biden to succeed, not fail.

Yet, as my wise guru Tommy Koh says, individuals and organisations fail when they have only uncritical lovers or unloving critics. This

column is written from the perspective of a critical lover. The main argument of this essay is that it is not in the enlightened self-interest of the US to persist with Mr Trump's trade war.

So why is the Biden administration persisting? Another wise soul, Dr Ian Bremmer, a well-known political commentator, has provided the answer. He said that it would be "horrible domestic politics" for Mr Biden to declare that Mr Trump was wrong on China. In short, domestic political considerations trump (pardon the pun) sensible trade policies.

Most Americans would agree with Dr Bremmer that Mr Biden cannot afford to be seen to be soft on China. Yet, most Americans also believe that the US does represent, at the end of the day, a strong embodiment of the values and principles of the Western Enlightenment.

Probably the single biggest value that the Western Enlightenment has taught us is that reason must be relied on over emotion or political and religious prejudices in making decisions on what is good for society. It is this triumph of Western reasoning that provided the foundations for Western economic theory, including Ricardo's law of comparative advantage.

As I emphasised at the Harvard Asia Conference, it was the great American universities, like Harvard, which taught Asian leaders and thinkers that trade is a positive-sum game. Indeed, as Mr Lee Kuan Yew said in his seminal address to the joint session of Congress in 1985, "never in its history has the peoples of the world enjoyed such high standards of living. For 40 years, the maintenance of political boundaries was made possible because thrusting, and usually aggressive, peoples have been able



to fulfil their drive to better their lot through trade".

## ENLIGHTENED SELF-INTEREST

Hence, if the Biden administration wanted to formulate its trade and economic policies towards China, on the basis of the enlightened self-interest of American workers and consumers – and indeed give a sharp boost to the American economy, which would, in turn, help Mr Biden in the 2022 mid-term elections – it should immediately and unconditionally lift all self-defeating trade sanctions and tariffs on China.

However, irrational domestic political prejudices will block this rational course of action.

So what should the friends and allies of the US do in these circumstances?

There are two choices. The first option is to declare that we are helpless and we cannot move the needle on American domestic policies.

The second option is to help the

Biden administration out by providing political cover for it to change course on trade policies towards China. The second option is wiser.

Two countries can play a critical role here: Japan and Australia.

Why these two? Both have the closest security relations with the US. Both also have the most to lose if US policies fail in the region and the US becomes decoupled economically from East Asia.

The latter possibility is real. With the US withdrawal from the Trans-Pacific Partnership and the implementation of both the Regional Comprehensive Economic Partnership and the Comprehensive and Progressive Agreement for Trans-Pacific Partnership, a thriving economic ecosystem, involving all of East Asia, will emerge in the region, with less and less US presence; this will be a fatal setback for the long-term security interests of both Japan and Australia, the two countries that are the most dependent on the US to provide

their long-term security.

They have the most to lose if the US footprint in the region diminishes. And the most to gain if this footprint increases.

## WHY ECONOMIC POWER MATTERS

And here's the critical point. The most important US footprint in the region is not the military one. It's the economic. The long-term game in East Asia isn't about aircraft carriers or stealth bombers. It will not be a military war that determines the winner of the US-China geopolitical contest, as I document in *Has China Won?*; it will be the scale and scope of the trade and economic policies in the region.

Anyone who doubts this should do a case study of the relative influence of the US and China in South-east Asia.

As recently as 2000, US influence was much greater. Why? The US economy, in nominal market terms, was eight times larger than China's. Total US trade

with the Asean countries in 2000 was larger than China's (US\$134 billion versus US\$41 billion).

By last year, China's influence in South-east Asia had become greater. Why? First, the US economy was only 1.6 times larger than China's. Second, China's trade with Asean members had become larger (US\$508 billion versus US\$295 billion). All this happened because, while the US spent US\$6 trillion fighting unnecessary wars in the Middle East, China signed a free trade agreement with Asean in 2001.

In short, the critical strategic mistake that the US made was to focus on the military dimensions while China stayed focused on the economic dimensions.

Just as US influence in South-east Asia has diminished because it ignored the economic dimension, it could also similarly diminish in East Asia.

Since Australia, Japan and other friends and allies of the US have a lot to lose if American influence in the region diminishes, they should call on the US, as the Harvard professors did, to stop its self-destructive trade war with China and resume "normal" (not friendly) trade relations with China.

Paradoxically, the best way to anchor a long-term US presence is to see growing trade with all major economies in the region, including China.

Just as an economic decoupling between the US and China will lead to a decoupling between the US and East Asia (as China is hugely integrated with East Asia), an economic coupling between the US and China could lead to a stronger coupling between the US and East Asia.

Such an economic coupling would be the best long-term guarantee of a strong and permanent US presence in East Asia, enhancing the security of Japan and Australia.

Since Australia is trying hard now to renormalise its relations with China (which have been frozen for several years), an easy step that Canberra could take is to publicly call on Mr Biden to completely stop Mr Trump's trade war with China. Indeed, if Mr Biden did this, it would help American workers and consumers (as Mr Biden himself said in the US presidential election campaign in 2019).

At the same time, such a public call would send a positive signal from Australia to Beijing.

In short, as I emphasised at the Harvard conference, if the US was a rational geopolitical actor and followed its own enlightened self-interest, it would completely reverse Mr Trump's trade policies towards China.

To achieve this goal, all friends and allies of the US should send a consistent message to Washington: Please increase your economic presence in East Asia by stopping this trade war with China. Please don't shoot yourself in the foot.

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