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Donald Trump Is Not Very Good With Numbers #54,362: U.S. and China

Heather Long has a [piece](#) in the Washington Post detailing the demands that Donald Trump is making on China in exchange for not imposing tariffs. As she rightly points out, the list essentially amounts to asking China to remake its economy.

It would have been useful to point out how ridiculous this list of demands is, given the limited ability of the US to hurt China with tariffs. The US currently is [importing](#) a bit more than \$500 billion a year from China. On an [exchange rate basis](#), this comes to about 3.6 percent of its GDP.

Suppose that Trump tariffs cut this volume of imports in half, which would be a huge reduction. This would be a reduction in Chinese exports equal to 1.8 percent of its GDP. That would undoubtedly be somewhat of a hit to its economy, sort of like the hurricanes that hit the United States last summer.

From 2008 to 2011, China's trade surplus [fell by 7.3 percentage points](#) of GDP. That's a decline averaging 2.4 percentage points of GDP for three years. Its economy continued to grow at close to a 10.0 percent annual rate through this period. If we take Trump's big tariff scenario, it will hit China less than one-quarter as hard as the 2008–2011 drop in its trade surplus. I'm sure that President Xi is shaking in his boots.

Apparently, Trump has no clue of how limited the U.S. ability to influence China's economic policy is, or he doesn't care and is just making his tariff threats for show. The one thing we can say with a high degree of certainty is that China is not going to fundamentally change the way it operates its economy because of Trump's threats.

Long makes another point in this piece that is questionable. She claims:

“The belief in Washington for decades was that more trade with China would be a win-win, but Trump has forced both parties to rethink that conclusion. As John Pomfret, a longtime journalist in China, chronicles in his new book [The Beautiful Country and the Middle Kingdom: America and China, 1776 to the Present](#), the old thinking was that more trade would cause the Chinese to become more capitalist and democratic. That’s not what happened.”

It’s not clear that anyone in Washington actually “believed” that they would transform with China with more trade, although this is something that many people said. There were powerful corporations that stood to make lots of money from expanded trade with China. It was useful for them to have people say that this trade would advance democracy in China.

The people who argued that more trade would advance democracy in China were well-paid for their efforts. We have no way of knowing how many actually believed this view.

Addendum

I forgot to mention that Trump’s list of demands against China doesn’t include anything about its currency. After running around the country for a year and a half denouncing China as a “world class currency manipulator,” Trump doesn’t even include it on his dream list of changes he expects from China.

Oh well, no one ever said that Donald Trump was consistent, or had a clue.

This column originally appeared on [Beat the Press](#).