

Issue Brief

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Bolstering U.S. Strengths Is the Best Response to China

A report from the House Select Committee on the CCP, “[Reset, Prevent, Build: A Strategy to Win America’s Economic Competition with the Chinese Communist Party](#),” attempts to provide a U.S. response to China’s economic policies.¹

Americans have enjoyed unprecedented economic prosperity since China joined the World Trade Organization (WTO) in 2001. Household income, wages, and manufacturing output grew to record heights as Americans gained access to new technologies that were the stuff of science fiction at the turn of the century [Figure 1].² Manufacturing layoffs [declined](#) as the economy created millions of new jobs.³ As China [slashed its average tariff](#) on U.S.-made goods from 17.1 percent to 4.4 percent, the country grew to be the largest export market for

¹ “RESET, PREVENT, BUILD: A Strategy to Win America’s Economic Competition with the Chinese Communist Party.” (2023). United States House Select Committee on Strategic Competition between the United States and the Chinese Communist Party. Retrieved from: <https://selectcommitteeontheccp.house.gov/sites/evo-subsites/selectcommitteeontheccp.house.gov/files/evo-media-document/reset-prevent-build-scc-report.pdf>

² World Bank, “Manufacturing, value added (constant 2015 US\$),” and “GDP per capita (constant 2015 US\$),” Bureau of Labor Statistics, “Median usual weekly earnings - in constant (1982-84) dollars,” and Congressional Budget Office, “The Distribution of Household Income in 2020,” November 14, 2023.

³ “Job Openings and Labor Turnover Survey (JOLTS).” U.S. Bureau of Labor Statistics. Retrieved from: <https://www.bls.gov/jlt/data.htm>

Key Facts:



Americans have enjoyed unprecedented economic prosperity since China joined the World Trade Organization (WTO) in 2001. However, China’s record of human rights abuses and its retreat from market-based policies have created new challenges for the United States.



The Biden administration has not filed a single WTO case against China. It’s difficult to blame China for failing to abide by WTO rules if the United States fails to even try to uphold WTO accountability.

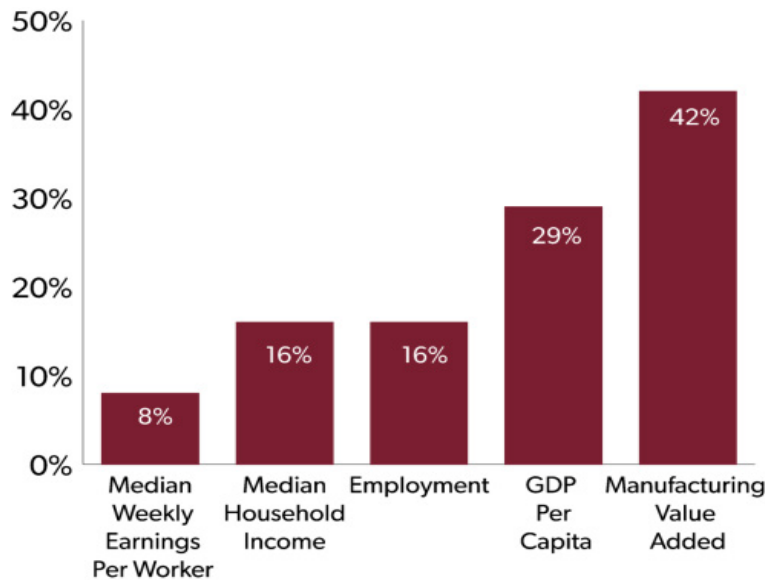


Removing costly Buy American requirements for government purchases and eliminating legislation like the Jones Act, which restricts Americans’ freedom to ship goods on foreign-built ships, would show Congress is serious about expanding trade collaboration with our allies.

American farmers, an important source of capital goods and inputs for American manufacturers, and a supplier of affordable consumer goods for American families.⁴

However, China's record of human rights abuses and its [retreat](#) from market-based policies have created new challenges for the United States.⁵

Figure 1: Inflation-Adjusted U.S. Economic Gains Since 2001



Sources: World Bank and Bureau of Labor Statistics

The Select Committee's report comes at a time when China's economic competence is increasingly in doubt. The report cites Chinese President Xi's belief that "capitalism will inevitably perish, and socialism will inevitably triumph," a mindset that has undermined China's state-dominated economy. Consider these recent headlines:

[Ties between foreign businesses and China go from bad to worse: Travel and investment are shockingly depressed](#)

[Why businesses are pulling billions in profits from China](#)

[Manufacturing Moving Out Of China For Friendlier Shores](#)

[Foreign companies are shifting investment out of China as confidence wanes](#)

[Foreign Firms Pull Billions in Earnings Out of China](#)

[China Wants to Strengthen Supply Chains Even as Foreign Investors Flee](#)

President Xi has it backwards. Capitalism and freedom, not socialism and control, mark the path to a brighter future.

NTU welcomes the Select Committee's report and recommends the following actions by Congress in response to its proposals.

Accept Select Committee recommendations to enforce current trade agreements and negotiate new ones

The Select Committee calls on the United States to "bring a comprehensive WTO dispute against the PRC's subsidization, support for state-owned enterprises, and non-market economy policies and practices with a broad coalition of countries." This would bring the dual benefit of working with U.S. allies toward our common goals

⁴ World Integrated Trade Solution. "China AHS Weighted Average by country in percentage 2000-2021." Retrieved from: <https://wits.worldbank.org/CountryProfile/en/Country/CHN/StartYear/2000/EndYear/2021/TradeFlow/Import/Partner/BY-COUNTRY/Indicator/AHS-WGHTD-AVRG>, and USDA Economic Research Service. "Top 15 U.S. agricultural export destinations, by calendar year, U.S. value."

⁵ Kawate, Iori. "China tightens grip as Li Keqiang's pro-market reforms retreat." *Nikkei Asia*, October 28, 2023.

and enforcing WTO rules instead of abandoning them. Unfortunately, the Biden administration has not filed a single WTO case against China. It's difficult to blame China for failing to abide by WTO rules if the United States doesn't even try to hold them accountable to those rules.

The Select Committee also calls for the negotiation of new free trade agreements, including sectoral agreements for digital trade and other areas of importance to the United States, modernizing the customs system, and reauthorizing the Generalized System of Preferences. These proposals are largely in line with suggestions made by NTU in our report [How Free Trade Can Counter China and Enhance American Competitiveness](#).⁶

Congress should also implement the report's recommendation to "enhance U.S. trade and technology collaboration with its allies and partners while decreasing dependence on the PRC in critical supply chains."

Removing costly [Buy American](#) requirements for government purchases and eliminating legislation like the [Jones Act](#), which restricts Americans' freedom to ship goods on foreign-built ships, would show Congress is serious about expanding trade collaboration with our allies.⁷

Adopt additional measures to strengthen the United States, including:

- End all remaining Section 232 "national security" tariffs against countries that are not legitimate national security threats;
- Promise to reject future across-the-board tariff hikes that would predominantly hit our allies;
- Enact legislation like the [Congressional Trade Authority Act](#), introduced by Reps. Mike Gallagher (R-WI) and Don Beyer (D-VA), and the [Global Trade Accountability Act](#), introduced by Sen. Mike Lee (R-UT), that would curtail the power of future presidents to impose tariffs without congressional approval.⁸

Reject policies that could lead to a replay of the disastrous Soviet grain embargo

Efforts to sever U.S. farmers from their largest export market would be reminiscent of the ill-advised grain embargo imposed on the Soviet Union by President Jimmy Carter following its invasion of Afghanistan. President Ronald Reagan accurately described that "tough" trade policy as ineffective and unfair to farmers. One of his first actions after taking office was to [lift the embargo](#).⁹

China is currently the largest export market for U.S. farmers, accounting for 19.5 percent of U.S. agricultural exports – up from just 3.3 percent of total ag exports in 2001.¹⁰ It won't remain our largest export market for long if the United States launches another round of tariff hikes.

The last time the United States boosted tariffs in a doomed attempt to change Chinese economic policies, the resulting Chinese retaliation cost U.S. agricultural producers [\\$25.7 billion](#) from 2018 to 2019 alone.¹¹

The Select Committee report pays lip service to the interests of American agricultural producers, calling on the U.S. Department of Agriculture and the Office of the U.S. Trade Representative (USTR) to "determine alternative market access for agriculture exports," as if those agencies have some magical ability to replace up to \$38 billion a year in lost farm exports. Those efforts will be especially challenging since the Biden administration has made it clear that it has [little interest in](#) expanding foreign market access for U.S. exporters.¹²

Reject the call for new federal welfare programs

The report calls for the creation of new federal welfare programs designed to offset the harm inflicted on

⁶ Riley, Bryan, and Zachmann, Eric. "How Free Trade Can Counter China and Enhance American Competitiveness." National Taxpayer Union Foundation, July 12, 2021.

⁷ Riley, Bryan. "Trump-Biden Buy American Policies: Costly for Taxpayers." National Taxpayers Union Foundation, January 26, 2021; and Riley, Bryan. "What the Trump Administration Can Learn from the Jones Act." Cato Institute Online Forum, November 21, 2018.

⁸ "Gallagher, Beyer Introduce Bill to Reassert Congress' Voice in Trade Policy." Congressman Mike Gallagher, August 11, 2023; and "S.1060 - Global Trade Accountability Act." Introduced March 29, 2023. Retrieved from: <https://www.congress.gov/bill/118th-congress/senate-bill/1060>.

⁹ President Ronald Reagan. "Statement on Terminating United States Restrictions on Agricultural Sales to the Soviet Union." April 24, 1981.

¹⁰ USDA Economic Research Service. "Top 15 U.S. agricultural export destinations, by calendar year, U.S. value."

¹¹ Morgan, Stephen et al. USDA Economic Research Service. "The Economic Impacts of Retaliatory Tariffs on U.S. Agriculture." January 2022.

¹² Lester, Simon. "Katherine Tai on Market Access, Trade and Peace, and Trade and Prosperity/Inequality." International Economic Law and Policy Blog, October 18, 2022.

Americans by U.S. and Chinese trade actions. Specifically:

“Congress should also consider additional appropriations to offset retaliation for farmers and ranchers, U.S. exporters, and other American workers. A broader strategy must also be developed to support workers to prepare for a period of increased trade tensions and uncertainty.”

Even if the federal government had the omnipotent power to identify the harm inflicted on specific American workers by a trade war, the idea that it could make them whole by replacing their lost jobs, farms, and businesses with new federal welfare spending is mistaken and insulting.

Americans should understand that any such welfare payments would be funded by U.S. taxpayers, not China. As the U.S. International Trade Commission [concluded](#) in its congressionally mandated study of U.S. trade actions, Americans bore nearly the full cost of Section 301 tariffs.¹³

Reject massive tax increases

Section 301 tariffs imposed by the federal government have cost U.S. taxpayers [nearly \\$200 billion](#), an average of [\\$1,580 per household](#).¹⁴

The Select Committee proposes to create an entirely new tariff code for China to replace that country’s “normal” trade status. The specific recommendation is: “Move the PRC to a new tariff column that restores U.S. economic leverage to ensure that the PRC abides by its trade commitments and does not engage in coercive or other unfair trade practices and decreases U.S. reliance on PRC imports in sectors important for national and economic security.”

That is a highly unrealistic expectation.

The Select Committee does not explain how increasing tariffs on Americans who import goods from China would create new economic leverage. When attempting to use trade policy as leverage to achieve other goals, the more you trade, the greater your trade-related leverage. In a world with no economic relationship between the United States and China, the United States would have no economic leverage.

Look at what happened after the United States imposed Section 301 tariffs. According to the [U.S.-China Economic and Security Review Commission](#), the result was: “Broadened state intervention in the economy to achieve the Chinese Communist Party’s economic, social, and political goals.”¹⁵

It’s not clear what sectors of the U.S. economy would be viewed as important to U.S. national and economic security as Congress created a new tariff schedule. Sen. Rick Scott’s (R-FL) recent suggestion that [garlic imports](#) from China represent an “existential emergency” and pose a grave threat to our national security provides a preview of how things would likely proceed. Lobbyists for protectionist organizations would have a field day dreaming up national security arguments to secure new tariffs.

NTU has calculated that subjecting imports from China to current “Column 2” tariffs would increase the average tax on imports from China from 11.1 percent to 40.9 percent.¹⁶ High taxes would be levied on products like shoes and clothing (59 percent), toys (70 percent), and computers and cellphones (35 percent tariff). A brand new tariff column for China could make these tax rates even higher.¹⁷

Reject special-interest protectionism that would weaken the United States

The report includes a grab-bag of protectionist legislation that would weaken the United States. For example, it endorses the Leveling the Playing Field Act 2.0 (H.R. 3882) to modify trade remedy laws and proposes using

¹³ U.S. International Trade Commission. “Certain Effects of Section 232 and 301: Tariffs Reduced Imports and Increased Prices and Production in Many U.S. Industries.” March 15, 2023.

¹⁴ U.S. Customs and Border Protection. “Trade Statistics: Section 301 Duty Assessment as of November 15, 2023;” and U.S. Census Bureau. “Quick Facts: Households, 2018-2022.”

¹⁵ U.S.-China Economic and Security Review Commission. “2021 Annual Report to Congress.” November 2021.

¹⁶ Author’s estimate based on statutory “Column 2” tariff rates that apply to countries not covered by Normal Trade Relations and 2021 import volume. See U.S. Customs and Border Protection, https://help.cbp.gov/s/article/Article-310?language=en_US#:~:text=Countries%20not%20covered%20by%20NTR,North%20Korea%2C%20Russia%20and%20Belarus..

¹⁷ U.S. International Trade Commission. “Harmonized Tariff Schedule of the United States (2023) Revision 11.”

taxpayer subsidies to finance requests for new tariffs in response to alleged unfair trade practices. These actions would exacerbate a weakness in existing U.S. trade laws.

Currently, the government requires federal agencies to consider the impact of proposed new tariffs on the industries seeking protection, but not on the economy as a whole. For example, if a fertilizer producer requests tariffs on competing imports, the government can't consider the impact of those tariffs on farmers, consumers, or even U.S. national security. It's a biased and unfair system.

Instead of passing the Leveling the Playing Field 2.0 Act or subsidizing companies seeking to impose tariffs on imports from our allies, Congress should require federal agencies to consider the potential impact of tariffs on all Americans, including workers in downstream industries, instead of just those industries seeking protection. This change would promote a level playing field for all Americans.

The inclusion of policies like these highlight the importance of carefully reviewing every individual recommendation in the Select Committee report to make sure they are narrowly targeted to address legitimate national security concerns and limit the potential for government overreach and abuse. Broad-based protectionist policies would weaken the United States economically and isolate us from our allies.

Reject proposals to replicate Chinese policies in the United States

The Select Committee report criticizes the CCP for maintaining a web of industrial policies and subsidies.

This is a curious point to highlight, coming just years after Congress approved a web of [massive subsidies](#) to domestic green energy companies and other favored industries. Before pointing the finger at China, Congress should reduce our own subsidies. Copying China's mercantilist policies is a recipe for disaster.¹⁸

This raises a more general concern. Missing from the Select Committee report is any comprehensive effort to boost America's greatest economic strength: a free-market economy relatively free of government control.

Congress can best counter bad Chinese policies by removing barriers to economic freedom at home, not adopting a host of new government controls on American economic activity. Vance Ginn, Chief Economist at the Office of Management and Budget in the Trump administration, hit the nail on the head: "An [economic analysis](#) suggests that China is not our biggest threat, nor are we theirs. In fact, the biggest problem we face is completely self-inflicted and found on our home soil."¹⁹

The Select Committee report concludes: "The United States now has a choice: accept Beijing's vision of America as its economic vassal or stand up for our security, values, and prosperity." Adoption of new protectionist policies would represent a major defeat for Americans. Such policies would:

- Weaken economic and security relationships with our allies
- Undermine U.S. values, particularly those relating to freedom and property rights
- Make Americans poorer

NTU urges Congress to focus on recommendations that will build on our strengths by making us a freer and more prosperous nation.

¹⁸ Riley, Bryan. "Pruning the Biden Administration's Green Subsidies." National Taxpayers Union, April 26, 2023.

¹⁹ Ginn, Vance. "Is China America's Biggest Threat?" American Institute for Economic Research, December 10, 2023.



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