Tomorrow's Affairs
Analysis of today
Assessment of tomorrow

By: Emre Alkin

Fear IS a Mind Killer: USA vs China

I am closely monitoring Trump's statements about China and the additional customs tariff steps. As someone from a country that loves protectionist measures in foreign trade and implements them without thinking of the consequences, I can say that all of Trump's actions will return to the U.S. as inflation.

I remember very well: in countless trips we made to the U.S. before 2010, we warned many civil society organisations and government officials, especially CATO and USTR, regarding China, which continuously violated WTO rules. The response we received was always the same: "Everyone has the right to export."

With policies that allowed countries that get along well with Israel, like QIZ, to export to the U.S. without quotas and tariffs, the message given to us through the laxity shown towards China was: "America is not afraid of running a trade deficit; in fact, it does not care about the deficit expressed in its own currency. In the meantime, it decides against whom it will run a trade deficit."

We explained to them repeatedly that this approach was incorrect. On the other hand, we emphasised the fallacy of the ambitious policies continuously applied by EU countries to generate a trade surplus.

The actions taken by wealthy countries to become richer were not suitable even from a diplomatic perspective, let alone an economic one.

Invasion of Chinese goods

Returning to our topic, China is currently the world's number one exporter. It has long surpassed the status of a country selling billions of products at low prices. It holds 61% of global artificial intelligence patents. They produce low-cost but efficient high technology.

They have one of the largest populations in the world but are at the forefront of unmanned working technologies. They achieve this despite having labour costs that are 4-5 times more expensive than their regional competitors.

Of course, the American president's outcry is not without basis. However, I view with suspicion his criticism of the "loose trade regime," which is the architect of the process that made him wealthy through construction. Let's first look at the figures from USTR, which is the official U.S. government agency dealing with foreign trade.

> An invasion of Chinese goods is occurring in important states of the country

Chinese products account for about 13.4% of total U.S. imports. Countries like Japan, Germany, South Korea, and Vietnam also have imports from China in this range. Due to the implemented low exchange rate-high interest rate policy, it is only a matter of time before Turkey enters this group of countries.

As I mentioned above, although imports from China constitute 13.4% of total U.S. imports, looking at the state level reveals very striking figures:

For example, this rate is 25% and 26%, respectively, in California and Nevada, while Washington state to the north is about 18%, and New Mexico is around 18%. These are the states on the western side facing China. When we move to the east, Wisconsin is around 17%, Illinois is 19%, Minnesota is 17%, South Carolina is 16%, and Tennessee is around 17%. In summary, I can say that an invasion of Chinese goods is occurring in important states of the country.

American brands

It appears that fear is not beneficial in the face of fate. What's done is done. However, there is another known fact: American brands producing in factories in China sell more than half of those productions back to the U.S.

In summary, a large portion of the imports coming from China consists of products designed by American companies. Nike and Apple are the most prominent examples of this.

The real issue that needs to be solved is the serious growth of the public sector and its exploitation of savings through both taxes and borrowing - Emre Alkin

Therefore, it is quite difficult to claim that American brands will abandon their production in China due to Trump's policies at this stage. Despite high import taxes, they will find a way.

A significant portion of American brands offers products to the market that consumers are dependent on and have no alternatives for, so they can find buyers regardless of price.

Therefore, Trump's efforts will not lead to the production of these products in the U.S., and it will also result in rising inflation.

The real issue that needs to be solved is one experienced in every country in the world: the serious growth of the public sector and its exploitation of savings through both taxes and borrowing.

Additionally, the inflationary effects of all this are being ignored. Instead of looking for the reasons for the loss of competitiveness in foreign trade in China, I believe it is most accurate to seek it in the diplomatic and economic mistakes that countries have made by their own hands and in their distorted education systems.

I think everyone should take lessons from the situation that Turkey and the U.S. have found themselves in against China.