

## The US/China Tariff Fiasco

By Paul Craig Roberts, 15 May 2019

Wherever I look at US policy, foreign or domestic, I see only insanity, ignorance, and incompetence.

Take the issue of tariffs, which is Trump's mistaken approach to bringing the jobs back home. The tariff "solution" overlooks that offshored US production counts as imports when US firms bring their goods into the US to be marketed.

The Chinese did not steal American jobs by selling below US cost. The jobs were taken to China by US global corporations, along with the technology and business know-how, for the sole reason of maximizing US corporate profits. Labor, made as productive as US labor by offshored US capital, technology, and business know-how, could be hired at much less cost in China and elsewhere in Asia due to the enormous excess supply of labor that overhangs Asian labor markets. The enormous cost savings went directly into US corporate profits, capital gains for shareholders, and bonuses for executives. Half and perhaps more of the "cheap goods" imported from China are the goods of American firms, such as Apple, Levi, Nike. They are products of US firms that are made in China for sale in the US. They are not "cheap Chinese goods." Do you think an iPhone is cheap or a MacBookPro is cheap?

The tariffs fall on American goods produced offshore by American firms for sale in America. For example, on May 13 the office of the US Trade Representative (USTR) released a list of "Chinese" products subject to a 25% ad valorem duty. The list includes cell phones, footwear, textiles. Do the cell phone imports from China exclude Apple's iPhone? Do the footwear imports from China exclude Nike's shoes? Do the textiles exclude Levis? I have not seen any information that Trump's tariffs are only for Chinese owned exports to US markets.

The tariffs will reduce the profits of American overseas production exported to the US and raise prices to US consumers, who have already lost the incomes from the manufacturing jobs that American companies moved abroad.

In other words, tariffs are not a solution.

The only way to bring home the offshored American jobs is to change the way US corporations are taxed. No, this does not mean to lower corporate taxes. The way to bring the jobs home is to tax corporations on the basis of the geographical location in which they add value to their products. If US corporations produce in the 50 states for their US market, the tax rate would be low. If they produce abroad in China or elsewhere *for sale in the US*, the tax rate would be high.

The tax rate on off-shored production for US markets would be calculated to offset the lower labor and regulatory costs abroad.

Americans, as they always do, got sold a bill of goods called "globalism." Globalism is the deception used to destroy labour unions, deprive the American work force of middle-class jobs, and strip them of their bargaining power. It is also the deception used by transnational agri-business to drive self-sufficient third world peoples off their land and convert the country's agriculture into the production of a mono-crop export commodity.

The evil done by globalism has taken a toll on both first and third worlds. It is entirely the result of first world capitalist profit-maximizing. It has nothing to do with China.

China is being blamed not because its industry produces cheaper than our industry, but as a scapegoat to hide from view the fact that *US global corporations alone are the cause of the lost American jobs.*

Tariffs cannot bring back the jobs.

On January 6, 2004, more than 15 years ago, US Senator Charles Schumer (D, NY) and I raised the issue in the New York Times whether jobs offshoring was in fact an exercise in free trade. A televised conference was called in Washington, D.C., to hear us out. Unsuccessful attempts were made to poke holes in our argument. With Schumer in the lead there was hope that something could be done, but he was silenced by his corporate and Wall Street campaign contributors. In the years since, I have many times explained the issue in my columns, interviews, and in my book, *The Failure of Laissez Faire Capitalism*. I testified before the China Commission and made clear what was occurring and the consequences, including the impact on state and local budgets and pension obligations.

It did no good. The greedy, grasping capitalists silenced every member of Congress, every economist, every financial journalist, and the right and left wings. The consequence is that the United States, once an opportunity society, is now polarized between a tiny immensely wealthy billionaire class and a work force deep in debt and surviving on two or more part time jobs with no benefits. The Trump regime is now blaming this catastrophe on China. War could result.