

# How Secretary Bessent Could Encircle China

0

0

Save



A container ship heads out from a port in Qingdao in east China's Shandong province on May 7, 2025. Chinatopix Via AP

By Peter Morici

5/15/2025 Updated: 5/15/2025

AA Print

## Commentary

President Donald Trump's trade war threatens renewed [inflation](#), slower [growth](#), permanently elevated [interest rates](#), and lower [stock prices](#). However, Treasury Secretary Scott Bessent has the correct instincts to set things right.

The administration is seeking agreements with [major trading partners](#) to lower barriers to U.S. exports and investments, and Bessent apparently sees a need to permanently unwind the high [reciprocal tariff on China](#).

# Globalization With Guardrails

Multilateral trade with like-minded western and emerging-market nations, premised on our comparative advantages in technology, finance and services, would maximize benefits for the U.S. economy. However, [specialization](#) should be tempered so as to not compromise manufacturing's contribution to R&D and innovation, self-sufficiency in military equipment, essentials like medicines and semiconductors, and adequate supplies of other everyday goods during wars and other national emergencies.

Trump threatening [Canada](#) with economic chaos and [talk of becoming the 51st state](#) and casting doubt on [U.S. security commitments in Europe](#) and [the Pacific](#) makes protectionism more likely and [reduces](#) the scope of markets for [U.S. high-tech products](#). That will unnecessarily limit U.S. research budgets and impair, not support, continued U.S. leadership in advanced technology.

Growing global commerce and the dollar's role in 90 percent of foreign exchange [transactions](#) requires annual U.S. current account deficits and attendant foreign sales of U.S. Treasuries and other assets to sustain liquidity, but those deficits needn't be [\\$1.1 trillion](#).

Global trade is growing at about [\\$1 trillion annually](#) and likely requires additional U.S. assets of about one-half to two-thirds that amount. Simply, divide \$1 trillion by [the velocity of money \(1.4\)](#) and then consider the dollar's declining share of [foreign central bank reserve assets](#).

Given the security risks attendant with continued dependence on China for many critical products, that reduction in U.S. imbalances should be mostly accomplished by erasing the \$300 billion bilateral merchandise [trade deficit with China](#).

## Trade with Friends

More balanced U.S. trade with friendly nations based on comparative advantages requires negotiating down tariffs and non-tariff barriers and export-related subsidies and realigning currency exchange rates.

As the limited deal just struck with [the UK](#) demonstrates, those are [formidable tasks](#) within the [90-day suspension](#) of Trump's reciprocal tariffs.

The United States should rejoin the [11-nation Trans-Pacific Partnership](#), which includes Vietnam, Malaysia, Japan, and other key partners like Mexico and Canada and encourage UK and EU

participation. The TPP addresses most of the non-tariff issues that should concern the Trump Administration.

Trump should recognize the progress on [illegal border crossings](#) and combating the illicit drug trade by removing [his recent tariffs on aluminum, autos](#) and other North American trade, and work toward free trade agreements with the Asian partners, the [EU](#) and other countries that remove most tariffs and non-tariff barriers.

Equitable trade would then permit the United States to reduce its current account deficit to the extent Congress reduces the need for foreign Treasuries sales to finance ever larger [federal budget deficits](#) by cutting spending more than taxes.

Bessent would like to [encircle China](#) with commitments from our trading partners to [limit trade](#) with the Middle Kingdom. That's a big ask, given its large domestic market and credible threat to retaliate against nations that [overtly cooperate](#).

At minimum, we should expect credible, effective measures to atop the [transshipment of Chinese goods](#) through our trading partners. And the United States can structure its tariffs toward China in a manner that provides an incentive for other nations to limit imports from the Middle Kingdom.

## China

China seeks to [dominate the global stage](#) through “[brute force economics](#).” President Xi's goal is control of vital industries, from shipbuilding to semiconductors, and to minimize China's [dependence](#) on other countries while maximizing other countries' dependence on Beijing.

That limits the realistic scope for constructive dialogue, and the United State should simply impose balanced bilateral trade in goods.

In 2024, [U.S. merchandise imports](#) from China were \$438 billion—about three times U.S. exports. We can't end such intense dependence overnight, but we could work it down over the remainder of Trump's second term.

Specifically, require licenses to import goods from China and initially set the value of those to 2.5 times the size of U.S. imports starting in July. Then reduce that ratio in steps to one over three years.

Those licenses should be allocated by auction, and U.S. businesses like [Apple](#) that claim an absolute need to source from China won't require

**exemptions**—the auction process will reveal the value they place on that privilege.

Similarly, the United States should apply the **ad valorem** rate implied by the auction price of those licenses to the Chinese content of goods imported from third countries. The American privilege to do so should be incorporated in the trade agreements the United States is now negotiating with other trading partners.

Either our allies limit their imports from China, or we should help them do it.

*Views expressed in this article are opinions of the author and do not necessarily reflect the views of The Epoch Times.*

**Sign up for the News Alerts newsletter.** You'll get the biggest developing stories so you can stay ahead of the game. [Sign up with 1-click >>](#)



**Peter Morici**

Author

---

#### Author's Selected Articles

### Economy Would Be Better Off With a Republican President

Jan 04, 2016



---

### A Professor's Message for the Holidays: Time to Celebrate!

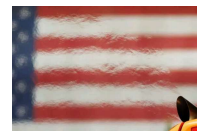
Dec 23, 2015



---

### Paris Climate Conference Is a Bad Deal for America

Dec 01, 2015



---

### Weak US Jobs Growth Is Only Part of a Bigger Problem

Nov 02, 2015



