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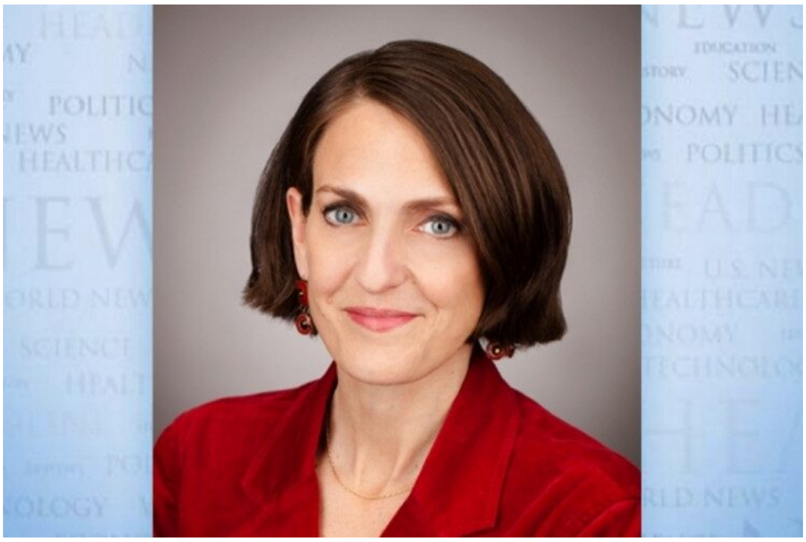
How Banning Chinese Products Could Backfire for the U.S.



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The controversy over proposed state and federal bans of Chinese-produced apps has sparked debate about the wisdom of country-of-origin bans in general. On the surface, banning TikTok and other controversial products coming from China appears reasonable. But the deeper you dig, the less these ideas make sense.

This is especially true when bans are based on national security concerns and talked about in the context of "decoupling" our economy from China's. National security is important, of course, but abusing this argument to blindly close off America to Chinese imports may isolate us in ways that could *weaken* our security. This is true even if one agrees that China engages in forced technology transfer, forced labor and other terrible behaviors.

National security is an elusive concept. Politicians have long understood the potency of waving the national-security flag to push policies, even if unrelated to national security. Since the cost of government meddling in the economy is often large (even when used to achieve legit security goals), the burden of proof should be put squarely on the shoulders of those advocating for blanket or targeted bans.

Yet, that's rarely the case. Leaving aside whether it's even possible to partially or fully decouple from Chinese products, calls to isolate the U.S. economy are concerning. First, decoupling would carry some often-overlooked security risks. Global trade can, at the margin, increase national security by interlocking economies and discouraging armed conflict.

Furthermore, a country that grows is more politically stable and resilient and has revenue to invest in national security. Taking steps toward decoupling requires isolationist policies like tariffs, export and import bans and sanctions — growth killers in both countries with important destabilizing effects.

Therefore, if we're using an expansive definition of national security, we can't ignore the ramifications of harming the world's largest economies and severing any relatively liberalizing connections between them.

If the government ordered large-scale bans of Chinese outputs, it would practically require U.S. companies with some operations in China to move out. Listening to sound bites, you might think these companies can pick up and go with no major economic impact. Nothing could be further from the truth.

Shifting production back home or to other countries is a long and expensive process. For instance, it's projected to take Apple, which decided to leave China in response to its COVID-19 policies, until 2025 or 2026 to shift its vast iPhone assembly processes to India or Vietnam. Some estimates are more pessimistic, saying it would take eight years to shift only 10% of production out of China.

On a larger scale, these policies would result in shortages, decreases in productivity and higher production costs affecting millions of American workers and nearly every consumer.

That’s the direction the newly released RESTRICT Act, sponsored by Sens. Mark Warner, D-Va., and John Thune, R-S.D., would take us in by empowering government officials to ban communications and technology transactions that these unaccountable bureaucrats deem a threat to national security. We should always be worried about delegating so much power to unelected officials, and we should be particularly concerned in today’s isolationist moment.

Besides, if Trump-era steel tariffs — imposed for alleged national-security reasons — are our guide, then expect more protectionism in disguise. These trade restrictions, at best, do nothing for national security but do raise prices for American consumers.

In response to U.S. government-orchestrated bans, we can expect the Chinese government to kick out American companies at great cost to both these firms and our own economy. KFC, GM, Microsoft, Boeing, Nike, Coca-Cola, Procter & Gamble, Intel, Starbucks and Apple are just a few companies that sell significant percentages of their products to Chinese citizens. Making it harder for American companies to earn profits and to expand isn’t the smartest move in the current economic environment.

Ironically, any step to ban Chinese products would significantly affect military families. Indeed, half of the products in retail stores run by the military (exchanges) for its personnel are made in China. A ban on the sale of Chinese-made products in military exchanges and commissaries, such as the one approved in June 2022 by the House Armed Services Committee, would be devastating to military families who heavily rely on exchanges. This “feel-good” policy would leave the shelves of U.S. military commissaries empty or stocked with pricier goods.

These are only a handful of the overlooked costs of country-of-origin bans. While they make for great sound bites, we should be highly skeptical of them, even when the argument is made in the name of national security.

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