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## **Trade Wars: The Empire Strikes Back** **by Sheldon Richman**

*A long time ago in a galaxy far, far away ...*

*Representatives of the Imperial President have traveled to the far eastern region to “negotiate” strict limits on exports. Although the recent surge in shipments of badly needed inexpensive clothing from traders in the region has raised the living standards of low-income people in the home of the Imperial Government, it offends well-connected Trade Federation interests. During the negotiations the far eastern leaders hold firm against the Empire’s intimidation and pressure. A trade war looms. Back in the capital of the Empire —*

Hold on a minute. This is not the beginning of the next installment of *Star Wars*. It’s the latest news of the Bush administration’s attempt to get the government of China to rein in its apparel exporters. According to Reuters, “China took a tough line on Saturday in trade talks with U.S. officials on its surging textile exports, signaling no quick breakthrough in a row that threatens to spill over into the diplomatic arena.” Vice Premier Wu Yi says the administration’s latest restrictions on trousers, shirts, underwear, and cotton yarn endanger the 19 million people who work in the Chinese textile and clothing industry. Wu is quoted as saying, “If this cannot be handled well it will severely affect the course of bilateral economic relations and trade.”

For its part, the Bush administration is playing the classic good cop–bad cop game perfected by President Reagan when he extorted “voluntary” restrictions on auto exports from Japan 20 years ago. U.S. Commerce Secretary Carlos Gutierrez told the press, “I don’t believe there is a full appreciation in China for the level of political pressure that we face with respect to our relationship.” In other words, take the terms Emperor, I mean President, Bush is offering or risk inciting the wrath of the Imperial Council. I mean Congress.

Some background: On January 1 the worldwide regime of quotas on clothing and textile exports ended. Chinese producers had the chutzpah to think that meant they can now export all

the goods to the United States that American consumers were willing to buy. How naive. Or not. Maybe the Chinese are simply being wily. Surely they know that when we say “free trade” we don’t really mean *free* trade. We mean managed trade — managed by politicians and bureaucrats, who obviously know better than consumers how many inexpensive trousers, shirts, and the rest they should buy. After all, consumers are just concerned about their personal well-being. Government officials are thinking of the welfare of the whole nation. So President Bush sent his representatives to, let us say, enlighten the audacious Chinese in the ways of the world. Will they get the message? Or are there hard lessons ahead?

If the situation is beginning to look a little ridiculous, it should. In the 1950s some people irrationally feared swarms of Chinese invading the United States and imposing communism. Today some people irrationally fear floods of Chinese shirts invading the United States and imposing ... what? Consumerism? Don’t the politicians see that we want the goods? Why can’t we have them? As they say, it’s a free country. Isn’t it?

Has it occurred to our (mis)leaders that Chinese entrepreneurs have done more to raise the living standards of low-income Americans than all the welfare-state bureaucrats, anti-poverty workers, and their trillions of dollars combined? Speeches about the minimum wage, Medicaid, and food stamps amount to nothing compared to the mass production of low-priced goods. Worse than nothing — because the welfare state stunts economic growth, hurting low-income people far more than the middle and upper classes.

The assault on our Chinese benefactors strips bare the hypocrisy at the core of the welfare state.

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