



The Daily Dish

China, Again

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Eakinomics: China, Again

The Trump Administration is considering halting jet-engine sales to China. Specifically, *The Wall Street Journal* reports that “The administration may decline to issue a license allowing CFM International, a joint venture of GE and France’s Safran SA, to export more of its LEAP 1C jet engines to China, people familiar with the discussions said. The engines are being used in the development of that country’s Comac C919 jetliner, the latest in a planned family of new jets that is years behind schedule.”

The concerns are two-fold. First, that the Chinese will reverse-engineer the engine technology and produce a clone-like competitor. Second, that the advances in commercial airline production will foster advances in military capability as well. These strike me as legitimate concerns, and there is certainly reason to worry about China’s military ambitions. Still, I think the ban is a bad idea and reflects the yawning gap between the administration’s fears and the effectiveness of its actions.

To begin, the engine has been in China since 2014 as part of the development and testing of the Comac C919, so reverse-engineering could be well underway. Further, licensed exports to other countries may ultimately deliver an engine to China, anyway. It is simply awfully hard to stop the global flow of goods.

In the end, the most likely outcome of such export bans is that U.S. companies will be hurt – GE in this case – and weakening their competitiveness; that is hardly the goal. This is because the United States is proposing to act on fear.

The United States should instead act on demonstrated bad behavior – not fear of bad behavior – by China. If a cloned LEAP 1C appears, China should be subject to economic punishment. Again, however, the administration does not have this quite right. The only economic punishment that it can imagine is tariffs on China’s products that have the terrific side effect of damaging U.S. growth.

Every action – however well-intentioned – is a self-inflicted wound because the administration has chosen to go it alone. I accept that it rejected the Trans-Pacific Partnership and does not have a vision for fixing the World Trade Organization instead of trashing it. But if it had a mechanism to coordinate among allies actions against China, it would facilitate stronger economic sanctions for the bad actions that China has demonstrated.

The larger lesson is that dis-engagement is a dead end. China is not our friend, but a strategy of staying economically engaged with China while coordinating with allies is the route to greater national security *and* economic prosperity.