

Comment/ Opinion

Keeping US doors open to Chinese imports and investment need not compromise national security

The US must recognise the benefits to American workers from trade and investment with China and understand that the bulk of US-China economic engagement is irrelevant to national security concerns. Even in sectors where there may be potential risks, Washington has tools to mitigate them.



Dominic Ng

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Workers make stuffed toys for export inside a factory in China's Shandong province in June 2018. Toys continue to be one of the top US imports from China. Photo: Reuters

At the [virtual meeting](#) between US President [Joe Biden](#) and Chinese President Xi Jinping last month, the two leaders took steps to stabilise the relationship. By finding common ground on [climate change](#), relaxing restrictions on [journalist visas](#), and setting “guardrails” to prevent armed conflict, they are making efforts to manage the relationship despite differences.

But debates in Washington over the right level of openness towards China are nowhere near settled. Many Trump-era barriers remain in place, and even more are being discussed in Congress.

To coexist and compete with China, the US needs to be clearheaded about how to balance the dual needs of economic growth and security. Finding this balance will not be easy, but there are steps we can take to make the challenge easier.

This starts by recognising that American workers benefit from trade and investment with China. Exports to China [support](#) more than 1.2 million US jobs. Chinese companies invested in the US directly employ nearly 200,000 Americans.

The presence of US businesses in China drives growth, revenue and innovation – boosting jobs back at home. Preserving these ties is critical to keeping [inflation](#) low, employment high and the economy humming.

The next step is understanding that, despite the rhetoric, the bulk of US–China economic engagement is irrelevant to national security concerns. It is easy to forget that the top five categories of US imports from China are consumer goods: computers, cellphones, furniture, toys, and other plastics. These goods alone comprise a third of US imports from China.

When you consider all the other non-sensitive things the US imports from China, that figure grows even larger.

A recent [study](#) commissioned by the German Bertelsmann Foundation found that over 80 per cent of European Union imports from China and over half of EU exports to China have no national security relevance at all. By identifying and setting aside these sectors from security debates, we can make the challenge smaller and focus on real threats.

Even in sectors where there may be potential risks, the US has tools to mitigate concerns. The Committee on Foreign Investment in the United States, for instance, [evaluates](#) national security threats from foreign investment.

While the committee can block deals outright, it can also propose mitigation measures to address possible issues, such as ensuring that only authorised people have access to certain technology or excluding sensitive assets from transactions.

These measures make a difference. Of the 88 deals the committee [investigated](#) in 2020, nearly 20 per cent were able to pass after some mitigation efforts were put in place. In only 8 per cent of cases did investors abandon their transaction after the committee found no way to resolve the national security risks around the deal.

These kind of rules help address possible national security concerns while keeping the US open for business.



Under the previous administration, efforts to address national security risks were often ad hoc and muddled. One need look no further than the market confusion caused by former US president Donald Trump's efforts to [extort TikTok](#) to see why formal processes for addressing these challenges are so critical.

That is also why it is important that Biden has [reiterated](#) America's pledge to treat investors fairly and keep the US open for business.

Looking ahead, it is crucial that policymakers take a reasoned approach towards new proposals to regulate economic ties with China. Some proposals, such as a bill to screen US investment abroad, are potentially far-reaching and could undermine US competitiveness abroad without great benefit to national security.

Policymakers should remember that the US benefits greatly from its economic ties abroad, including to China. In most cases, there is no trade-off between keeping America's doors open and preserving our national security. Dealing with what risks do exist requires a scalpel, not a sledgehammer.

The stakes are high. At a time when the global economy remains under pressure from new Covid-19 variants and supply chain disruptions, it is more important than ever that the US strikes the right balance with its trade and investment partners.

Dominic Ng is chairman, president and chief executive officer of East West Bank, the No 1 ranked commercial bank in the Bank Director's 2021 Bank Performance Scorecard