

Opinion

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The true consequences of a tariff increase



Your Turn

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Guest columnist

The original cost of manufacturing a pair of blue jeans was only \$6 (of which Chinese manufacturers made about \$2 in profit). Then, the jeans were transported, distributed, marketed and sold by Americans. Finally, they were sold at Macy's for \$60.

Out of the total profit of \$20, \$18, or 90 percent, was actually made by Americans. As a matter of fact, this scenario is very typical in many of today's manufacturing industries.

Hence, in the case of solar panels made in China, when a unit is installed in our homes here in the U.S., the majority of the profit is actually made by Americans, since we are the ones who transported, distributed, marketed, sold, installed and serviced these units.

In fact, the Solar Energy Industries Association estimated that the tariffs on solar panels could end up threatening 23,000 American jobs.

The point here is that when we block Chinese-made solar panels, the people who will get hurt the most are American

workers.

Second, in recent decades, Chinese-made goods, such as the more affordable iPhones, have enabled more American consumers to buy such products, thus improving the quality of our lives. Industry projections hold that the cost of outfitting a large solar farm may rise by 10 percent, according to USA Today, though the full impact is unknown.

Third, as the New York Times columnist and internationally known author, Thomas L. Friedman, pointed out in his best-selling book "The World is Flat," there is now an unstoppable trend where primary manufacturing jobs for products such as toys, clothing and electronics are irreversibly shifting to developing countries such as China.

Therefore, rather than crying over spilled milk, a better strategy for America as a nation would be to focus on building U.S. strength and world leadership in areas where we as an advanced industrialized nation have uniquely excelled.

This includes secondary industries, like higher-level jobs, such as consulting, servicing, technology and computer systems. This move makes sense because these are much higher waged positions than what is made in the primary manufacturing jobs.

In today's increasingly interdependent world economy, our trade decisions should not be made subjectively, out of emotion and fear, but rather they should be made objectively, based on facts and data. Otherwise, it is like picking up a stone and throwing it on our own feet.

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The Trump administration's decision to slap a high import tariff on imported solar panels and washing machines is a detrimental one that may end up hurting the United States in the long run.

Though the intention is good, namely to protect American manufacturing jobs, in reality what may end up happening is the opposite of that intention, due to the increasingly complex economic interdependence that exists among nations today.

First of all, the majority of the profit related to goods labeled "made in China" is actually made by Americans. For example, in 2006 I traveled to China with 40 CEOs of American companies and we performed many case studies, one of which was analyzing blue jeans made in China and sold in the U.S.