

PubPol/Econ 541

Class 10

Policies and Institutions: National, Other

by

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Trump and Harris Trade Policies

- The following few slides are from a presentation I gave last week to a group about globalization and trade policy.

Harris's Trade Policies

- Likely to be similar to Biden's
 - As senator, she voted against the USMCA, which she would "modernize" for
 - Labor rights,
 - Environmental protection, and
 - Fair-trade practices
 - She would use policies, including tariffs, to
 - Strengthen American manufacturing
 - Diversify supply chains to reduce dependency on China
 - Will use tariffs that are more targeted than Trump's

Harris's Trade Policies

- Harris website on trade and tariffs:
 - Trade: “Vice President Harris will not tolerate unfair trade practices from China or any competitor that undermines American workers.”
 - Tariffs: Not mentioned

Trump's Trade Policies

- Has said he will
 - Place a tariff of 10% or higher on all imports.
 - Place even higher tariffs (60%) on imports from China.
 - Raise our tariffs on countries to match what they charge on our exports.
 - Raise tariffs on countries that don't use the US dollar for international transactions.

Trump's Trade Policies

- Trump website on trade and tariffs
 - Trade: President Trump will implement a 4-year national reshoring plan so that the United States no longer needs to rely on China for essential medical and national security goods, and ban Chinese ownership of all critical infrastructure in the United States.
 - Tariffs: Proposals not mentioned, but says he “imposed tariffs on China that brought billions of dollars into the federal treasury, expanded American agriculture, and opened thousands of new factories.”

Trade anxiety is picking up

Economic Policy Uncertainty Index: trade policy (1985-10=100)



Source: PolicyUncertainty.com, Haver Analytics

Financial Times, 9/30/24

Class 10: Policies and
Institutions: National, Other

Outline

- European Union
- Japan
- China
- Other

European Union

- History
 - 1957 Treaty of Rome created European Economic Community (EEC) as a "common market"
 - Eliminated barriers to movement of goods, services, capital, and labor (eventually)
 - Prohibited policies to inhibit market competition
 - Adopted Common Agricultural Policy (CAP)
 - Adopted common external trade policy
 - (Hence a Customs Union, not a Free Trade Area)
 - Original Six countries: Belgium, France, Germany, Italy, Luxembourg, Netherlands
 - Added 6 more: 1973: Denmark, Ireland, UK; 1981: Greece; 1986: Portugal, Spain (also E. Germany 1990)

As of
1990



European Union

- History
 - “Europe 1992”: Treaty on European Union, signed Feb 7, 1992, in Maastricht, Netherlands
 - “Four Freedoms” became reality: free movement of goods, services, people, and money
 - Set rules for (future) single currency
 - 1995: Added Austria, Finland, Sweden
 - 2004: Added 10 more: 8 from former Soviet Bloc, plus Malta and Cyprus
 - 2007: Added Bulgaria and Romania
 - 2013: Added Croatia
 - 2020: Subtracted United Kingdom

As of
2020



National, Other

European Union

- The EU today
 - 27 Countries
 - Note who is not in
 - UK (anymore)
 - Switzerland
 - Norway
 - Iceland
 - Official candidates: Turkey and several parts of former Yugoslavia
 - Potential candidates: Other parts of former Yugoslavia
 - Recent news that EU will try to add 9 more:
 - Albania, Bosnia, Georgia, Kosovo, Moldova, Montenegro, North Macedonia, Serbia, and Ukraine.

As of
2023



Source:
Economist,
9/28/23

European Union

- Two main institutions
 - European Council
 - European Commission

European Union

- European Council
 - Heads of national governments, expressing their national interests
 - Presidency rotates among member states every six months
 - Not a person, but a country. Currently Hungary (July-December 2024)
 - There is also a person with the title President of the European Council: Charles Michel
 - Runs meetings
 - Represents EU externally



European Union

- European Commission
 - 27 Commissioners, one from each member country
 - Represents the whole of the EU, not the individual national interests
 - Drafts legislation and handles day-to-day running of EU
 - Current President is Ursula von der Leyen



European Union

- Other institutions
 - Council of the European Union
 - Not the same as European Council
 - National ministries, a Council for each area
 - European Parliament
 - Court of Justice
 - European Central Bank
 - Court of Auditors

European Union

- How it functions
 - Commission “proposes”
 - Council “adopts”: seeks unanimity, but if not, it votes
 - Proportional to population
 - But with small countries over-represented

European Union

- Features relevant for trade
 - Common external tariff (it is a “customs union”)
 - Countries therefore can not join FTAs on their own
 - Value-added tax (VAT)
 - Rebated on exports
 - Common agricultural policy (CAP)
 - System of subsidies and support programs for agriculture
 - Variable levies

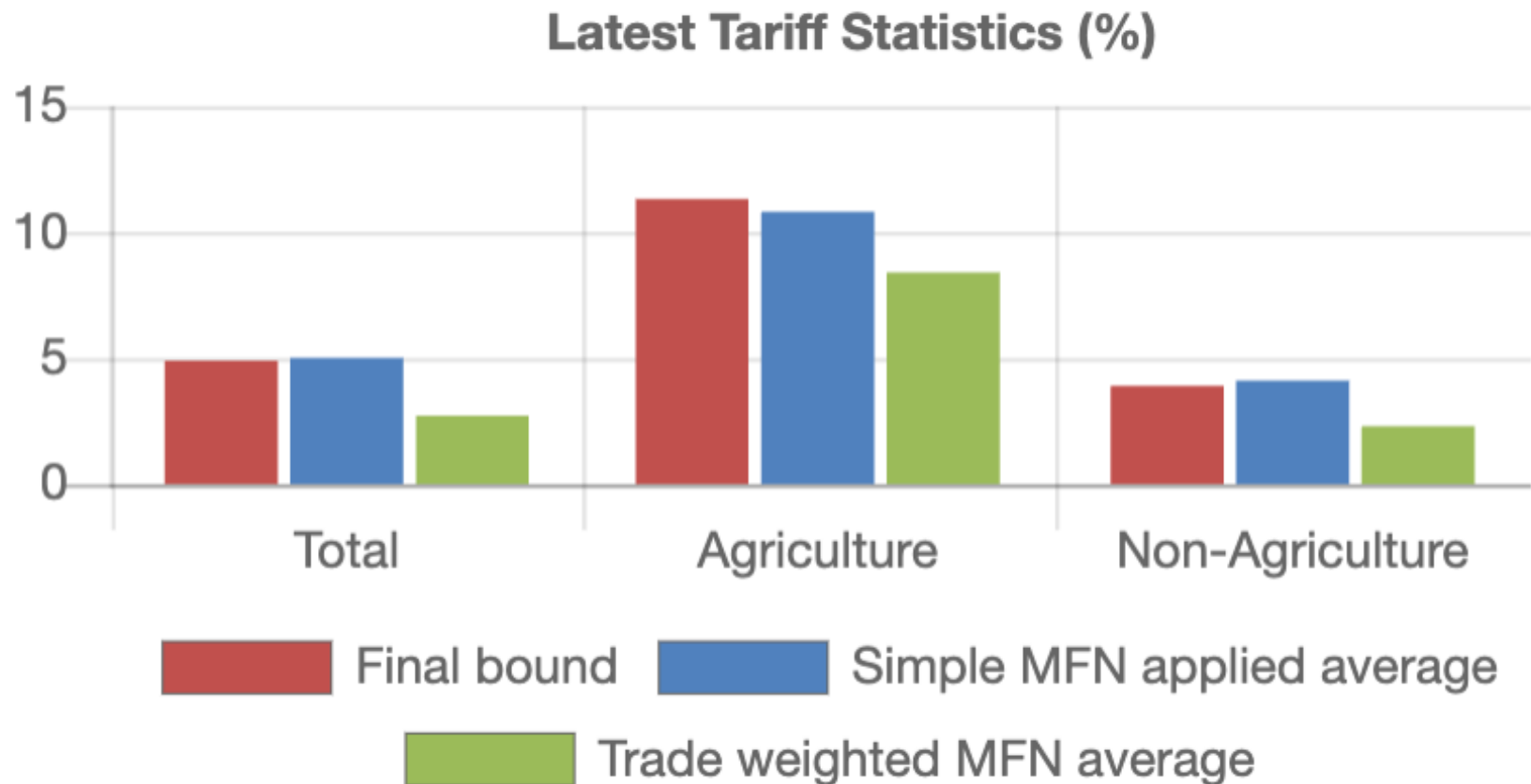
European Union

- Features relevant for trade, continued
 - Numerous (41, with 72 countries) FTAs with other countries & groups of countries, including with former colonies
 - Banana War: US-EU dispute over EU preference for former colonies' bananas. US won case at WTO
 - State aid for firms is prohibited (unlike US)
 - But that rule was relaxed recently to counter US subsidies

European Union

- Tariffs and Trade Disputes
 - The following 3 slides come from WTO, Member Information, downloaded 9/20/24
 - Tariffs: I assume they are up to date, as of 9/20/24
 - Disputes: These are the total numbers of disputes since 1995.
 - RTAs (Regional Trade Agreements, WTO term for FTAs, etc.)

EU Tariffs per WTO



per WTO

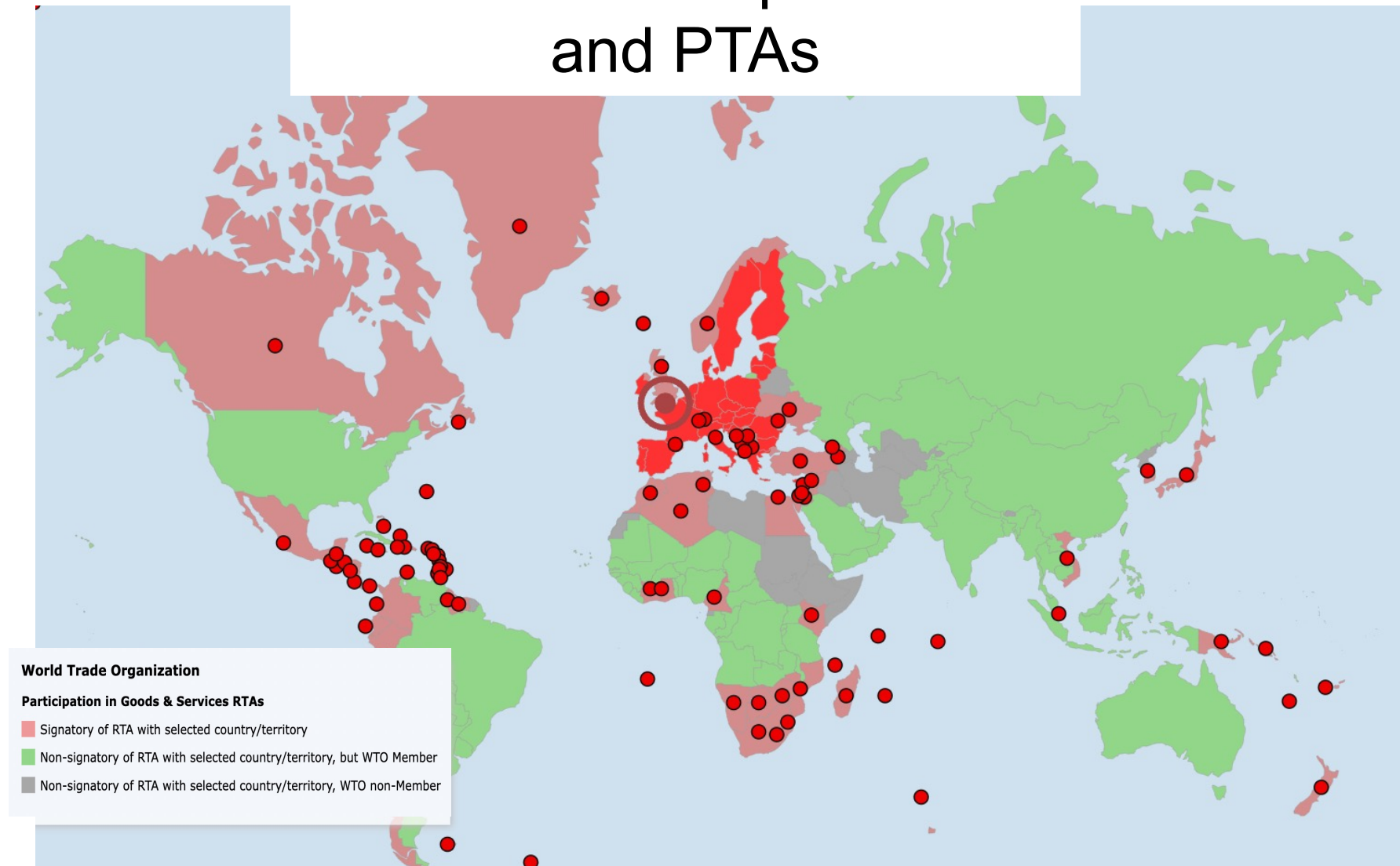


As respondent 96 case(s)

As third party 217 case(s)

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EU Membership in RTAs and PTAs



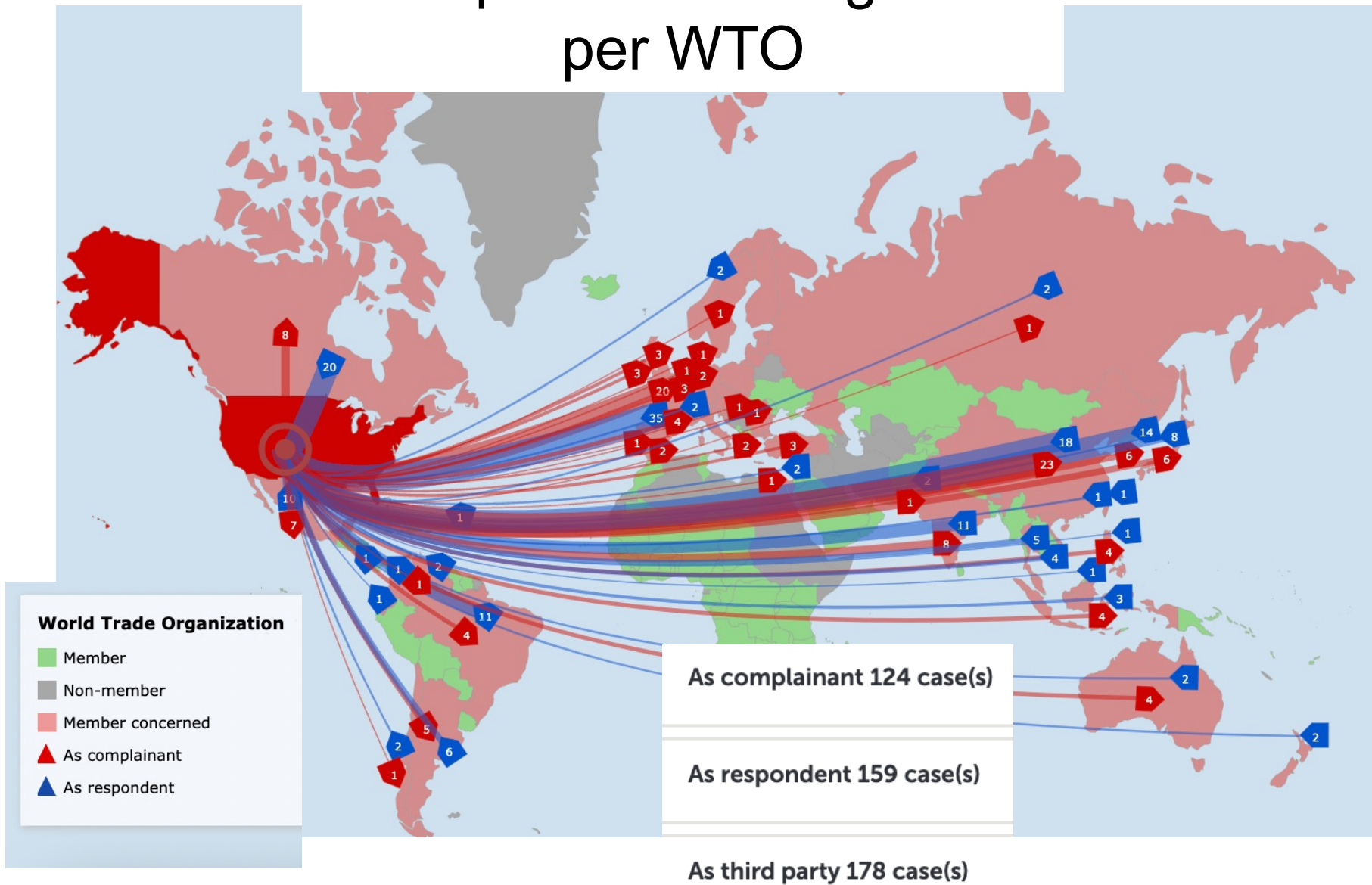
Compare with US

US Tariffs per WTO

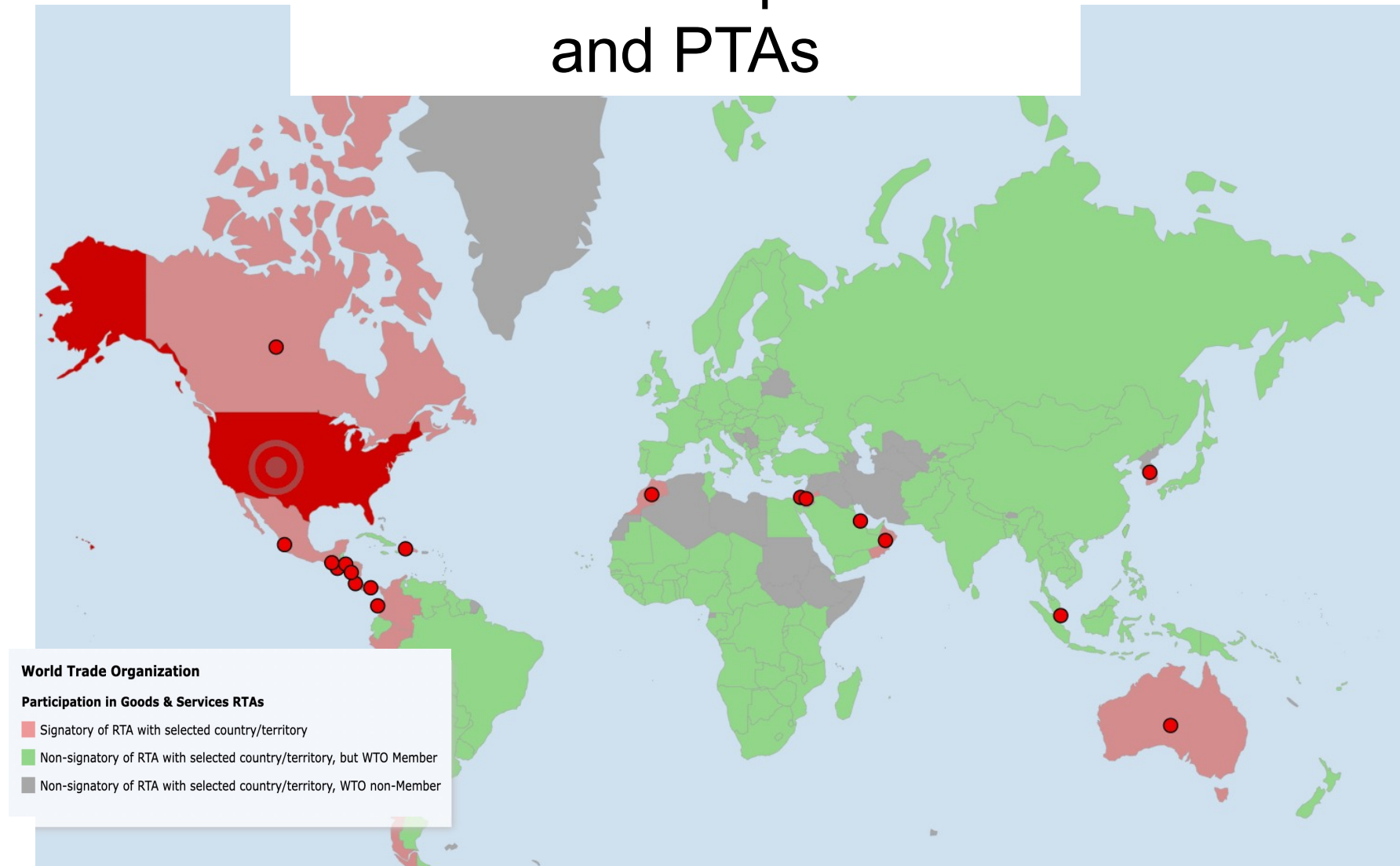
How is this possible? I don't know. See notes to slide.



Disputes Involving US per WTO

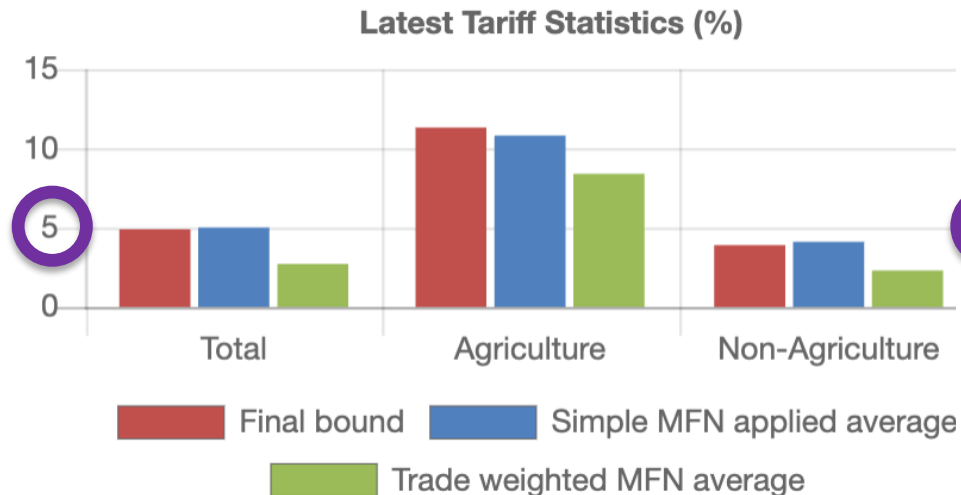


US Membership in RTAs and PTAs

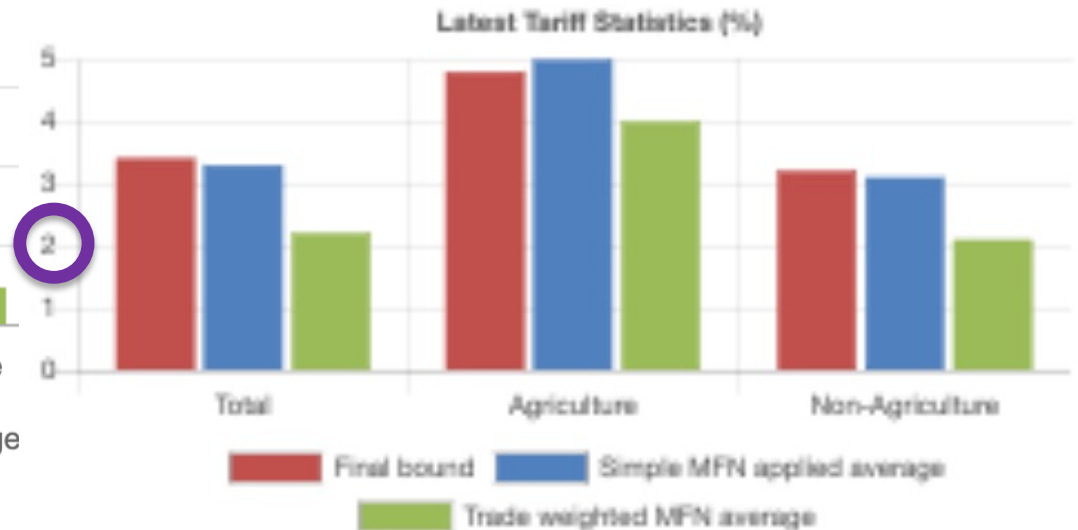


Comparison of EU with US Tariffs

EU



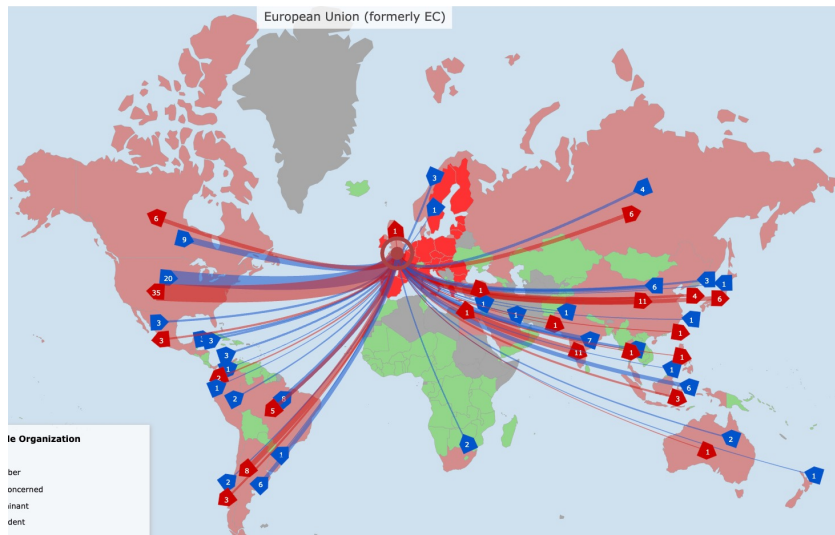
US



These look like US tariffs are higher, until you note the scales.

Comparison of EU with US Disputes

EU

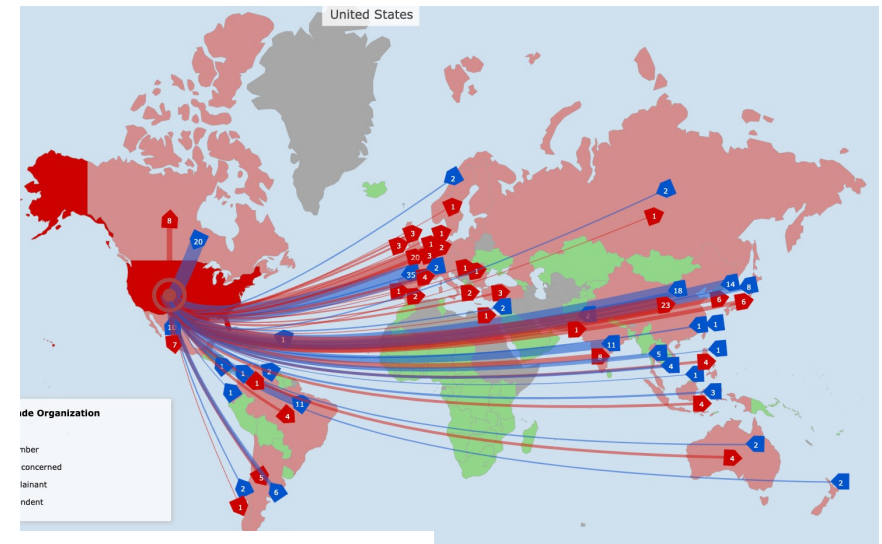


As complainant 111 case(s)

As respondent 96 case(s)

As third party 217 case(s)

US



As complainant 124 case(s)

As respondent 159 case(s)

As third party 178 case(s)

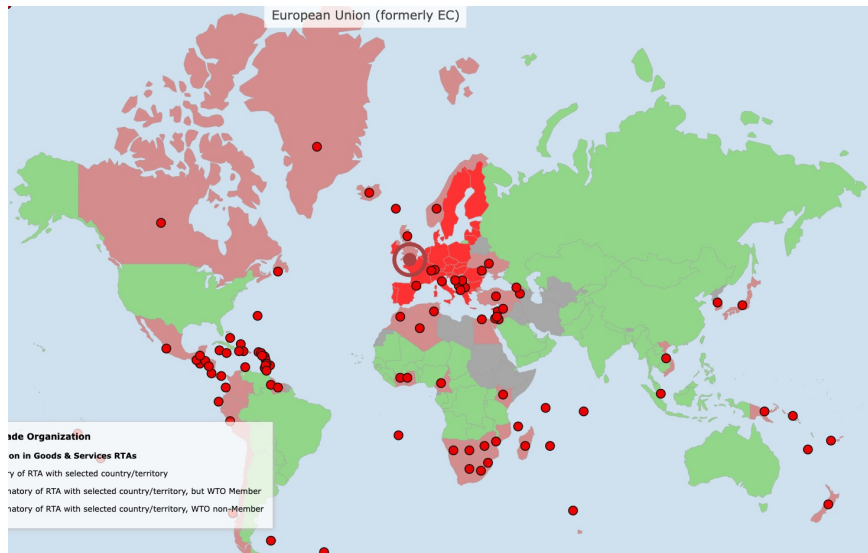
World Trade Organization

- Member
- Non-member
- Member concerned
- ▲ As complainant
- ▲ As respondent

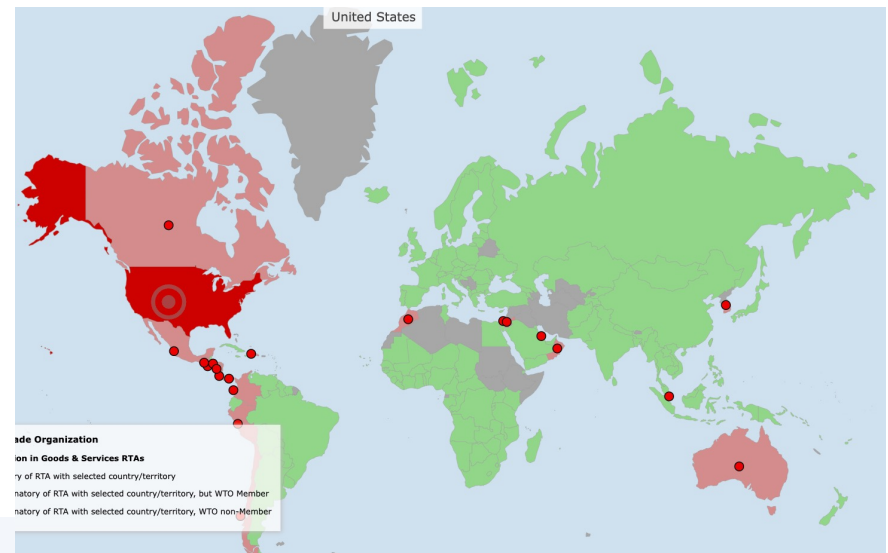
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Comparison of EU with US FTAs

EU



US



Participation in Goods & Services RTAs

- Signatory of RTA with selected country/territory
- Non-signatory of RTA with selected country/territory, but WTO Member
- Non-signatory of RTA with selected country/territory, WTO non-Member

European Union

- Disputes at WTO in 2023-24: Respondent Complainant
 - DS626: European Union – Provisional Countervailing Duties on New Battery Electric Vehicles from China
 - In consultations since 9 August 2024
 - DS625: Chinese Taipei- Measure Relating to Investments in Offshore Wind Installations from EU
 - In consultations since 26 July 2024
 - DS624: European Union — Additional Measures concerning the importation of citrus fruit from South Africa
 - In consultations since 15 April 2024
 - DS622: European Union — Anti-Dumping Measures on Imports of Fatty Acid from Indonesia
 - In consultations since 7 February 2024
 - DS618: European Union — Countervailing Duties on Imports of Biodiesel from Indonesia
 - In consultations since 11 August 2023; panel composed

Pause for Discussion

Questions

On Jackson:

- What are the six entities that play constitutional roles in the European Community?

On “European Union in Brief”:

- What does the “single market” entail?
- What are the three entities through which EU citizens and members states are represented?
- Why and when did it change its name from EEC to EU?

Questions on EU Commission

“Making Trade Policy”

- What sorts of policy are the “exclusive power of the EU,” meaning that they cannot be done by member states individually?
- Which part of the EU negotiates trade agreements with other countries? Is that entity constrained in any way as to with whom it can negotiate and what its objectives should be?
- Once a trade agreement is negotiated, who approves it?

Questions on, Matthias & Parsons, “Single-Market Power...”

- Which of the US and EU have the more integrated markets?
- If indeed the US is less integrated, why is there so much greater interstate trade and mobility?
- How does California restrict imports of eggs from some other states?
- Can colleges in the US and EU charge different tuitions for students from outside their state or country?

Questions on *Economist*, “The Trade War Within”

- To what extent are EU countries largely free-traders?
- Why was the EU considering taking some developing countries off the list for GSP treatment? Can you find out whether it did in fact do this for Brazil, Russia, Saudi Arabia, South Africa?
- What are the 3 levels of EU GSP and what do they mean?
- What is meant by the need for “reciprocity”?

Questions on Bounds, “EU Seeks Protected Status”

- Once a product has protected status, what does this mean?
- Does the WTO accept the idea of protected status?
- What are some examples of currently protected products?
- Over what part(s) of the world do the EU designations of protected status apply?

Outline

- European Union
- **Japan**
- China
- Other

Japan

- Portions of government dealing with trade
 - METI = Ministry of Economy, Trade, and Industry
 - Previously MITI, Ministry of International Trade and Industry
 - Minister: Ken Saitō since December 2023



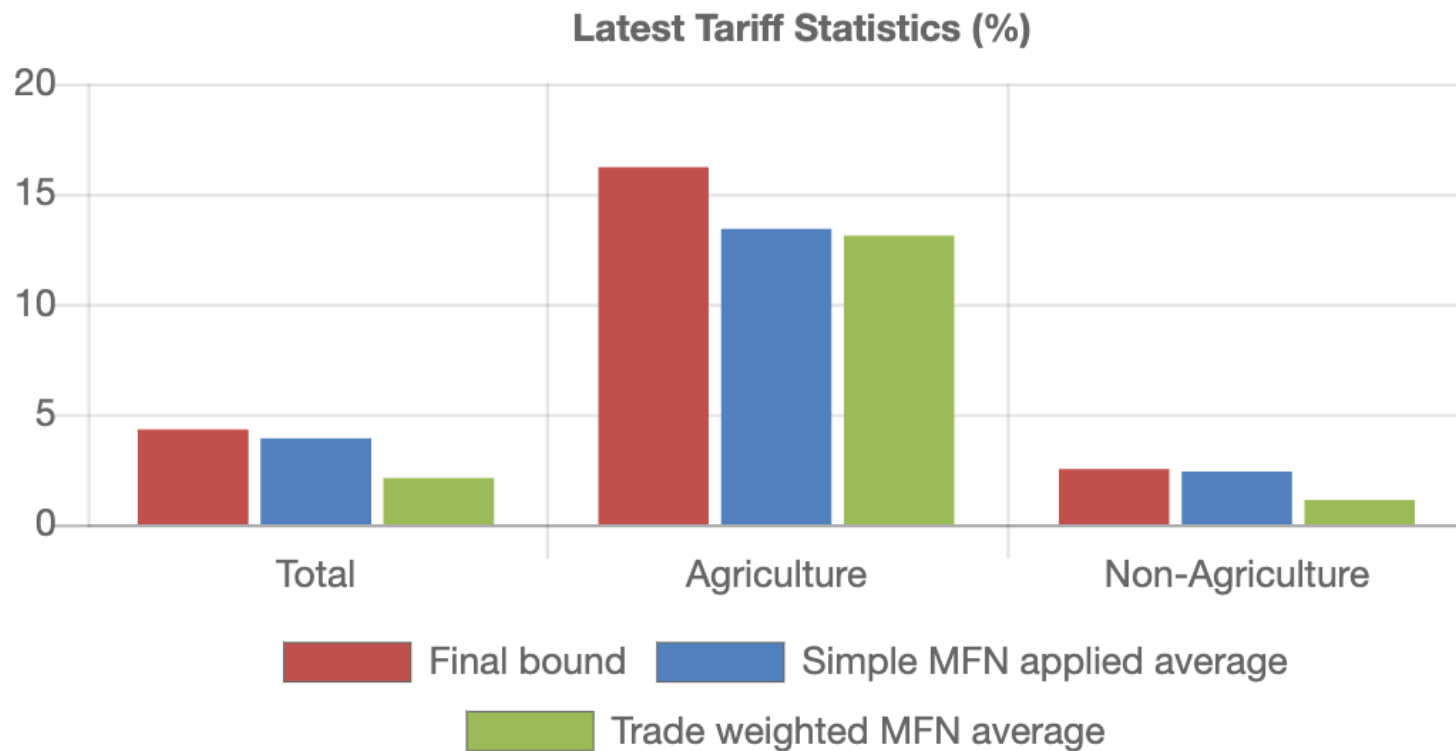
Japan

- Portions of government dealing with trade
 - MAFF = Ministry of Agriculture, Forestry, and Fisheries
 - Handles all agriculture trade (with high tariffs)
 - MOFA = Ministry of Foreign Affairs

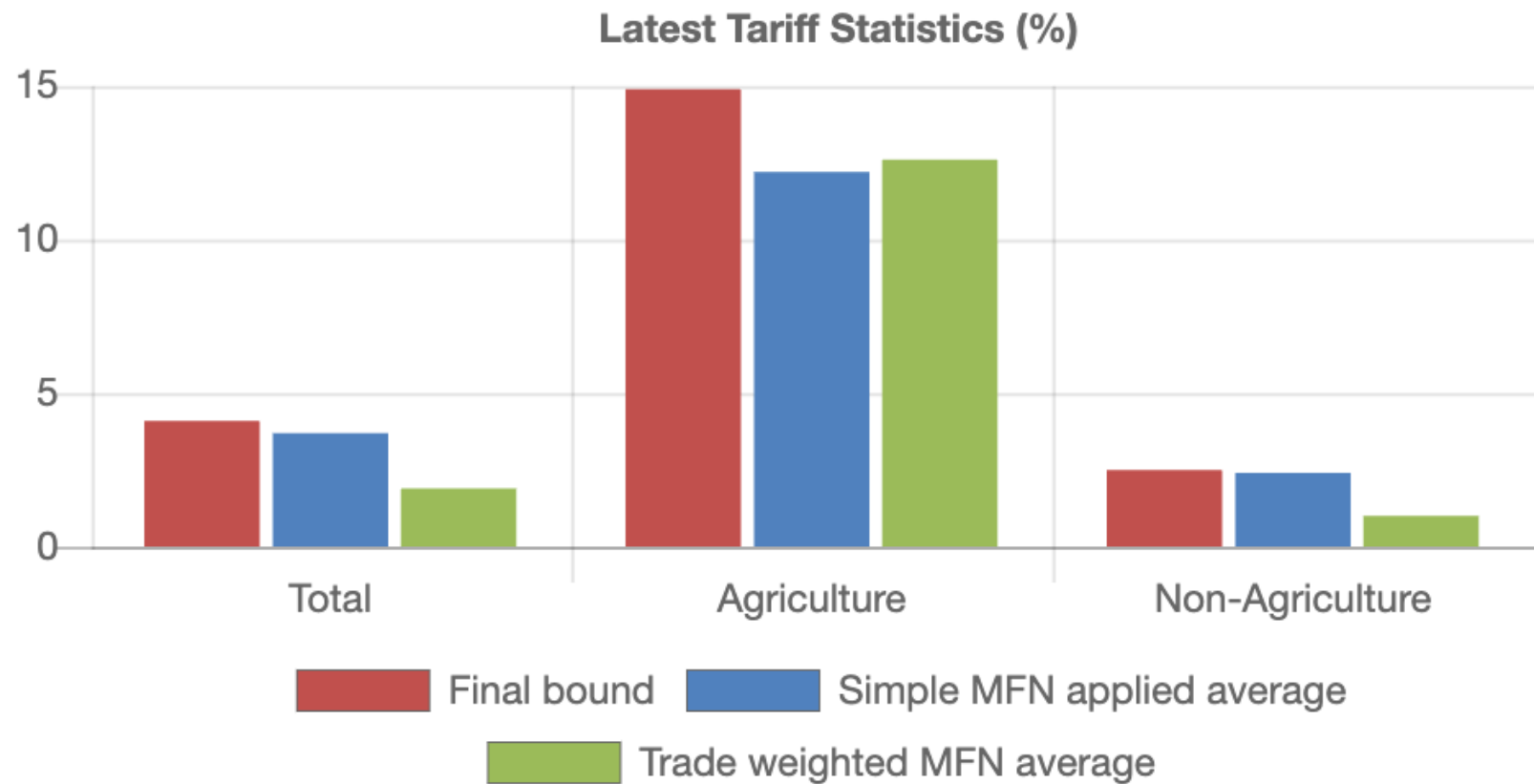
Japan

- Japan's trade disputes
 - Most serious recent dispute has been with South Korea
 - 2018: S.K. Supreme Court ordered reparations from 2 Japanese companies for WWII forced labor.
 - S.K. also continues concerns about WWII “comfort women”
 - 2019: Japan tightened export controls to S.K. and dropped S.K. from its “white list” for “fast-track exports”
 - S.K. cancelled military intelligence sharing
 - 2-way trade dropped 41%
 - They have now resolved the issue

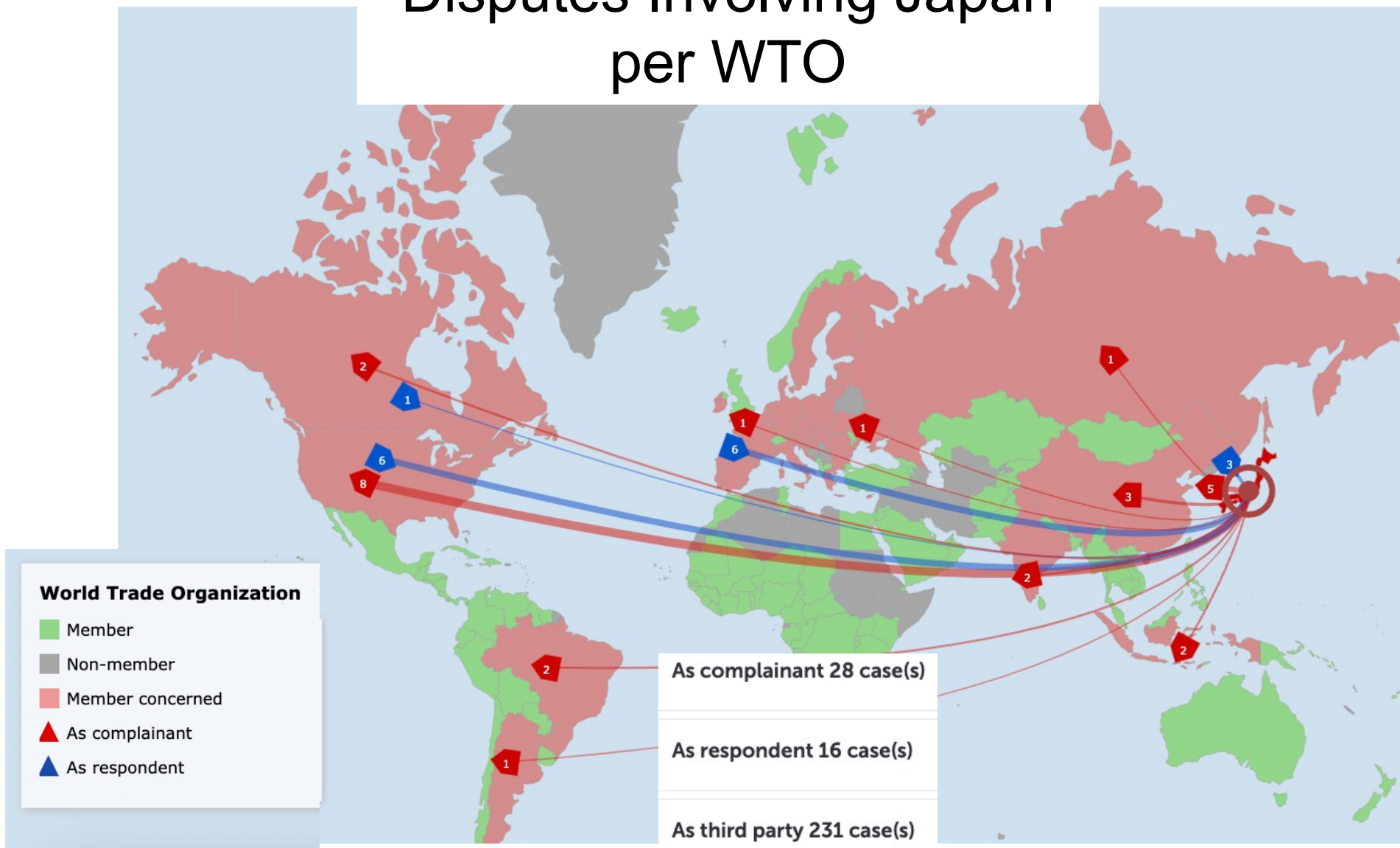
Japan Tariffs per WTO



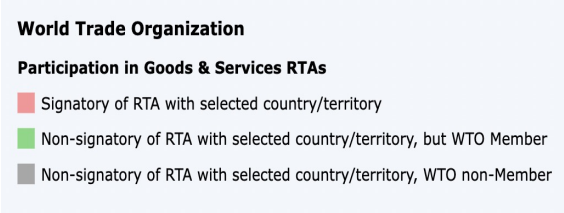
Japan Tariffs per WTO



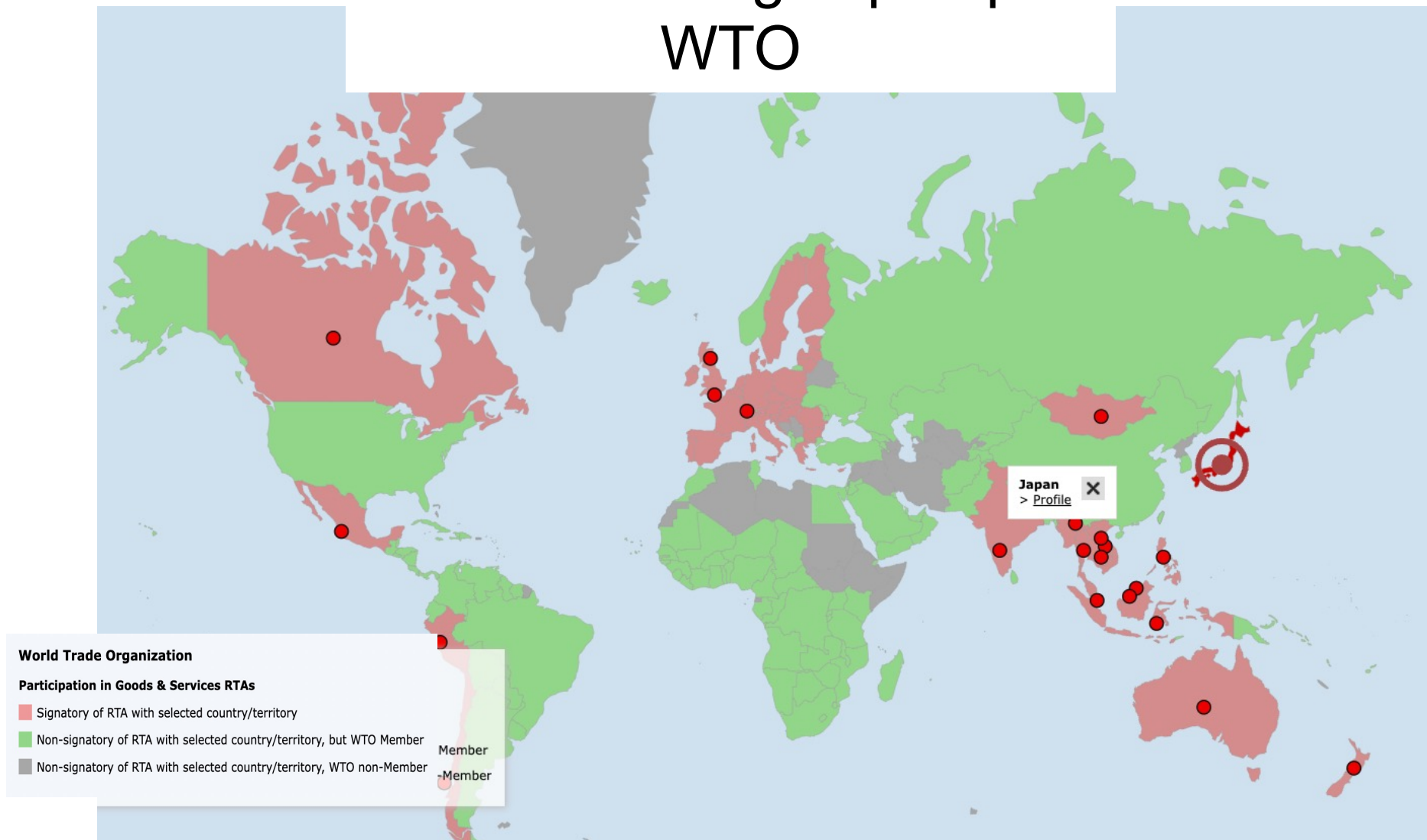
Disputes Involving Japan per WTO



WTO



FTAs Involving Japan per WTO



Japan

- Most recent disputes at WTO: Respondent Complainant
 - DS601: China — Anti-Dumping measures on stainless steel products from Japan
 - Consultations requested 11 June 2021
 - Report(s) adopted with recommendation to bring measures into conformity
 - DS594: Korea — Measures Affecting Trade in Commercial Vessels (second complaint) (Japan)
 - In consultations since 31 January 2020

Pause for Discussion

Questions

From Jackson:

- Why is Japan a less complicated country than the US and EU for understanding its interaction with international trade law and negotiations?

From METI:

- What is METI's "general rule"?
- What are some of the exceptions to free trade that they base their trade controls on?
- What are some of the things that METI does?

Questions on Japan's “Trade Policy Review 2023”

- What are some unusual features of Japan's international economic situation?
- On what are Japan's highest MFN tariffs?
- Has Japan recently adopted new industrial policy?

Outline

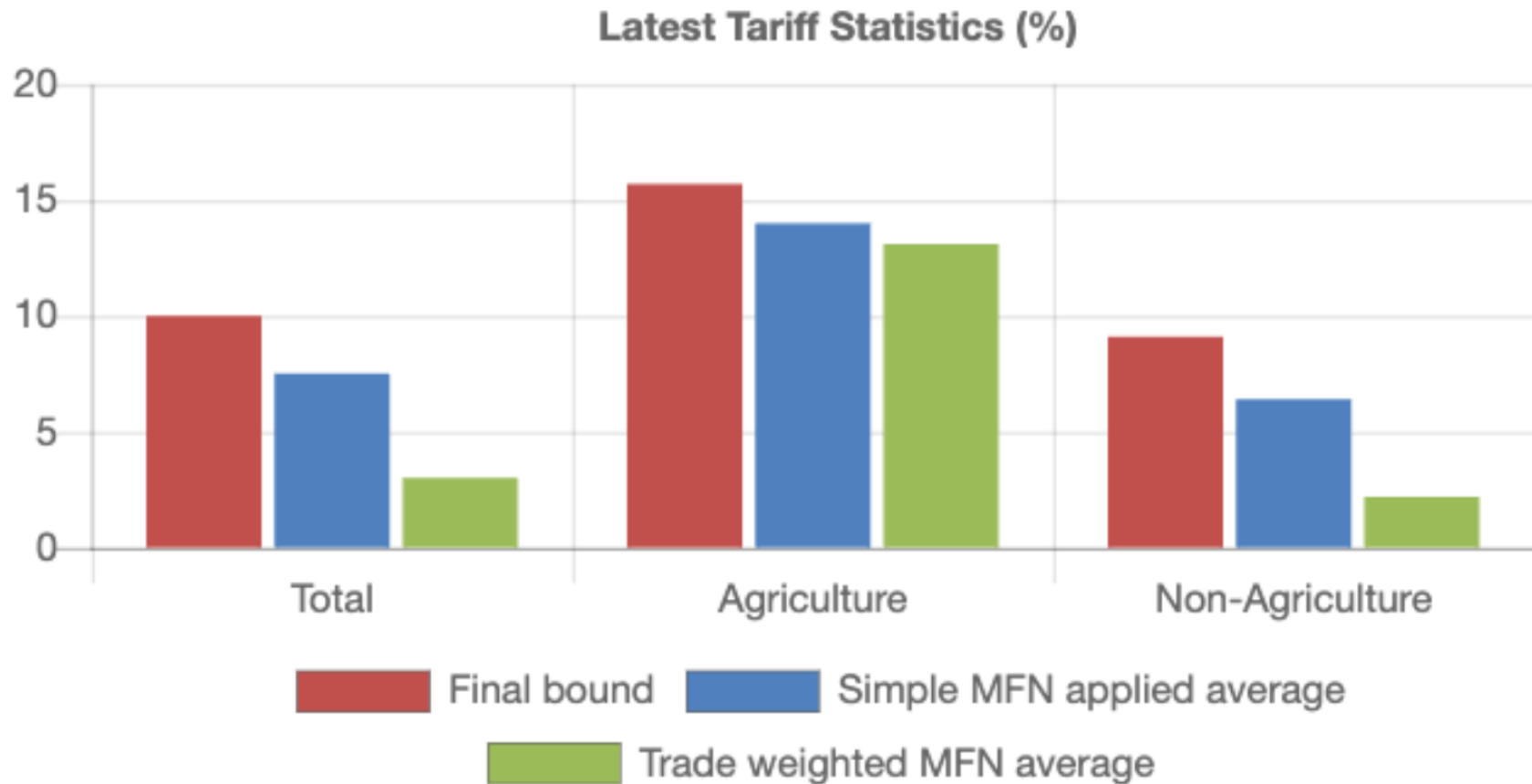
- European Union
- Japan
- **China**
- Other

China

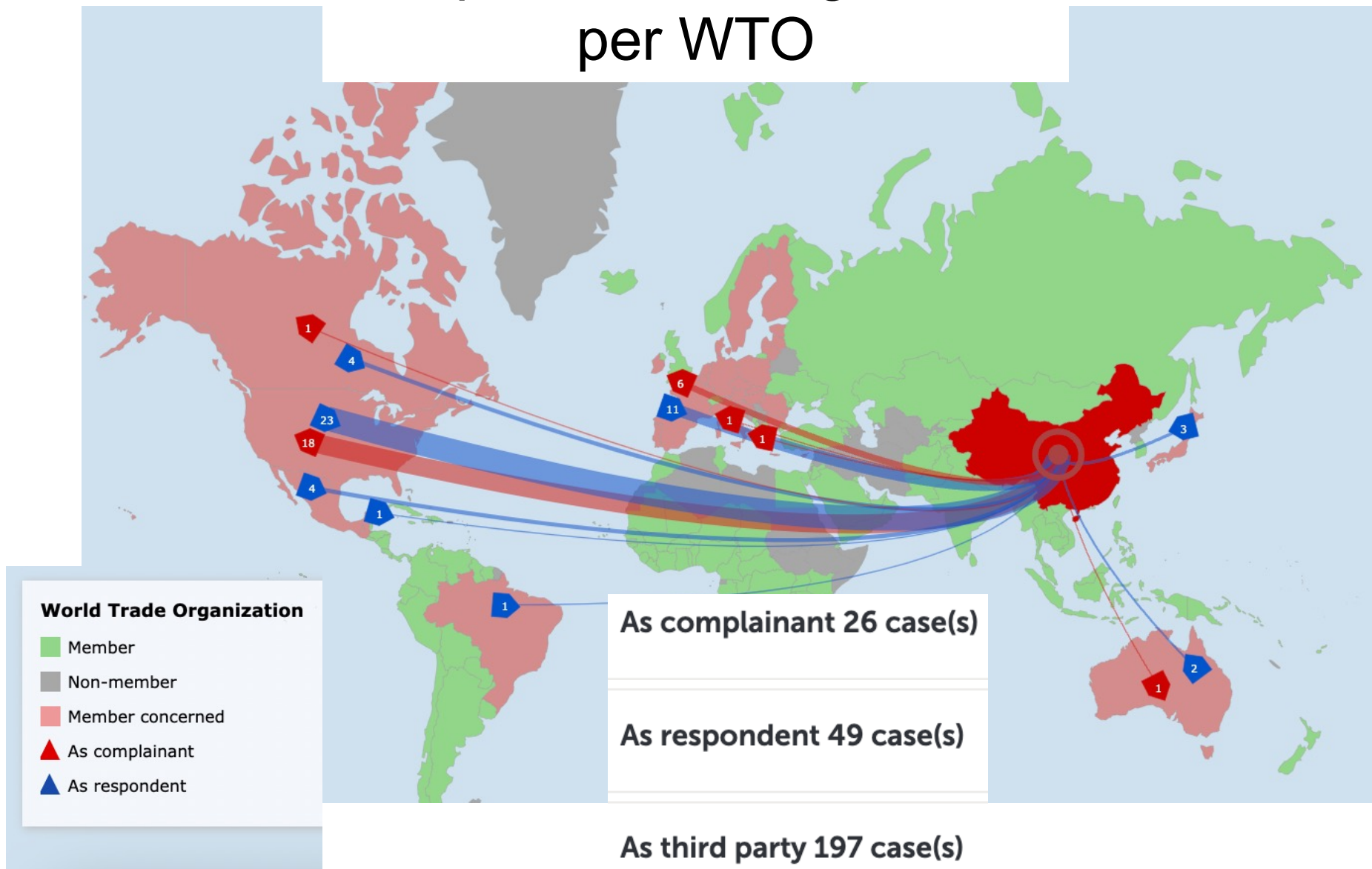
- Part of government dealing with trade
 - MOFCOM = Ministry of Commerce
 - Mission: To draft the laws and regulations governing foreign trade
 - Minister: Wang Wentao, since 2020



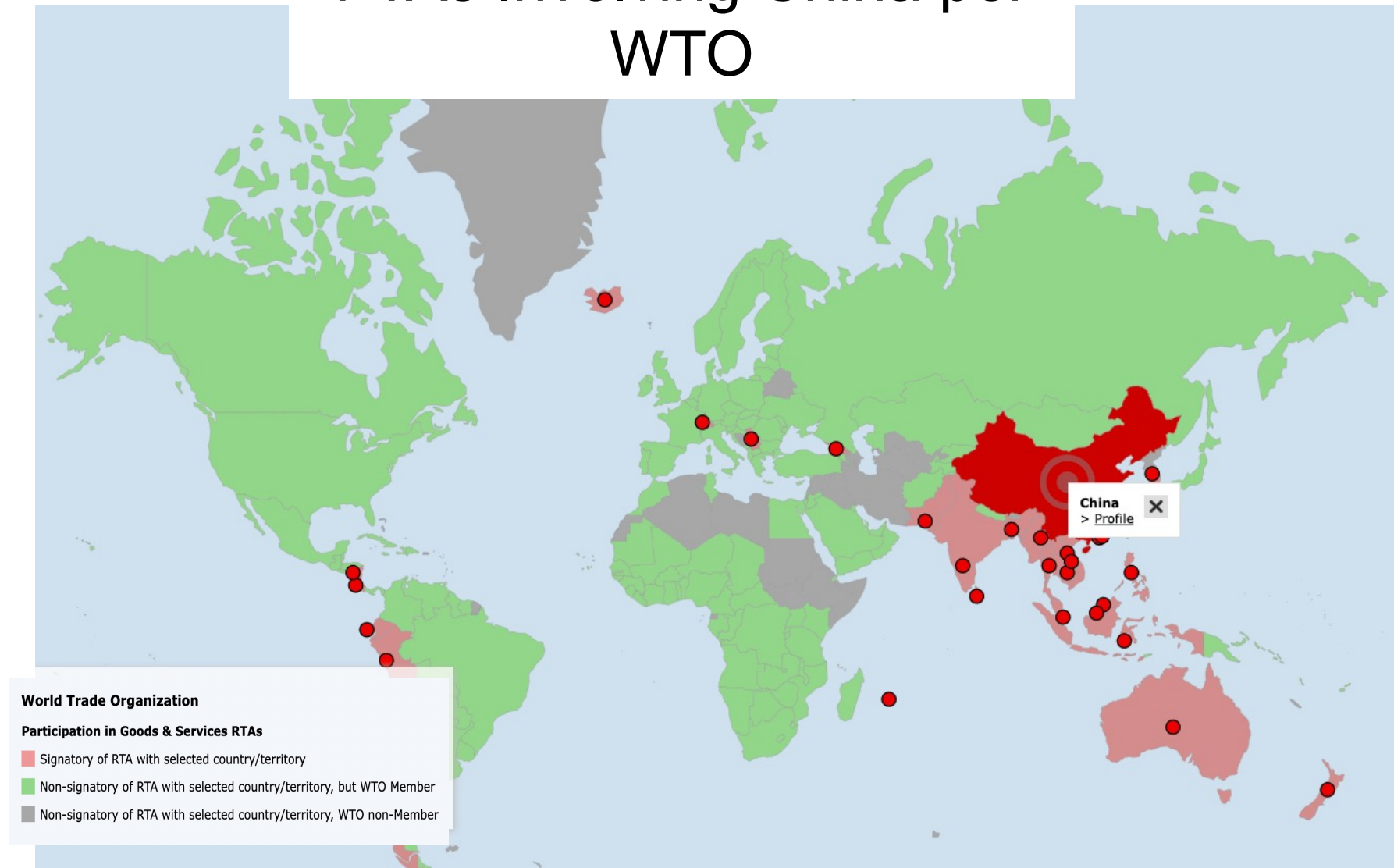
China Tariffs per WTO



Disputes Involving China per WTO



FTAs Involving China per WTO



China

- Disputes at WTO in 2022-23: Respondent Complainant
 - DS615: United States - Measures on Certain Semiconductor and other Products, and Related Services and Technologies, China
 - In consultations since 12 December 2022
 - DS611: China— Enforcement of intellectual property rights, EU
 - Consultations requested 18 February 2022; panel composed
 - DS610: China—Measures concerning trade in goods and services, EU
 - Consultations requested 27 January 2022; panel composed
 - DS603: Australia—Anti-dumping and countervailing duty measures on certain products from China
 - Consultations requested 24 June 2021; panel composed
 - DS602: China—Anti-dumping and countervailing duty measures on wine from Australia
 - Consultations requested 22 June 2021; panel composed

China

- Disputes at WTO in 2023-24: Respondent Complainant
 - DS627: Canada - Measures on Certain Products of Chinese Origin, China
 - In consultations since 6 September 2024

Pause for Discussion

Questions on China's “Trade Policy Review 2021”

- How has China's GDP growth rate changed? How has its current account surplus changed?
- Does the government intend to eliminate State Owned Enterprises?
- How, if at all, does China manage inward foreign direct investment?

Questions on “Trade Policy Review 2021” continued

- How high are China’s tariffs?
- What is China’s policy regarding trade in garbage (solid waste)?
- Does China use tariff-rate quotas?
- Has China made any changes in its intellectual property rules and procedures?

Questions on Wei “China Spends Far More Than Others”

- As percent of GDP, how does China’s government support compare to US and also the second most supported?
- Might the US respond to this with policy?
- What forms does China’s government support take?

Outline

- European Union
- Japan
- China
- Other

Other

- United Kingdom
 - Department for International Business and Trade
 - Minister of State for Trade: Douglas Alexander since 6 July 2024
 - Trade Secretary: Jonathan Reynolds since 5 July 2024
 - “Secretary of State for Business and Trade”
 - UK Trade Remedies Authority
 - Handles AD, CVD, and Safeguards



Other

- Australia
 - Minister for Trade and Tourism
 - Senator the Hon Don Farrell since June 1, 2022
 - Anti-Dumping Commission
 - Handles ADD & CVD



Other

- Switzerland
 - Federal Department of Economic Affairs, Education and Research
 - Headed by Guy Parmelin since 2019
 - (Now also President)
 - Does not use ADD, CVD, safeguards, or quotas
 - Has many FTAs, including with EU



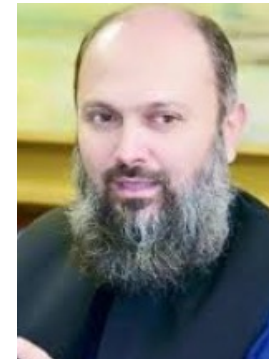
Other

- South Korea
 - Ministry of Trade, Industry, and Energy
 - Minister: Ahn Duk-geun
 - Since 2024
 - PhD Econ UM under Deardorff
 - Minister for Trade: Inkyo Cheong
 - Since ? 2022



Other

- Uzbekistan
 - Ministry of Trade, Industry, and Energy
 - Minister: Laziz Kudratov
- Pakistan
 - Ministry of Commerce
 - Minister: Jam Kamal Khan



Other

- India
 - Ministry of Commerce and Industry
 - Minister: Piyush Goyal
 - Since 2019
- Taiwan
 - Ministry of Economic Affairs
 - Minister: Jyh-Huei Kuo
 - Since May, 2024



Other

- Indonesia
 - Ministry of Trade
 - Minister: Zulkifli Hasan
 - Since 2022



