# Ford School How Trump Has Mattered for Trade Policies

Alan V. Deardorff

For presentation at Adult Learning Institute Oakland Community College September 19, 2017



# The New York Times Trump Is Wimping Out on Trade



**Paul Krugman** 

APRIL 3, 2017



# Trump's Trade Policies as of September 19, 2017

- Trade staff
- TPP
- NAFTA
- Other FTAs
- Factory location
- Border tax adjustment
- Exchange rates
- WTO
- Executive orders
- National-security tariffs
- Other



• Dec 22, 2016:



# Trade hawks to rule the roost in Trump's White House

Appointments suggest economic relations, particularly with China, are set for shake-up

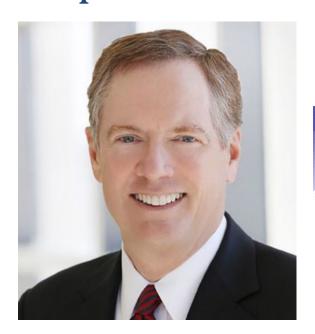


 Peter Navarro: Director of the National Trade Council at the White House





 Robert Lighthizer: United States Trade Representative



Trump Taps China Critic Lighthizer for U.S. Trade Representative



Secretary of Commerce: Wilbur Ross



Wilbur Ross, a Billionaire Investor, Is Confirmed as Commerce Secretary

#### Bannon, Unplugged: White House Strategist Pushes Trade Agenda, Undercuts Colleagues



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### **Trans-Pacific Partnership**

 TPP = Free Trade Agreement negotiated under Obama among 12 countries (<u>not</u> China)

The New York Times



Trump Abandons Trans-Pacific Partnership, Obama's Signature Trade Deal

JAN. 23, 2017



# North American Free Trade Agreement

- NAFTA = Free Trade Agreement since 1994 with Canada and Mexico
  - Nov 21, 2016:
     WSJ Donald Trump Poised to Pressure Mexico on Trade
  - Feb 1, 2017:
     WSJ. Mexico Says Nafta Negotiations Should Start in May
  - Mar 30, 2017:
    - WSJ<sup>.</sup> Trump Administration Signals It Would Seek Mostly Modest Changes to Nafta



## North American Free Trade Agreement

- NAFTA Renegotiation
  - Aug 17, 2017:
    - **E** U.S. Begins Nafta Negotiations With Harsh Words
  - Aug 23, 2017
    - Donald Trump revives threat to pull US out of Nafta
  - Sep 6, 2017

WSJ. U.S., Canada, Mexico Make Minor Progress on Nafta Talks



## North American Free Trade Agreement

- What the Trump administration wants in NAFTA
  - "Improve US trade balance," overall & within NAFTA
  - "Maintain existing reciprocal duty-free market access"
    - "while taking into account U.S. import sensitivities"
  - "Update and strengthen the rules of origin"
  - Permit "Buy American" in government procurement
  - Several features that were part of TPP (labor, environment, digital)
  - "Eliminate Chapter 19" (which weakens US anti-dumping)
  - Unclear about Chapter 11, investor-state dispute settlement
  - "Ensure that the NAFTA countries avoid manipulating exchange rates"



### Other Free Trade Agreements

- Jan 27, 2017
  - In Meeting With Trump, U.K. Prime
    Minister Pushes For Future Trade Deal
- Feb 2, 2017
  - FT US plans fresh push for talks on bilateral trade deal with Japan
- Apr 27, 2017:
  - Trump: 'We may terminate' U.S.-South Korea trade agreement



# **KORUS: Korea-US Free Trade Agreement**

• Sep 2, 2017



- Sep 5, 2017
  - FT US retreats from threat to tear up South Korea trade pact
- Now discussing "amendments"



### Trump influence on factory locations

- Nov 30, 2016
  - FT Trump reaches deal with Carrier to keep jobs in Indiana
- Dec12, 2016:
  - WSJ. Donald Trump Warns of Penalties If U.S. Firms Take Jobs Abroad
- Dec 5, 2016:
  - WSJ. Trump Warns Another U.S. Company
- Feb 8, 2017:
  - Intel, in Show of Support for Trump, Announces Factory in Arizona
- Mar 29, 2017
  - There's not a hope alive for us': A factory Trump targeted begins its move to Mexico



### **Border Tax Adjustment**

- = Tax on imports and subsidy on exports, similar to border adjustment of Value Added Tax (VAT)
- Jan 27, 2017:
  - WSJ. Trump Tax Idea for Wall Echoes House GOP Plan
- Mar 3, 2017:
  - White House split on import tax puts Congress in limbo
- Apr 1, 2017:
  - **C** Conservative Split Over Import Tax Imperils Trump's Overhaul
- Jul 27, 2017
  - FT Tax reform plan sees US import charges scrapped



### **Exchange Rates**

- Jan 24, 2017 (Trump does <u>not</u> name China as currency manipulator)
- Jan 31, 2017:
  - Trump's top trade adviser accuses Germany of currency exploitation
- Feb 1, 2017:
  - FT Japan denies Trump's claims of yen manipulation
- Apr 15, 2017:
  - WSJ. U.S. Treasury Stops Short of Calling China a Currency Manipulator



### **World Trade Organization**

- Feb 27 2017:
  - FT Trump team looks to bypass WTO dispute system
- Mar 1, 2017:



Trump suggests ignoring World Trade Organization in major policy shift



# Trump's Executive Orders March 31, 2017

- "Enhanced AD/CVD Collection & Enforcement Executive Order"
  - 1. Will use "bonding requirements, based on risk assessments, on entries of articles subject to" AD and CVD duties. There is a 90-day period for developing a plan to do this.
  - 2. Another 90-day period for developing a strategy for stopping imports that violate other laws, including IP.
  - 3. Instructs the Attorney General (in consultation with the Secretary of Homeland Security) to develop practices for prosecuting those who violate US trade laws

No news yet



# Trump's Executive Orders March 31, 2017

- "Omnibus Report On Significant Trade Deficits"
  - Preface: "[F]or many years, the United States has not obtained the full scope of benefits anticipated under a number of international trade agreements or from participating in the World Trade Organization." Evidence of this is the annual trade deficit, which exceeded \$700 billion in 2016.
  - It requires an Omnibus Report within 90 days, by
     June 29, 2017
     No news yet



# Trump's Executive Orders March 31, 2017

- "Omnibus Report On Significant Trade Deficits"
  - The Report shall
    - Identify those trading partners with which the US had significant trade deficits in 2016.
    - Assess the causes of these deficits in the policies and actions of the countries and their governments.
    - Assess the implications of the deficits for the strength of US manufacturing, employment, wage growth, and national security.
  - The Report is to draw from comments by stakeholders, "including manufacturers, workers, consumers, service providers, farmers, and ranchers." [Note: Not economists.]



### **National Security Tariffs**

- Apr 21, 2017
  - WSJ. Trump Administration Launches National-Security Probe on Steel Imports
- Jul 19, 2017
  - FT US and China step up steel talks to avert trade war
- Jul 25, 2017
  - REUTERS Final decision on steel trade policy may have to wait, Trump tells WSJ



### **Other Trade Disputes**

- Apr 24, 2017
  - In New Trade Front, Trump
    Slaps Tariff on Canadian Lumber
- May 29, 2017
  - REUTERS U.S. may put emergency tariffs on solar imports
- Jun 6, 2017
  - Mexico Agrees to Sugar Trade Deal, but U.S. Refiners Remain Unhappy
- Aug 14, 2017
   WSJ. Trump Administration to Begin Probe of Alleged Chinese Technology Theft



### **Other Trade Deals**

May 12, 2017

#### WSJ<sup>-</sup> Trump Administration Announces Deal With China to Boost Exports

Plan would increase access to Chinese economy for beef producers, electronic-payments providers and natural-gas exporters

- Jul 8, 2017
  - FT Trump expects to make 'very quick' UK trade deal after Brexit



### **Trump's Trade Policies**

Issue	Outcome so far
Staff	Still in place, but Bannon gone
TPP	Pulled out, but much is to be in NAFTA
NAFTA	Threated pull-out, but now renegotiating
Other FTAs	Threated pull-out of KORUS, but backed off
Factory location	Did little once in office
Border tax adjustment	No longer planned
Exchange rates	Didn't name China; including in NAFTA
WTO	Still participating, reluctantly
Executive orders	Surprisingly mild
National-security tariffs	Now not likely
Other	Using some laws like predecessors; but not others

ECON 340, Deardon, Lecture



### Conclusion

- Has Trump "wimped out" on trade?
  - –Not on TPP (but it was doubtful anyway)
  - –Yes on NAFTA, probably
  - -Other things: Some yes, but we'll see















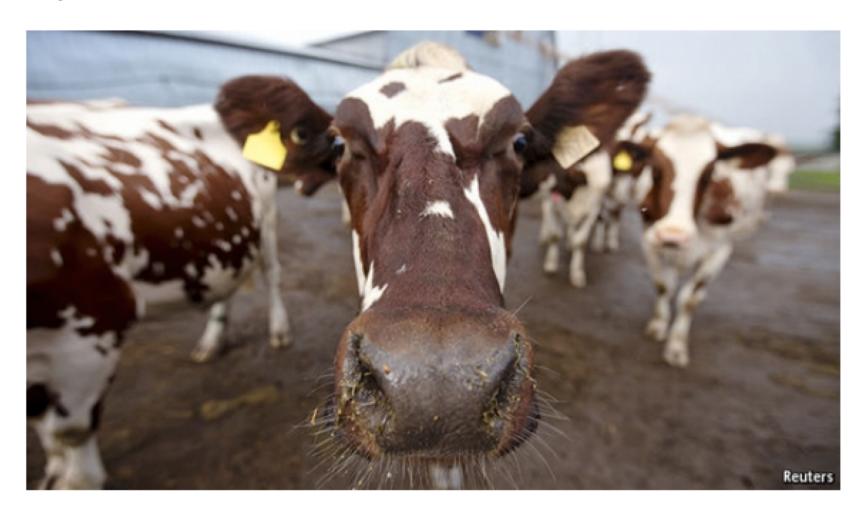
#### Trump Administration Announces Deal With China to Boost Exports

Plan would increase access to Chinese economy for beef producers, electronic-payments providers and natural-gas exporters



# Donald Trump takes aim at Canada

Attacks on dairy farmers and loggers are the opening shots in a bigger confrontation over trade



#### Make his day

### What Donald Trump means by fair trade

The idea of reciprocity animates the White House's view of trade



# This Time, Trump Is Right About Trade

German and Chinese current account surpluses are symptoms of damaging imbalances.



# What is Donald Trump doing about steel imports?

The US president is poised to deliver his first big protectionist action



## Washington 'swamp' sucks life from Trump trade strategy

President's agenda slows as he confronts realities of governing and global economy



# Trump trade war with China may not be imminent – but it is coming

The real question is what tools Washington should use and when

#### **66** Free Trade



# Trump moves to initiate US trade investigation of China

President says it is 'just the beginning' and promises to defend workers and innovations



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