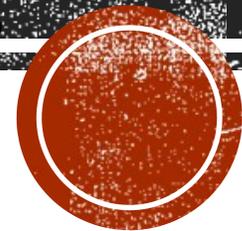


THE US ELECTION & TRADE POLICY: DOES IT MATTER?

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TRADE POLICY MATTERS BECAUSE...

- International trade supports about 1 in 5 US jobs (calculated by Business Roundtable).
- International markets will be more, not less, important for younger Americans during their working lives.
- The US leads the world trading system – our behavior sets norms. Do we want to craft a system of rules and follow them?
- Global cooperation on trade is essential to handling key transnational threats including:
 - Climate change
 - Terrorism and nuclear proliferation



TRUMP & BIDEN DIFFER ON US ENGAGEMENT WITH THE WORLD



America First Man



Alliance Man



PRESIDENT TRUMP'S RADICAL SHIFT IN US TRADE POLICY

- US trade policy aimed at reinforcing US manufacturing base and rebalancing US merchandise trade.
- Prioritized bilateral talks with major trading partners; regional/WTO initiatives given low priority or disrupted.
- Pushed US firms to restructure supply chains to source more components in the United States.
- Aggressively used US unfair trade (Section 301) and national security (Section 232) statutes to tax imports.
- Disabled WTO dispute settlement procedures.



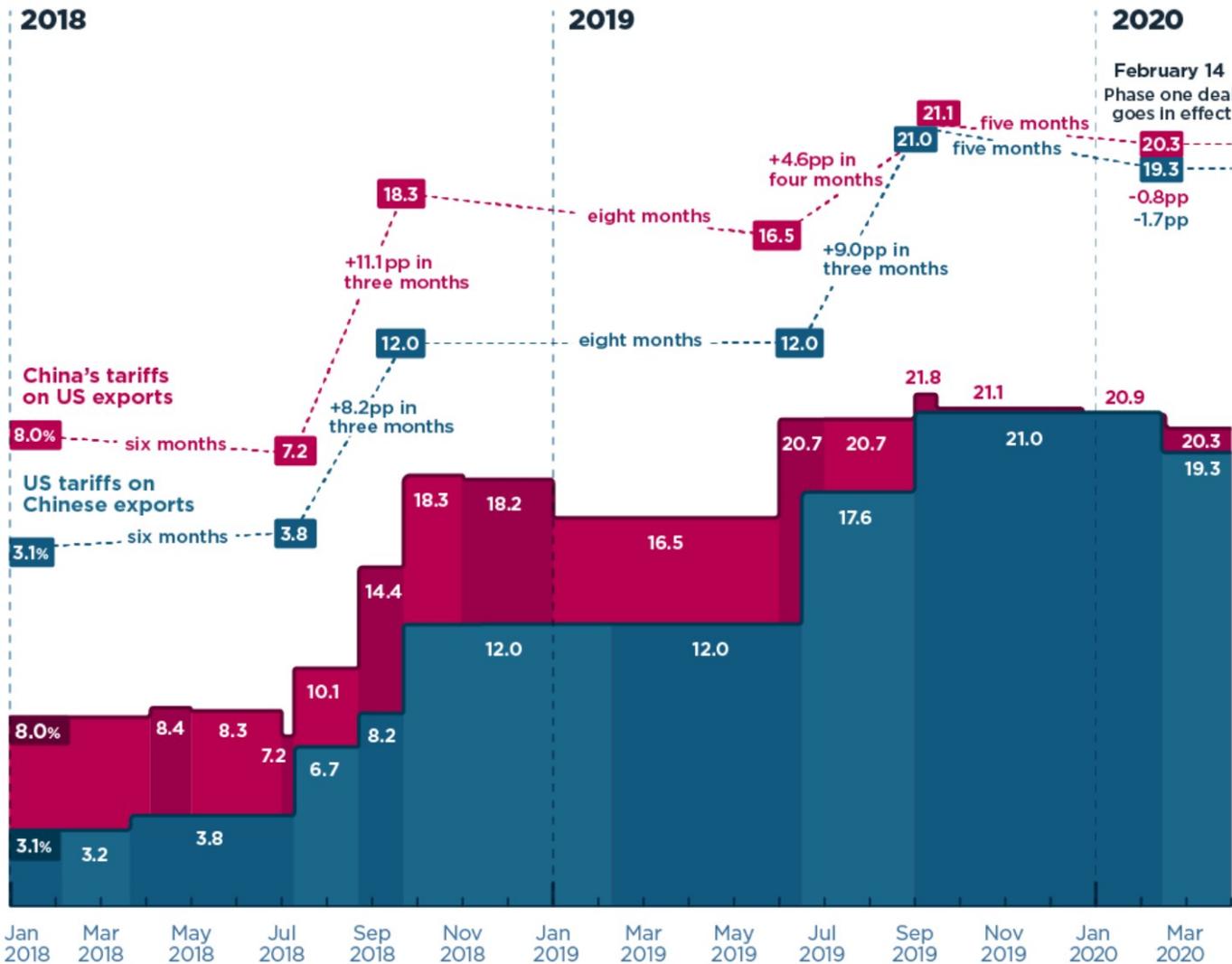
HOW DID PRESIDENT TRUMP HANDLE CHINA?

- High trade war tariffs that will be hard to unravel.
- Restrictive US controls on high tech exports, especially semi-conductors.
- Tighter screening of Chinese investment in the United States.
- Restrictions on visas for Chinese nationals.
- Sanctions on Chinese officials and entities related to policies in Xinjiang and Hong Kong.
- Signed a “Phase 1” deal with China promising mandated purchases of US exports by China.

This post, originally published on September 20, 2019, will be updated as China and the United States change their tariffs. For more information on trade war events, see ["Trump's Trade War Timeline: An Up-to-Date Guide."](#)

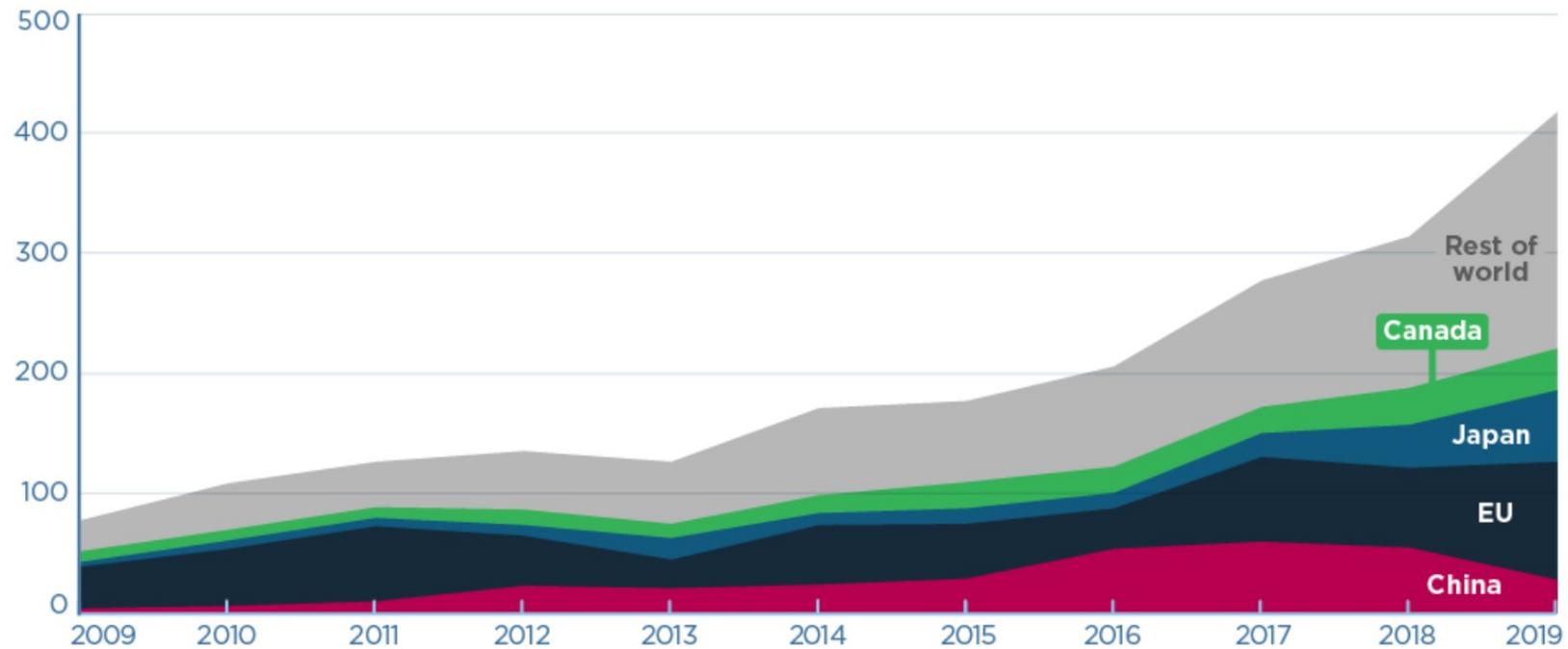
US-China Trade War Tariffs: An Up-to-Date Chart

Average tariff rate, percent



Fewer Chinese investments in the US are raising national security concerns

Committee on Foreign Investment in the United States (CFIUS) covered transactions by investor nation, 2009-19



HOW WELL HAVE THESE POLICIES WORKED?

- Tariffs have been paid by American consumers and businesses, not our partners (ample evidence now from Customs data on prices paid by US importers).
- Downstream businesses (e.g. steel users) pay higher input prices – tax is about \$1600 per worker in affected firms. Estimates show about 200,000 job losses from new tariffs.
- Retaliation by our partners has hurt American businesses and farms. All of the import taxes paid by Americans have been distributed as farm aid because of Chinese tariffs.
- Overall US trade deficit and trade deficit with China are larger than it in 2016.



IS PHASE 1 WITH CHINA A SUCCESS?

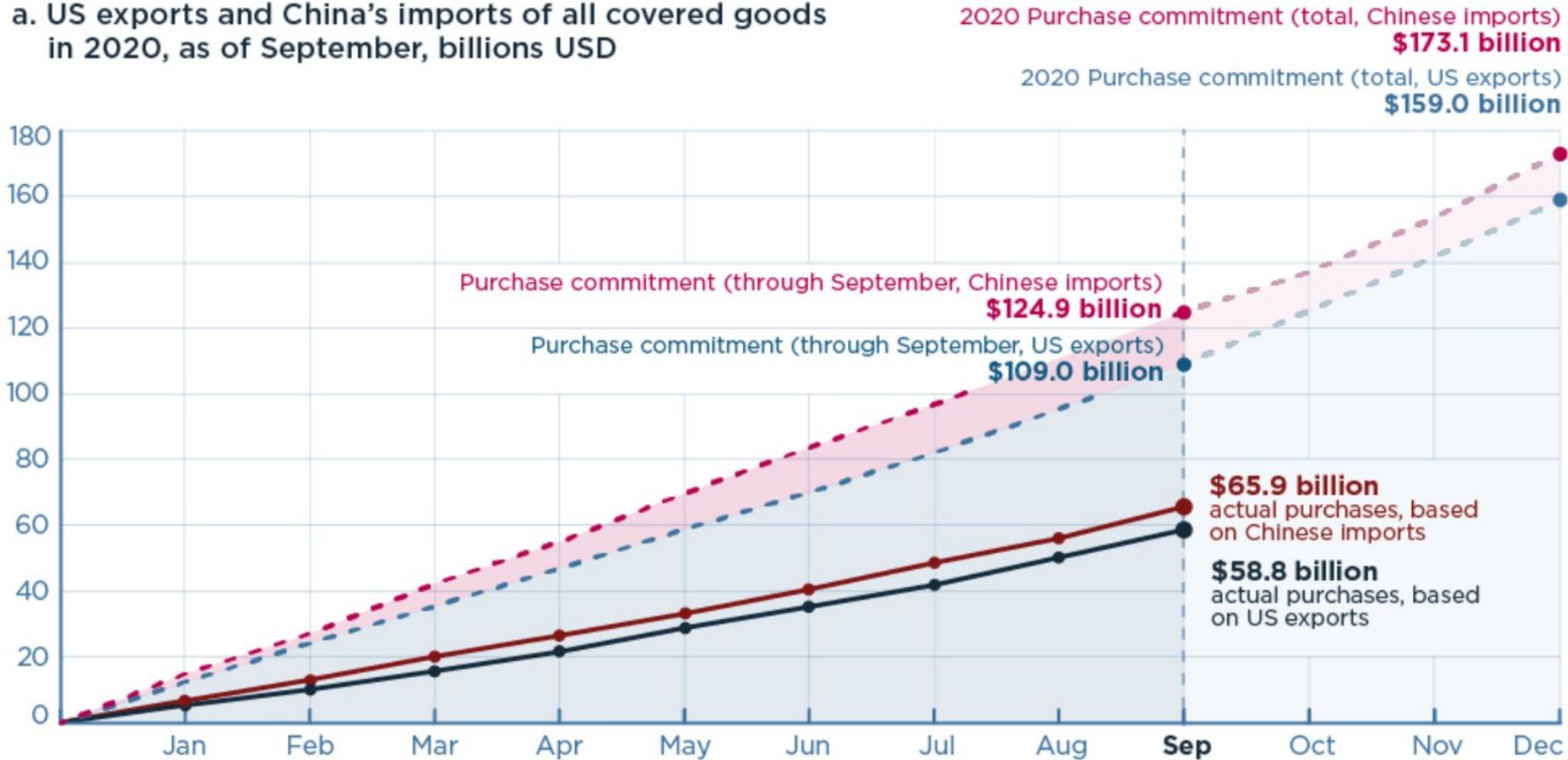
- Purchasing targets cannot be met.
- Meeting the targets would require Chinese government to mandate purchases – opposite of market reform.
- Thorniest problems that started the trade war – especially Chinese state subsidies – left for “Phase 2”.
- Fulfilling promised to the US requires China to divert trade from other countries, many of them our allies.
- Supply chains did adjust, but to other lower-cost countries, not back to the US.



US-China phase one tracker: China's purchases of US goods

US exports and China's imports in 2020 of all goods covered by the phase one deal as of September 2020

a. US exports and China's imports of all covered goods in 2020, as of September, billions USD



US ALLIANCES ERODED OVER LAST 4 YEARS

- US has become a “blocker” in many international efforts.
- Trump administration has
 - Pulled US out of Paris Agreement on Climate Change
 - Disabled dispute settlement procedures at the WTO
 - Withdrawn from World Health Organization
 - Used US monetary dominance to enforce unilateral sanctions
 - Failed to promote new agreements on digital taxation, taxation of multinational corporations, digital trade



WHAT IS JOE BIDEN LIKELY TO DO?

- Biden would work more closely with Western allies and use international institutions to promote new global initiatives.
- Revitalize US engagement in WTO: new rules on access to medicines; trade and climate change; dispute settlement reforms.
- Near-term trade negotiations unlikely; focus on domestic agenda.
- But later Biden will likely want to update free trade agreements with stronger obligations on labor and environmental issues, and digital trade.
- Use subsidies to propel innovation; remove national security tariffs. Also will broaden Buy American preferences for public procurement.



BIDEN WILL NEED TO ENGAGE ON TRADE

- Domestic economy will be Biden's focus for 2021 due to pandemic and economic fallout, but..
- Continuing need to create strategic alliances and engage in new areas – other countries are moving ahead and setting new rules and standards – without US.
- China moving ahead with industrial policy and deeper integration in Asia and Africa. How will the US respond?
- Will Biden continue the use of financial and visa sanctions or recognize that they offer diminishing returns?
- “No toolkit contains only hammers.” Will Biden's coalition permit the US to rollback tariffs, rejoin the TPP, lead reforms at the World Trade Organization?



POLICIES VASTLY DIFFERENT, STAKES HIGH

- Sadly, trade policy over the past 4 years has made us less prosperous without offsetting gains in inclusion or sustainability.
- Aggressive unilateralism has eroded the trust of our allies in a reliable and mutually beneficial partnership.
- New challenges not being met: e.g. climate change, state subsidies, insecure employment, low public investment.
- Key US priorities require international cooperation
 - Ensuring preparedness for global health crises;
 - Preparing the US workforce for rapid technological change;
 - Maintaining US innovative edge and access to external markets.

