U.S. Trade Policy Under President Trump

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Topics

- Donald Trump’s Presidential Campaign
- China: Section 301 –IP Theft and Forced Technology Transfers
- 232 National Security Investigations (steel, aluminum, autos,& more)
- Renegotiation of NAFTA
- New FTAs with Japan/UK/EU
The traditional political divide on trade policy in the United States has been shifting:

- Republicans: pro-business, pro-trade, pro-trade agreements
- Democrats: pro-labor, skeptical of trade agreements

Trump stole Democratic Party’s “playbook” on trade

Trump’s 7-Point Plan on Trade – Announced June 2016

- Withdraw from TPP
- Renegotiate NAFTA
- Appoint tough trade negotiators & enforce agreements
- Deal strongly with China

Maintains a strong mandate on international trade
President Trump directed USTR to consider launching an investigation of China under Section 301 and USTR initiated the investigation on August 18, 2017.

Are Chinese practices and policies “unreasonable or discriminatory” and do they “burden or restrict U.S. commerce”?

Investigation focuses on (1) forced technology transfer, (2) mandatory provisions in licensing and other technology contracts, (3) China’s expansion in high-tech sectors, and (4) theft of intellectual property (“IP”) and trade secrets.
Section 301—China IP Theft & Forced Tech Transfer

• USTR made affirmative finding on March 21, 2018 that:
  – China uses joint venture requirements, foreign investment restrictions, and administrative review and licensing processes to require or pressure technology transfer from U.S. companies
  – China deprives U.S. companies of the ability to set market-based terms in licensing and other technology-related negotiations
  – China directs and unfairly facilitates the systematic investment in, and acquisition of, U.S. companies and assets to generate large-scale technology transfer
  – China conducts and supports cyber intrusions into U.S. commercial computer networks to gain unauthorized access to commercially-valuable business information
In response to 301 findings, US imposed a 25% tariff on $50 billion in Chinese imports (July 6 and August 23) and a 10% tariff on an additional $200 billion (Sept 17).

China retaliated with a 25% tariff on $50 billion in US imports and 5% on $60 billion (Sept 24).

10% US tariff was set to increase to 25% on Jan. 1, 2019 if no resolution with China, but increase is now on hold.

USTR is pursuing dispute settlement at the World Trade Organization (WTO) to address China’s discriminatory licensing practices.
Section 301—China IP Theft & Forced Tech Transfer

• US and China are engaged in negotiations to resolve the 301 case

• USTR has informed Congress that any deal will:
  – Address the structural issues identified in the 301 report
  – Have clear performance benchmarks and be enforceable
  – Includes a package of purchases, but will cover far more than that
  – Prohibit China from competitively devaluing its currency

• Amb. Lighthizer has said removal of China’s retaliatory tariffs would be part of any deal. Has not committed to remove US tariffs

• Deal does not need to be submitted to Congress for approval

• Timing: No time limit. Possibly 3-4 weeks away.

• Congress has been extremely supportive, if skeptical
• Steel and other US industries view AD & CVD measures as imperfect weapons against imports, especially with China

• Section 232 gives the executive branch authority to conduct investigations to “determine the effects on the national security of imports”

• Steel and Aluminum
  – DOC submitted its findings and recommendations to the White House on January 11, 2018 (steel) and January 19, 2018 (aluminum)
  – President announced 25 percent tariffs on steel and 10 percent tariffs on aluminum on March 8, 2018
  – Retaliation in Canada, China, and EU
  – WTO disputes: China, the EU, Turkey, Russia, and India.
  – EU has initiated a WTO safeguard action
Section 232—Steel, Aluminum, Autos/Parts & More

• Autos & Auto Parts
  — DOC initiated investigation of autos and auto parts May 23, 2018
  — DOC report presented to the President Feb 17
  — Rumored that report recommends additional tariffs of up to 25% on autos and auto parts
    — Korea, Mexico, and Canada excluded
    — EU and Japan at greatest risk

• Other Products
  — DOC initiated investigation of uranium July 17, 2018
  — DOC initiated new investigation on titanium sponge March 4

• Legislation to curb President’s authority
Renegotiation Of NAFTA

• US, Mexico, and Canada signed agreement updating NAFTA on November 30, 2018

• Biggest issues
  – Rules of origin for vehicles
  – Investor State Dispute Settlement (ISDS)
  – “Sunset”

• Since agreement was signed, Democrats took over House and Mexico has a new government

• 232 tariffs on imports from Mexico and Canada not resolved

• Small window to pass in 2019 or will be delayed until after 2020 Presidential election

• Withdrawal?
New FTAs

• In October 2018, the President notified Congress that he intended to negotiate FTAs with Japan, the EU, and the UK
• Japan FTA is viewed as substitute for TPP
• Administration is following Congressionally-mandated procedural requirements under Trade Promotion Authority
• Japan likely to start first
• UK is on hold until Brexit is complete
• EU has been delayed over disagreements regarding scope (industrial goods only vs agriculture)
Questions?

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