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# 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

# Donald Trump's Presidential Campaign

- 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

# Section 301–China IP Theft & Forced Tech Transfer

- 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

# Section 301—China IP Theft & Forced Tech Transfer

- 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

# Section 232—Steel, Aluminum, Autos & More

- 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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