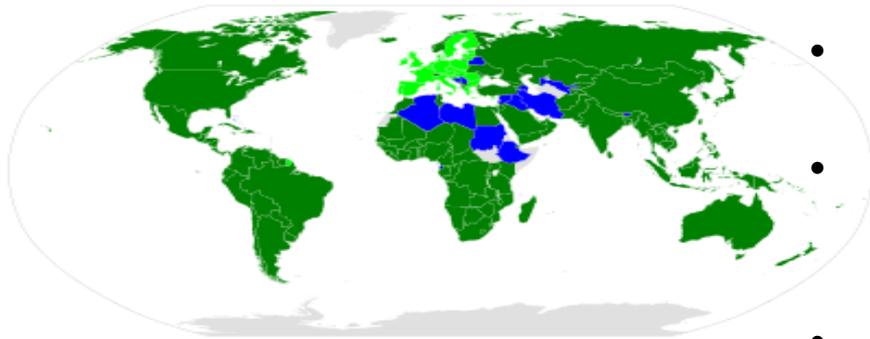


Business Strategies – Backup: Globalization and Trumps´ Trade Policy - Status before February 24, 2022 (Ukraine War)

W.T.O. World Trade Organisation



- 164 Members, 23 Observers (China 2001; Russia 2012; 32 Least Developed Countries; Japan, EU, US, Canada = Quad)
- Established in 1994, following GATT
- Main functions: Framework of Trade Policies; Settlement of Disputes
- Organs: Ministerial Conference (2years); General Council (5 Councils); Dispute Settlement Body (Panel – Appellate Body); Trade Policy Review Body;
- 60 different agreements, which have the status of legal texts: i.e. Trade in Service, Agriculture, Intellectual Property Rights
- Administration in Geneva; 630 people under Director-General Okonjo-Iweala (elected February 2021)

TRUMP: THE PRESIDENT'S 2017 TRADE POLICY AGENDA – Ensuring that....

- US Workers and businesses have a fair opportunity to compete for businesses
- Breaking down unfair trade barriers
- US owners of intellectual property (IP) have a fair opportunity to profit from their IP
- Prevent the US market from being distorted by dumped or subsidized imports
- Resisting efforts by other countries or members of international bodies like the WTO to advance interpretations that would weaken the rights or benefits of the various trade agreements
- US trade policy contributes to the economic strength and manufacturing base necessary to maintain – and improve – the national security.

Top Priorities

- Defending national sovereignty over trade policy
- Strictly enforcing US Trade Laws (e.g. Antidumping)
- Using leverage to open foreign markets (It's time for a more aggressive approach)
- Negotiating new and better trade deals

President Trump's Attitude Towards Free Trade

“As a general matter, we believe that these goals can be best accomplished by focusing **on bilateral negotiations rather than multilateral negotiations** “

March 2018: Tariffs of 25% on Steel and 10% on Aluminium, exempt are Canada and Mexico during Nafta Negotiations



US's trade deficit is due to "very stupid" deals and policies.

[Donald J. Trump](#)

✓ [@realDonaldTrump](#)

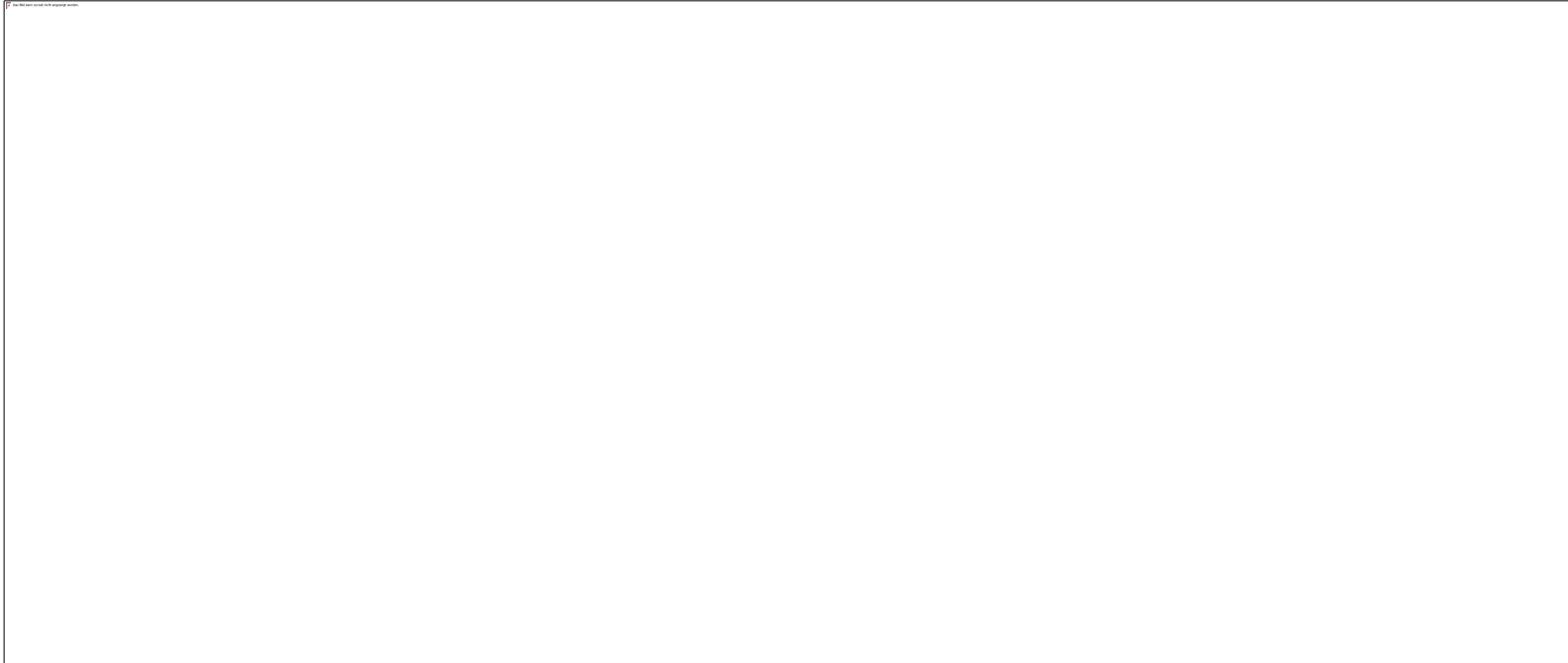


If the E.U. wants to further increase their already massive tariffs and barriers on U.S. companies doing business there, we will simply apply a Tax on their Cars which freely pour into the U.S. They make it impossible for our cars (and more) to sell there. Big trade imbalance! [7:53 PM - Mar 3, 2018](#)

Trump is weirdly optimistic about “trade wars” Trump is left to rely on his own instincts on this subject, which are strangely unsound. (VOX, 8.3.2018)

President Trump's Attitude Towards Free Trade

July, 12, 2018: Announcing plans for **additional tariffs on \$200 billion** of imports, the Trump administration has taken another dangerous step toward escalating its trade war on China



Key Pillars of Trump's Trade Policy

Rebalance American Trade Relationships by Supporting National Security

Trade Agreements should be in line with national security strategy

Re-Negotiation of "Outdated and Imbalanced" Trade Agreements

Admin. Wants fairer agreements with former NAFTA-partners (renegotiated USMCA)

Aggressive Enforcement of U.S. Trade Law

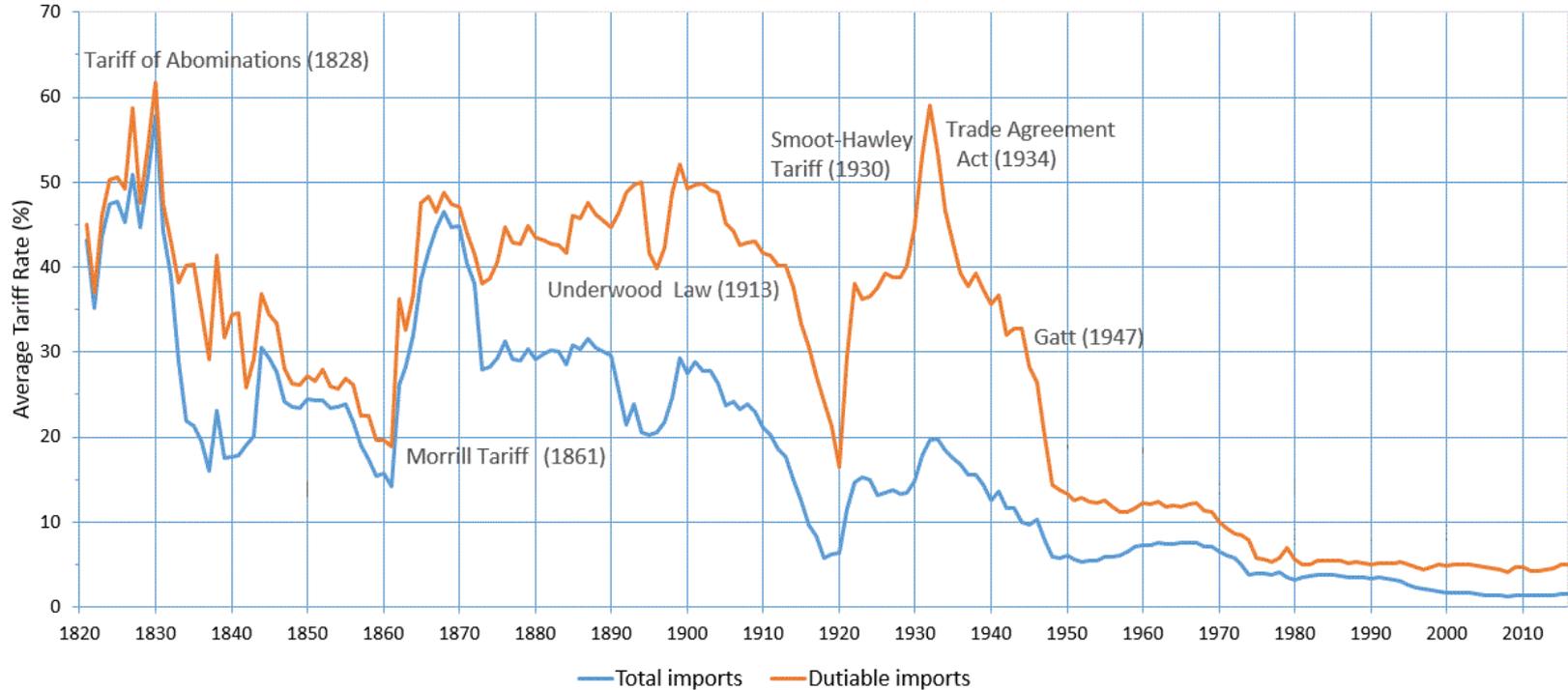
BDI, Germany: **Protectionism Hurts Everybody**

President Trump wants to bring back jobs to the United States. But his trade policies are fundamentally flawed and pose a considerable risk to the economies of both the United States and its trading partners.

According to the Peterson Institute of Economics, a 25 percent import tax

Threatening the whole organization by blocking the appointment of members to the appellate body on automobiles and retaliatory measures could cost 624,000 jobs in the

U.S. Average Tariff Rates (1821-2016)



Source: US Department of Commerce, Bureau of the Census, Historical Statistics of the United States 1789-1945, U.S. International Trade Commission, dataweb.usitc.gov

Handelspolitik

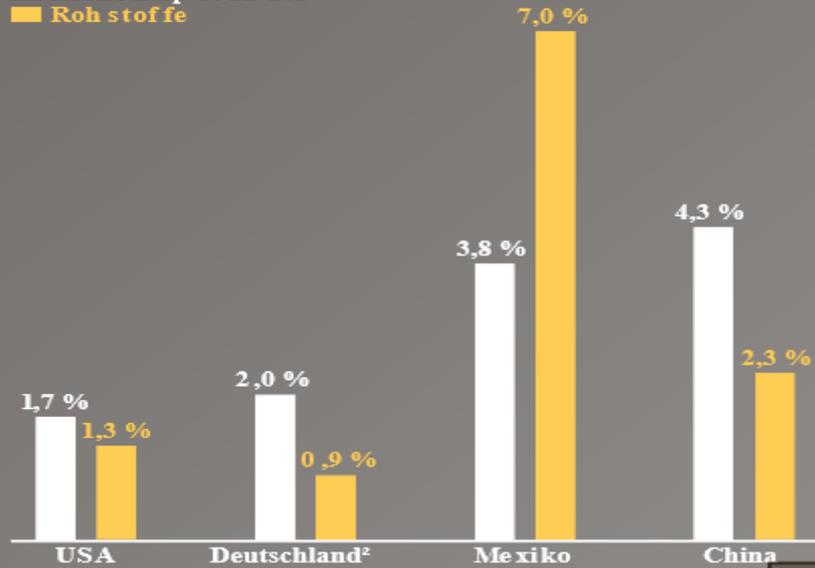
Einfuhrzölle



Durchschnittliche Werte¹ 2016

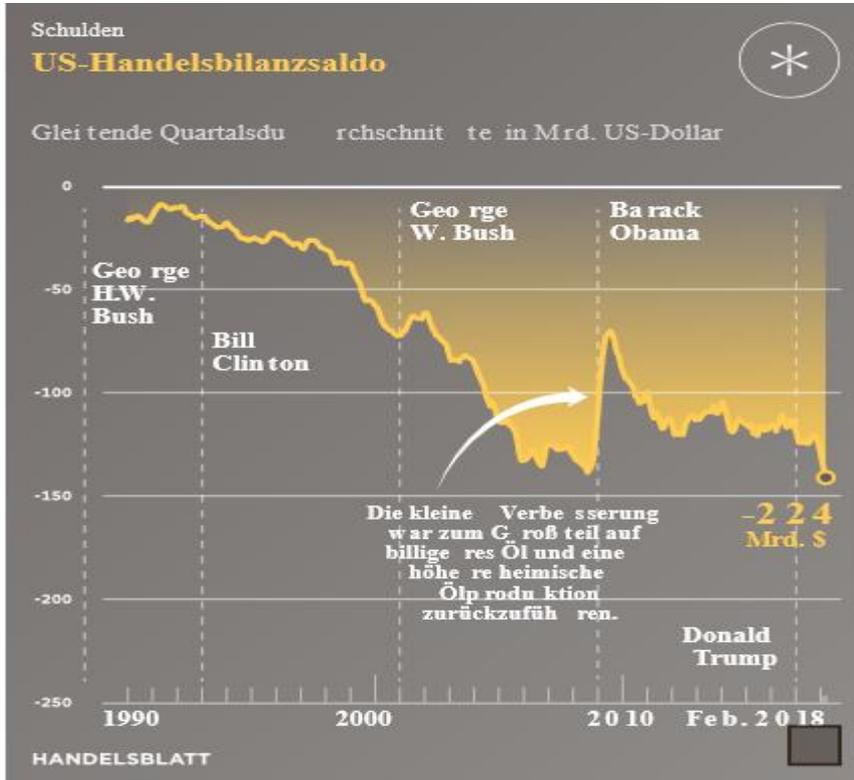
■ Industrieprodukte

■ Rohstoffe

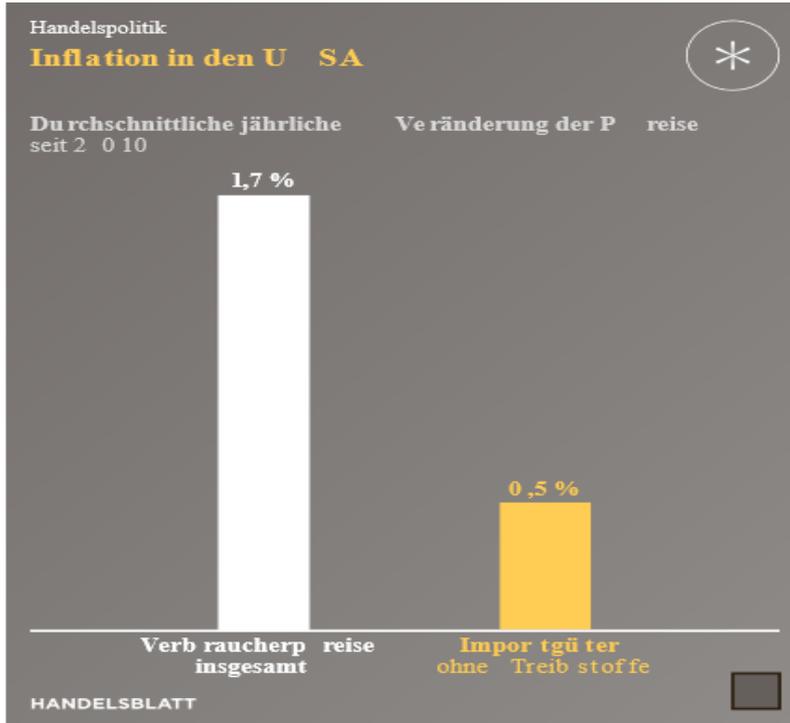


HANDELSBLATT

In fact the import taxes have been lower than in other countries.

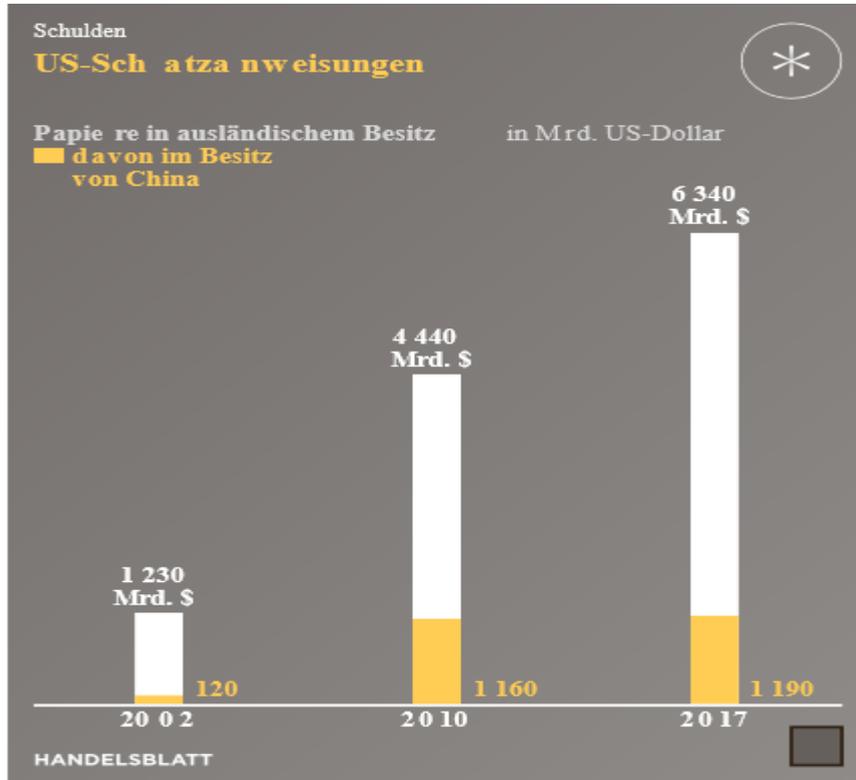


Since years the US trade balance deficit is enormous



Less imports would increase the consumer prices

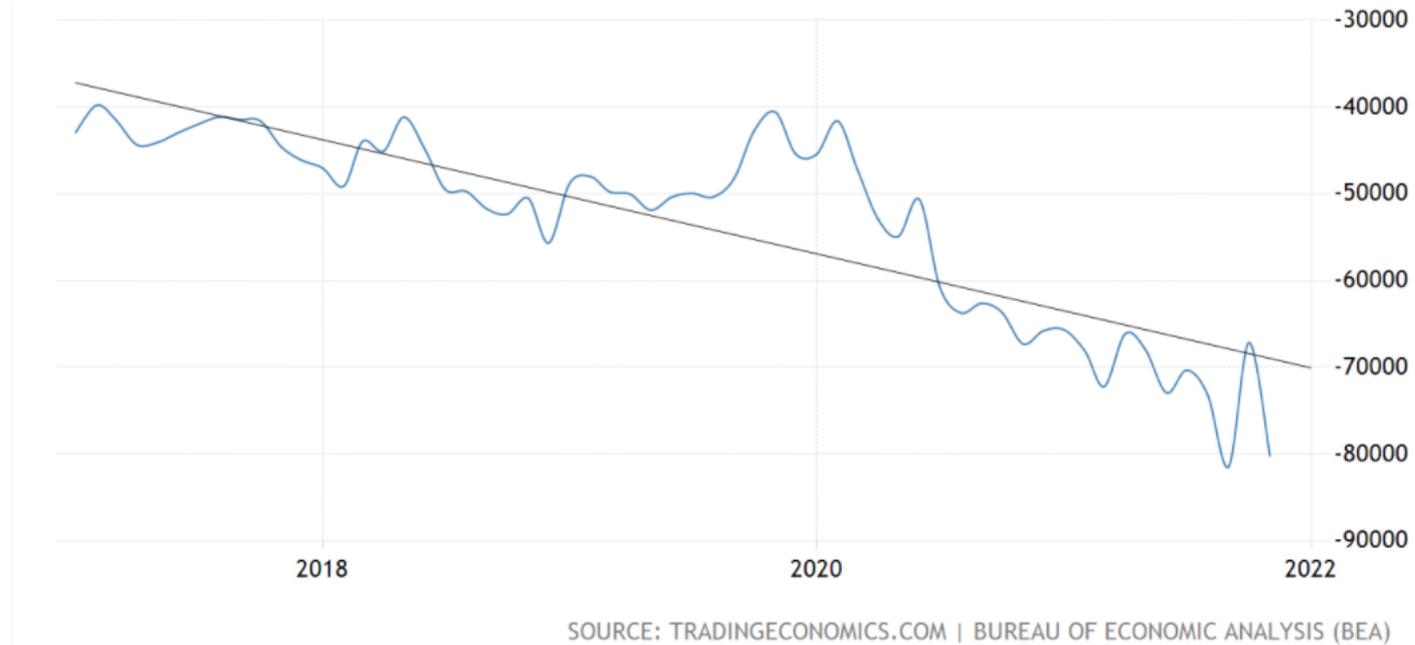
As well there is a probability that the exports from US into other countries would suffer – with a damaging effect for the whole economy



US State Budget is profiting from the fact that other countries are holding this high debts.

If foreign countries would buy less US bonds, the costs of public debts could increase substantially

US Trade Deficit Ten Years High in 2018 and re-widening in 2020/21



The United States has been running **consistent trade deficits** since 1976 due to high imports of oil and consumer products.

China is the top trading partner, accounting for 16 percent of total trade, followed by Canada (15 percent) and Mexico (15 percent).



Conflict with China

According to analysts, China assumes a **long term conflict** .

„ We see the **beginning of a pacific century**, which is characterized by **the rivalry of two world powers**. First time since the collapse of the Soviet Union the US faces a rival who can become dangerous – economic, technological and military. This shift in the distribution of power explains the determination of Washington in challenging China“. (Handelsblatt, 9.8.2019)

„In the same way as the competition between liberal-democratic, fascist and communist societies was characterizing the 20 th century, it could happen a **war** within the 21st century **between digital-liberal democracy and digital authoritarianism**“ (Handelsblatt, 9.8.2019)

Aspect: Currency War?

USD zu CNY Diagramm

19 Jun 2020 00:00 UTC **USD/CNY** Schließen: **7.08314**



In summer 2019 Trump has accused Europe and China of manipulating their currencies to gain an unfair advantage over America

So is China a currency manipulator?

The **2015 Trade Enforcement Act** lays out **three criteria** for what constitutes manipulation:

- an annual \$20 billion bilateral surplus with the U.S.,
- a large enough overall current account surplus (above 3% of the country's annual GDP) and

What would a currency war look like? The U.S. could threaten to buy up large amounts of **Chinese government bonds**, which would **push up the yuan's value**, even if China wants it to depreciate. But China needs to do the first by trying to meet the criteria, Treasury could be trying to push the report on the topic in May.

China has also long been pushing for its currency to overtake the dollar in international influence. "If the U.S. continues to push in [a currency dispute], then China probably will **accelerate the globalization of the renminbi** as a currency for

From Trade War to Currency War?

<https://www.cnbc.com/video/2019/08/30/what-is-a-currency-war-and-what-it-means-for-us-china-trade-war.html>

“If Trump has a currency war in mind as part of his presidential campaign, he’s not likely to get very far”

Trump’s comments on the US dollar and the Federal Reserve have sparked fears that he might take steps to weaken the American currency. However, **neither the Fed nor other central banks**, such as in the euro zone and Japan, **are likely to cooperate”**

Nicholas Spiro

Published: 3:00am, 1



**“This is a currency war Donald Trump was never going to win
The US cannot unilaterally weaken the dollar”**

Unconvinced that the US government has the firepower to weaken the dollar, **markets would bet against** the intervention and **force the government to burn** through all its available funds.

MEGAN GREENE Financial Times 19.8.2019

Aspect: Tech War US - China



The Trump administration has accused China of **stealing US technology**, an issue central to the damaging trade war that has colored the relationship between the two since 2018.

The United States has also imposed sanctions on prominent Chinese tech firms and taken steps to limit Beijing's access to America's vast capital markets.

Huawei has become the most prominent example of that shift. Washington has for more than a year been pressuring its allies to **keep** the Chinese company's telecommunications equipment **out of their 5G** networks.

This meant US software, or chips based on US designs, could not be exported to Huawei.

The **5G market** (including installation and network equipment) is expected to reach US\$48 billion by 2027, but more important, it is expected to drive trillions of dollars of economic output over the installed 5G networks.

Aspect: Tech War US - China



Firms must choose between **giving up on part of the world, or decentralizing** their operations to such a point that the company is essentially two or more different entities.

TikTok seems to be trying the second approach. While the app is owned by Beijing-based ByteDance, it has taken great pains to distance itself from its parent company

“As with any other war, it is not one battle in one arena that will decide who wins. Fifth-generation technology is only one battle theater; there are many others. And in many of those, China holds the cards.”(Asia Times, August 13, 2020)

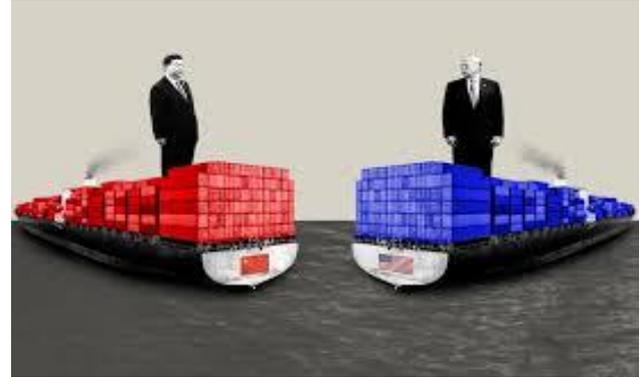
Aspect: Tech War US - China

“In what is now almost a routine step, the US added another 12 Chinese companies to its "entity list" last week.

These [latest additions](#) include three quantum communications companies (for their role in supporting the military) and New H3C, a JV between HPE and Tsinghua University.”

They join a lengthy list that includes IT, AI and electronics manufacturers deemed to have military links. ”

[\(Lightreadings ROBERT CLARK 11/29/2021\)](#)



Aspect: Decoupling



Handelsblatt, August 13, 2020:

China is distancing itself from the world economy.

Buzzwords like "**Dual Circulation**" or "**Domestic Circulation**" are now making the rounds.

The principle: China wants to **strengthen its domestic market** and its domestic companies, instead of imported goods, China's consumers should buy more domestic products, and supplies should come from domestic companies instead of foreign ones.

"I hope everyone will increase their patriotism," Xi urged business representatives at the meeting.

? "Beijing has concluded that decoupling is inevitable," wrote Ian Bremmer and Cliff Kupchan, the president and chairman of Eurasia Group. The "new virtual Berlin Wall" will push world economies to choose sides.



Aspect: Decoupling



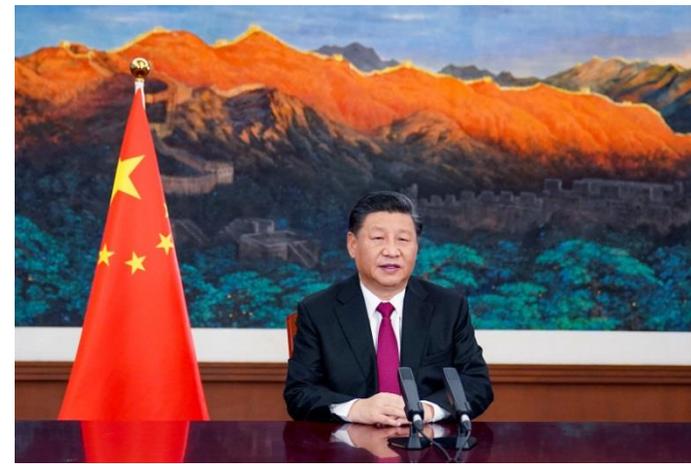
Position
B

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“China's economy is **not a discrete organism** that can easily be separated from the global economy but rather a Siamese twin, connected by nervous tissue, common organs, and a shared circulatory system.....All of this means that the United States should be focused on recoupling rather than decoupling, rewiring rather than retreat” (Farrell/Newmann, Foreign Affairs, June3,2020)

“Let the Torch of Multilateralism Light Up Humanity’s Way Forward.”

Pres. Xi Jinping on WEF Davos 25 th of Jan. 21



Referring to **multilateralism no less than a dozen times** Xi said the nations of the world should “stay committed to openness,” “**reject the outdated Cold War and zero-sum game mentality,**” “say no to narrow-minded, selfish beggar-thy-neighbor policies,” and oppose efforts to “reject, threaten, or intimidate others [or] to willfully impose decoupling, supply disruption, or sanctions.”

“Xi’s lofty assurances must be viewed with **considerable skepticism,** of course.

So how should other countries—and especially the United States—react to a speech like this?

Asian countries are especially **worried** about being **caught up in an escalating Chinese-American competition.**

For the foreseeable future, the real **challenge** is to keep that **competition within acceptable limits** and create a world order that **allows these two mighty powers to work together on the areas** where cooperation between them will be essential.” (Stephen M. Walt, Harvard University, in: FP, Jan. 29, 2021)



Biden's Vague Muddle of a Trade Policy for China

*“Over the past two decades, the United States has pursued **two different approaches** that have utterly **failed** by their own measures.*

- 1. One was **a multilateral strategy** to entangle China in a web of trade rules and make it a **“responsible stakeholder”** in the global economic system.*
- 2. The other was a **brute force bilateral effort to use import tariffs** and other sanctions to force a recalcitrant China to reduce its subsidies and other trade distortions.*

*“Over Trump’s four years in office, U.S. trade policy did far **more harm to friends and allies—and U.S. companies,—than it did to China,** driven primarily by the internal ambitions and fears of its Communist Party leadership.”*

Source: Edward Alden, Foreign Policy, Oct., 7, 2021

Biden Administration – Where to Go?

Ambassador Katherine Tai Outlining the Biden-Harris Administration’s “New Approach to the U.S.-China Trade Relationship”

Edward Alden, FP, Oct.7,2021:

“A **new approach** would align the United States with the vast majority of countries that want **trade** to be **conducted on fair terms** and want to resolve trade disputes without resorting to tariffs or other sanctions.



“Finally, the **Biden administration needs** to commit to **revitalizing the WTO**. The Biden administration should urgently set about repairing the WTO, starting by lifting its hold on appointments to the paralyzed Appellate Body... **Reviving the Appellate Body** would send a clear signal to the world that the United States still believes in a rules-based trading system.



Business Strategies – Bkup: Trump's Trade Wars

Key Takeaways about US Trade War and Globalization before February 24, 2022

- Globalization is not a reversible process, even not through the biggest players. Maybe it will slow down.
- Collateral damages of trade wars cost a lot of compensation (subsidies to US farmers, tax incentives for domestic production etc.)
- International Trade Organizations are too weak and too slow in solving big quarrels
- Don't start a war against everybody at the same time!
- A currency war in these times of international interdependences is not likely to be won – by nobody.
- In fact it's not a trade war, it's a war for technological and strategic dominance.
- Sometimes eruptive reactions cause movements, which have not been possible before.
- The Biden administration will most probably seek a way between political toughness and commercial interests
- Isolation of China via US allies is not possible any more.

Ukraine War: Complete New Situation in the World

- Ukraine War shows a crash in globalization due to new isolation and block building.
There will be a complete new era of international trade and relations.
- Question will be, how China will react – as block partner of Russia or with the approach to re-integrate after the war ended.
- To which extent the western world will disconnect the old value chains of energy and commodities?
- Supply chain issues are boosting the pressure for inflation.
- Politically this brings back the intense competition between liberal-democratic systems and central-authoritarian systems.

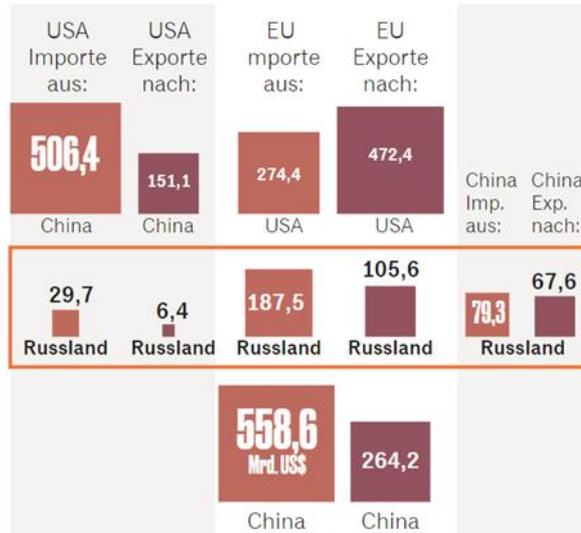


Ukraine War: Complete New Situation in the World

A war in Europe that, until recently, no one would have thought possible, and which could herald the beginning of a **new era** in which military force, as a continuation of politics, will re-establish itself as a legitimate tool. (Handelsblatt, March 11, 2022)



Handelsvolumen
2021, in Mrd. US-Dollar



This means that the economy could currently be on the way to what is probably the scenario most feared by economists: **stagflation**, i.e. a period of high inflation rates despite sustained weakness in growth.

Ukraine War: Complete New Situation in the World

Beijing must ask itself whether a world order in which the integrity of sovereign states degenerates into a **pure question of power** is **really in China's long-term** political and economic **interests**. So whether an economy



that will **depend on open** world markets more than almost any other country in the 2020s will benefit from such a world disorder (Handelblatt, 4/3/22)

China as mediator???

This could still happen, and China might set aside its domestic priorities to help end the crisis. But doing so **would require a seismic shift**. Playing the middleman would require

China to distance itself from Russia, after "For China, the matter is bigger than Ukraine," says Merics expert Helena Legarda, "boasting that their friendship has "no limits."
"China is about a **new global order** in which the USA will be pushed back in its current supremacy," explains Janka Oertel, director of the Asia program at the European Council on Foreign Relations. "The proximity to Russia is central to this." (HB 4/3/22)
Historian Niall Ferguson: "But in the new cold war, **China plays the leading role and Russia only second fiddle.**"

Business Strategies – Bkup: Trump´s Trade Wars

Key Takeaways about US Trade War and Globalization after February 24, 2022

- Complete new era is starting now, which will de-/re-construct globalization.
- In the globally interlinked world probably no single power can rewind the situation.
- The decision table for companies is getting increasingly political.
- Within the old/new blocks China should play a leading role – whether it assumes it is open.
- Damages on supply chains may force nations to re-nationalize.
- Isolation is possible again.
- Military force will regain a new role in international trade relations.
- Whether international organizations can deal with the new situation and take responsibility for reconstruction we will see....