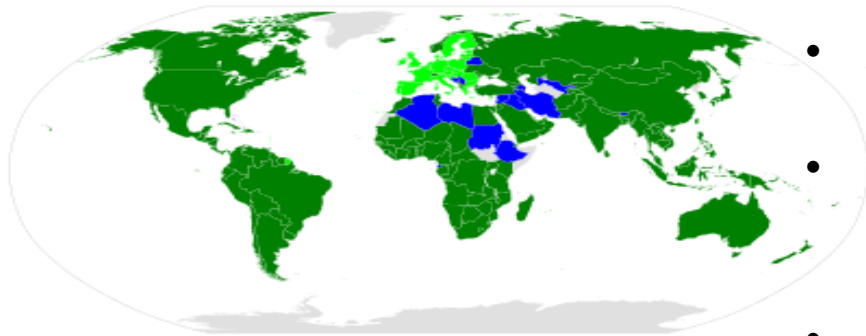


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## Business Strategies – Backup: Globalization and Trumps' Trade Policy

# 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)

## **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** “



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

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

[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**

Applying Free Trade Act of 1972 Trump admin. Initiated several investigations (“unjustified, unreasonable, discriminatory”) and imposed 232 on steel and aluminium and 301 tariffs on Chinese imports (volume of 250 bi USD)

### **Defending American Interests at the WTO**

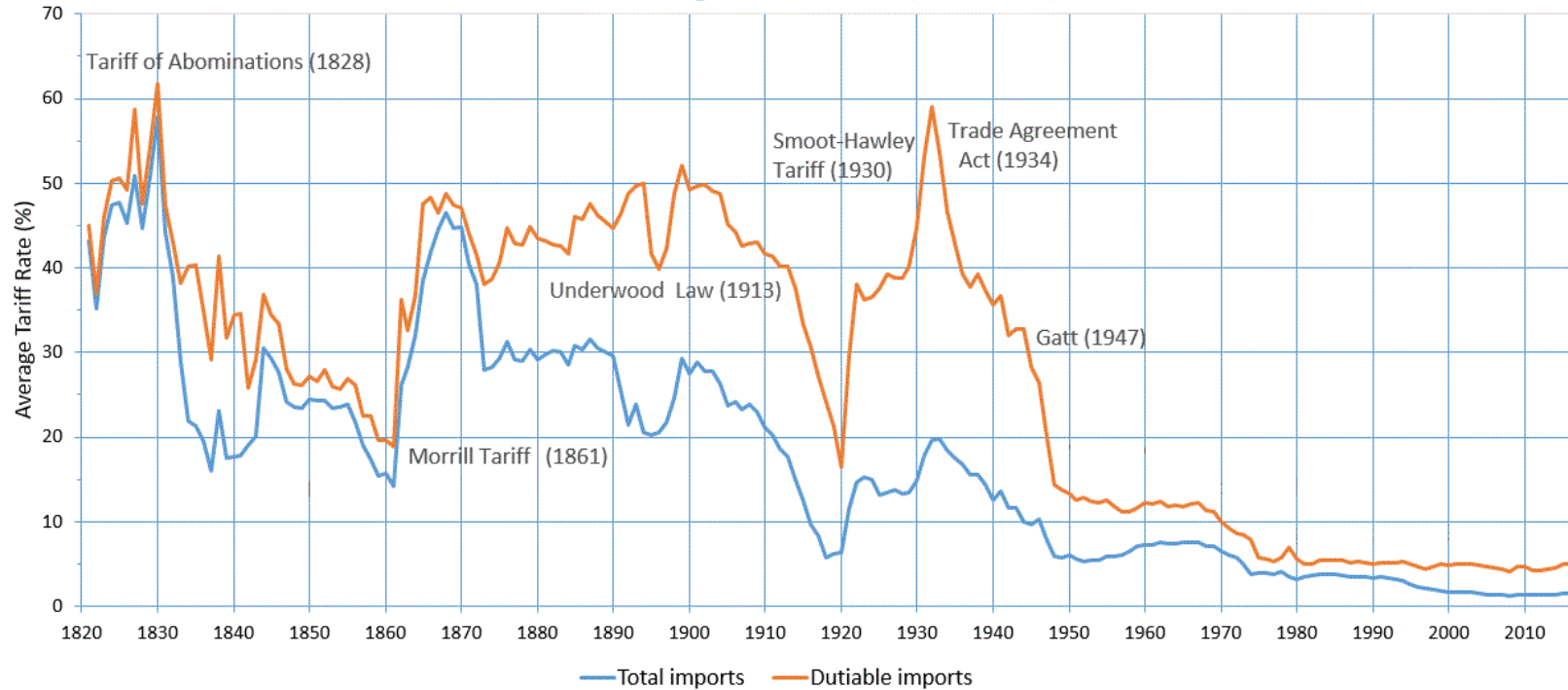
Threatening the whole organization by blocking the appointment of members to the appellate body

#### **BDI, Germany: Protectionism Hurts Everybody**

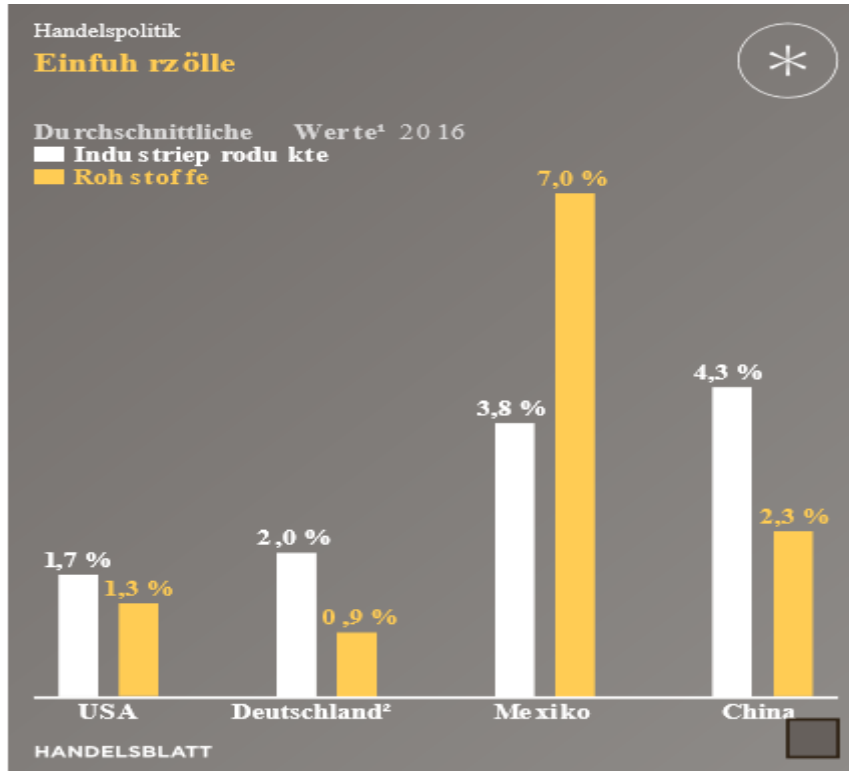
President Trump wants to bring back jobs to the United States. But his trade policies are fundamentally flawed and pose a considerable risk to the economies of both the United States and its trading partners.

According to the Peterson Institute of Economics, a 25 percent import tax on automobiles and retaliatory measures could cost 624,000 jobs in the United States alone.

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

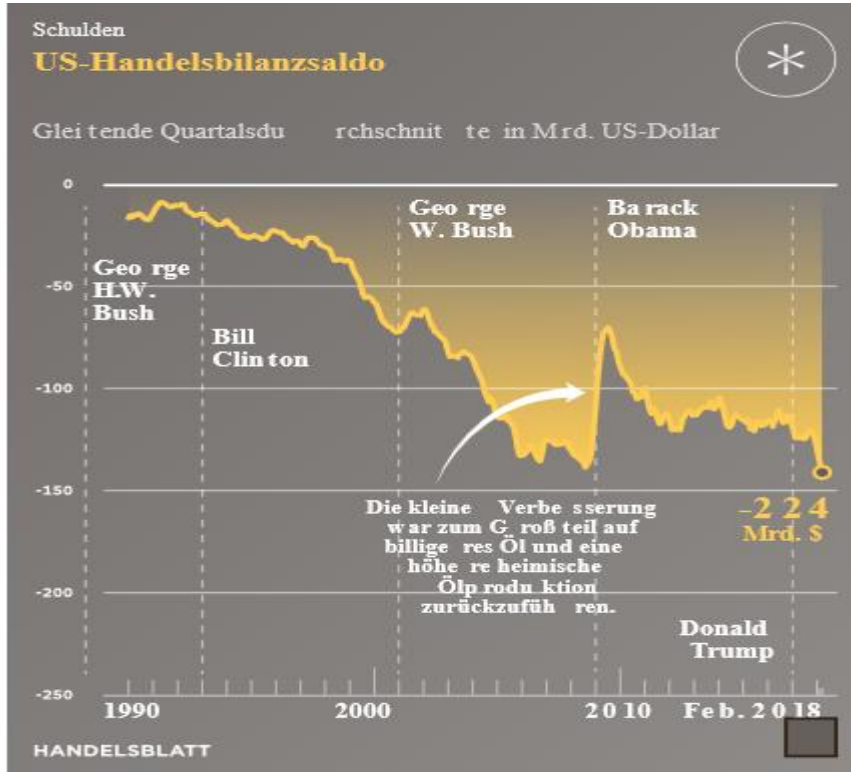


Source: US Department of Commerce, Bureau of the Census, Historical Statistics of the United States 1789-1945, U.S. International Trade Commission, [dataweb.usitc.gov](http://dataweb.usitc.gov)

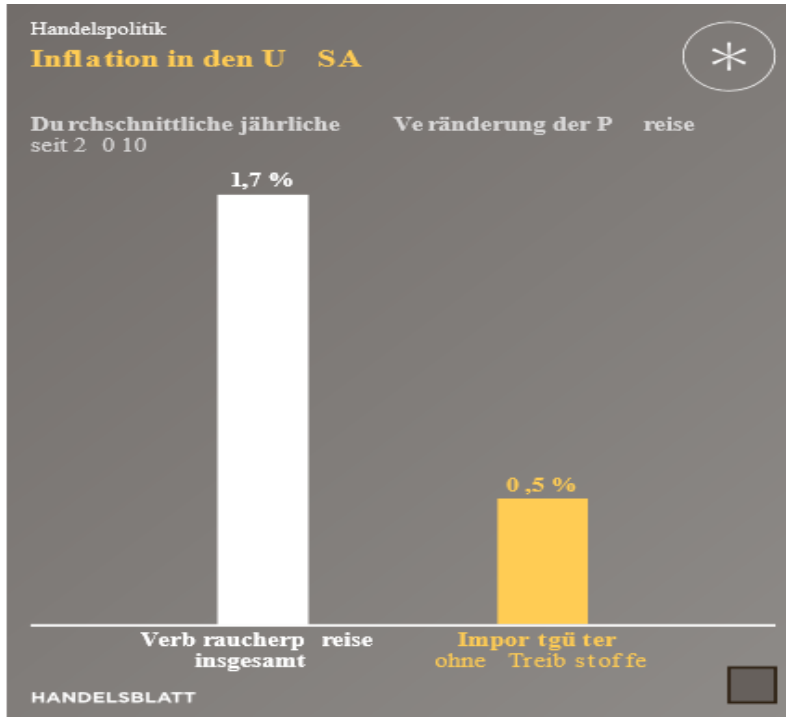


In fact the import taxes have been lower than in other countries.



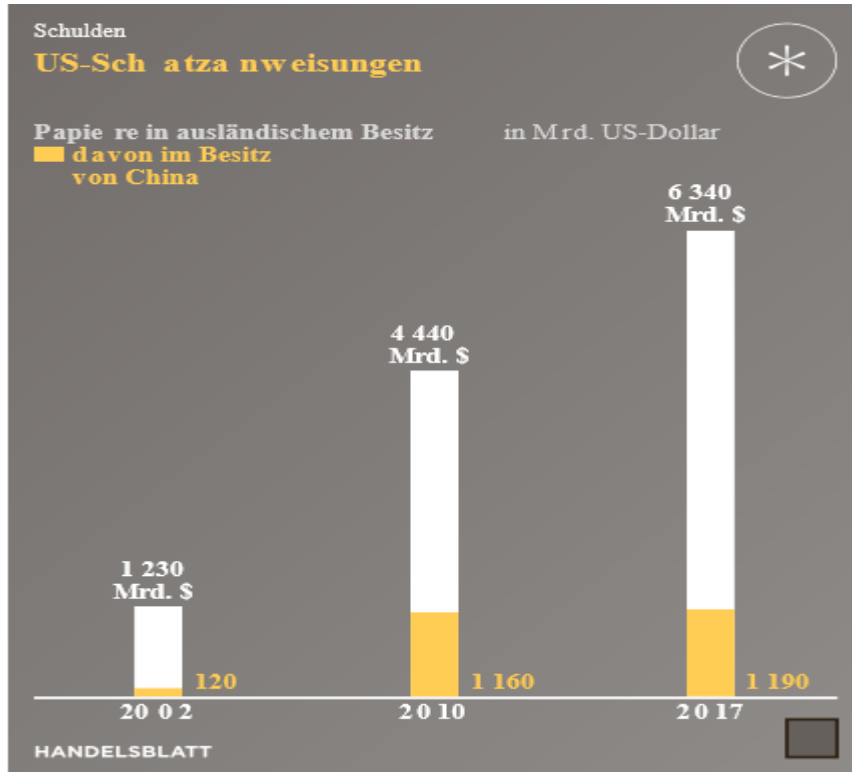


Since years the US trade balance deficit is enormous



Less imports would increase the consumer prices

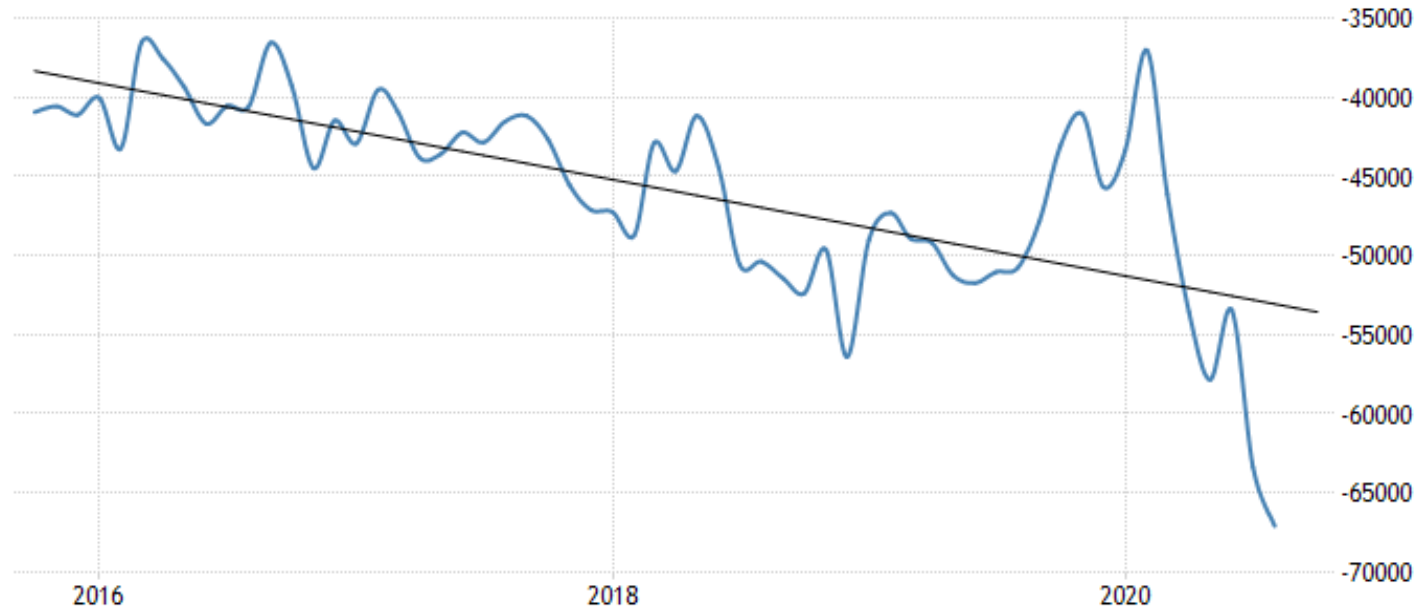
As well there is a probability that the exports from US into other countries would suffer – with a damaging effect for the whole economy



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



The United States has been running **consistent trade deficits** since 1976 due to high imports of oil and consumer products. In 2018, the biggest trade deficits were recorded with China, Mexico, Germany, Japan, Ireland, Vietnam and Italy.

The trade gap in the US widened to **USD 67.1 billion in August** of 2020 from a downwardly revised USD 63.4 billion in July and higher than market forecasts of USD 66.1 billion. It is the **biggest trade deficit** since a record high in August of 2006 as imports returned to pre-pandemic levels while exports rose at a slower pace.



# 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
- "persistent one-sided intervention" in the foreign exchange market to depreciate its currency.

China meets only the first of those three criteria, according to the Treasury's most recent report on the topic in May.

## 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 could also counter by buying up more U.S. Treasury bonds, driving up the dollar.

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 international trade," says Wang, using an alternative name for the yuan.

# 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, 19 Jul, 2019, South China Morning Post



**“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



Handelsblatt, August 13, 2020:

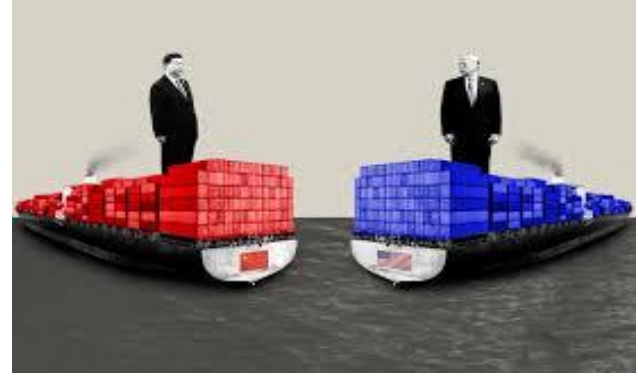
China is distancing itself from the world economy.

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.

## Aspect: Tech War US - China



**“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)**

# Since 11/15/2020: RCEP Treaty – 15 Countries form biggest Trading Bloc of the World

The Regional Comprehensive Economic Partnership (RCEP) is made up of 10 Southeast Asian countries, as well as South Korea, China, Japan, Australia and New Zealand.

The pact is seen as an extension of China's influence in the region.

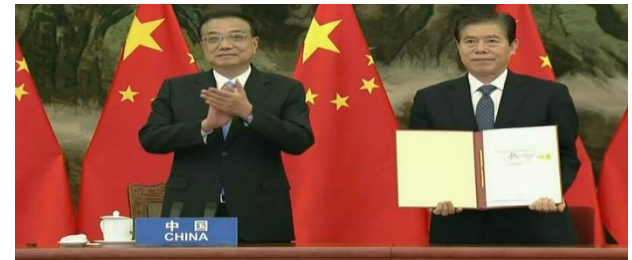
The deal excludes the US, which withdrew from a rival Asia-Pacific trade pact in 2017.

The RCEP is expected to eliminate a range of tariffs on imports within 20 years.

It also includes provisions on intellectual property, telecommunications, financial services, e-commerce and professional services.

Under RCEP, parts from any member nation would be treated equally, which might give companies in RCEP countries an incentive to look within the trade region for suppliers.

(source: BBC 15/11/20)





## The China trade war is one thing Joe Biden won't be rushing to fix

**NY Times, Febr.12:** “President Biden faces an **enormous challenge** in trying to formulate a **strategy** to deal with China at a time when much of Washington treats any relations with Beijing as toxic”

“We’re not going to serve the American interests if we don’t consider commercial interests and national security interests at the same time.” (Daniel Rosen, Rhodium Group Consultants)

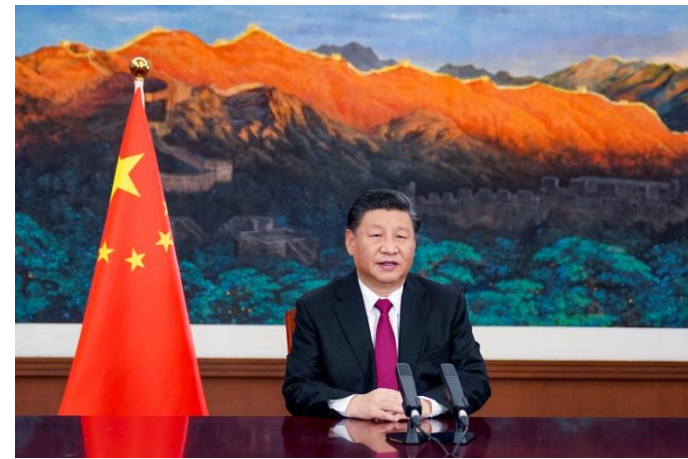
**Janet J. Yellen** has also criticized China’s practices of stealing intellectual property and subsidizing state-owned enterprises, but said she did **not** regard Mr. Trump’s **tariffs** as “**the proper focus**” of trade policy.

The new administration has given **few concrete details** about **how** it will put its strategy into practice, including whether it will implement the many China-related executive orders Mr. Trump introduced, like new restrictions on investments in Chinese companies with ties to the military and bans on Chinese-owned apps, like TikTok, WeChat and Alipay.

Instead, the administration has said it would **carry out** a comprehensive **review** of Mr. Trump’s tariffs, export controls and other restrictions **before making decisions**.

## “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)



# Can transatlantic relations be repaired after Trump?

<https://President Biden's 3 problems>

### Key Takeaways about US Trade War and Globalization

- 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 strategical 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.