

PubPol/Econ 541

Class 9

Policies and Institutions: National, United States

by

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Pause for News

Quiz Scores

	Q2	Q3	Q4
Mean	6.67	7.10	8.97
Median	6.5	7	9
Max	10	10	10
Min	4	3.5	7.5
S.D.	1.98	1.85	0.95

Announcements

- More on Papers
 - Linear supply and demand are fine
 - Results in table, with just discussion in text and conclusion
 - Agriculture, alternative crops: just say a little
 - Ratio of output to employment: use data on production and employment
 - Always: be careful and explicit of units of measurement

Pause for Discussion

Questions on Jackson, Ch 3

- Should (according to Jackson), and do, international institutions like the WTO interfere with the sovereignty of its member states?

Outline

- Parts of the US Government that Handle Trade
- Main Features of US Trade Policies
 - Tariffs, Quotas, VERs
 - Escape Clause
 - Unfair Trade Laws
 - Section 301
 - Section 332
 - Trade Adjustment Assistance
 - Fast Track
 - GSP
- US Trade Policy under Trump and Biden

US Trade Institutions

- US does NOT have a “ministry” or “department” of international trade
- Most other countries do; e.g. ...
 - Canada: Department of International Trade
 - Japan: Ministry of Economy, Trade and Industry (METI) (Used to be MITI)
 - EU: Directorate General Trade
 - Trade Commissioner:
Valdis Dombrovskis
since Aug 26, 2020



US Trade Institutions

- In US, responsibility for trade issues is spread over many entities
 - Congress
 - USTR
 - Commerce Department (& ITA within it)
 - US International Trade Commission (USITC)
 - Export-Import Bank
 - and several others
- Obama said as President that he sought to consolidate many of these in a single agency
 - He never did

US Trade Institutions

- USTR = United States Trade Representative
 - Cabinet-level official of US government
 - Handles negotiations on trade issues with
 - Other governments
 - WTO
 - Drafts trade legislation for Congress
 - Does NOT set or implement trade policies

US Trade Institutions

- Biden's USTR is
 - Katherine Tai
 - Harvard Law
 - Fluent in Mandarin
 - Worked in USTR office 2007-2014
 - Chief Trade Counsel for House Ways & Means from 2017



US Trade Institutions

- Congress
 - Sets tariffs and other trade policies (thus approves trade agreements)
 - Two committees are responsible
 - House: Ways and Means
 - Senate: Finance
 - Why these?
 - Because trade policy was originally about collecting revenue

US Trade Institutions

- Administrative Agencies
 - ITA = International Trade Administration
 - Part of Department of Commerce
 - Main Function: Determines “fairness” in unfair trade cases
 - Are imports “dumped”?
 - Are they “subsidized”?
 - Orientation of ITA: very much favors US businesses

US Trade Institutions

- Administrative Agencies
 - ITC = USITC = United States International Trade Commission
 - Independent agency
 - Commissioners (6) are nominated by President and confirmed by Senate
 - After that they are on their own
 - Main Function: To determine “injury” in cases of
 - Anti-Dumping
 - Countervailing duties (subsidies)
 - Safeguards (a.k.a., Escape Clause)

USITC Commissioners

- Commissioners
 - Serve 9-yr terms
 - No more than 3 of one party
 - (3 are now Democrats)
 - Chair and vice chair from different parties
- Staff ~365

The current Commissioners of the USITC are:



DAVID S. JOHANSON
CHAIRMAN

David S. Johanson, a Republican from Texas, is the Chairman of the U.S. International Trade Commission (USITC). He became Chairman on June 17, 2022...

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RHONDA K. SCHMIDTLEIN
COMMISSIONER

Rhonda K. (Schnare) Schmidtlein, a Democrat of Missouri, was nominated to the U.S. International Trade Commission (USITC) by President Barack Obama...

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JASON E. KEARNS
COMMISSIONER

Jason E. Kearns, a Democrat of Colorado, was nominated to the USITC by President Barack Obama on January 17, 2017; renominated by President Donald...

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RANDOLPH J. STAYIN
COMMISSIONER

Randolph J. Stayin, a Republican of Virginia, was nominated to the USITC by President Trump on October 2, 2017; renominated on January 16, 2019; and...



AMY A. KARPEL
COMMISSIONER

Amy A. Karpel, a Democrat of Washington State, was nominated to the U.S. International Trade Commission (USITC) by President Donald J. Trump on...

US Trade Institutions

- Export-Import Bank
 - Official export credit agency of the US
 - Assists foreign purchasers of US exports
 - With loans
 - Loan guarantees
 - Etc.
 - Was target of Tea Party in 2015 as “crony capitalism”
 - Was prevented July, 2015 to May 2019, from funding projects of over \$10 million

Pause for Discussion

Questions on Jackson, Ch 3

- To what part of the US government does the US constitution assign responsibility for commercial policy?
 - What does this imply for the procedures by which the US enters into trade agreements?
- Can the US federal government enter into international agreements that constrain the US states?
 - Does the same apply to other negotiating units' (e.g., Canada, the EU) abilities to commit their sub-units?
- What units of the US government have responsibilities for aspects of US trade policies?

Features of US Trade Policies

- Tariffs
 - Column 2: Tariffs left over from pre-1934
 - They apply only to N. Korea and Cuba
 - But maybe now Russia
 - Column 1: Tariffs applied to almost all countries
 - MFN rates for WTO members and others
 - Negotiated mostly zero rates for FTA members

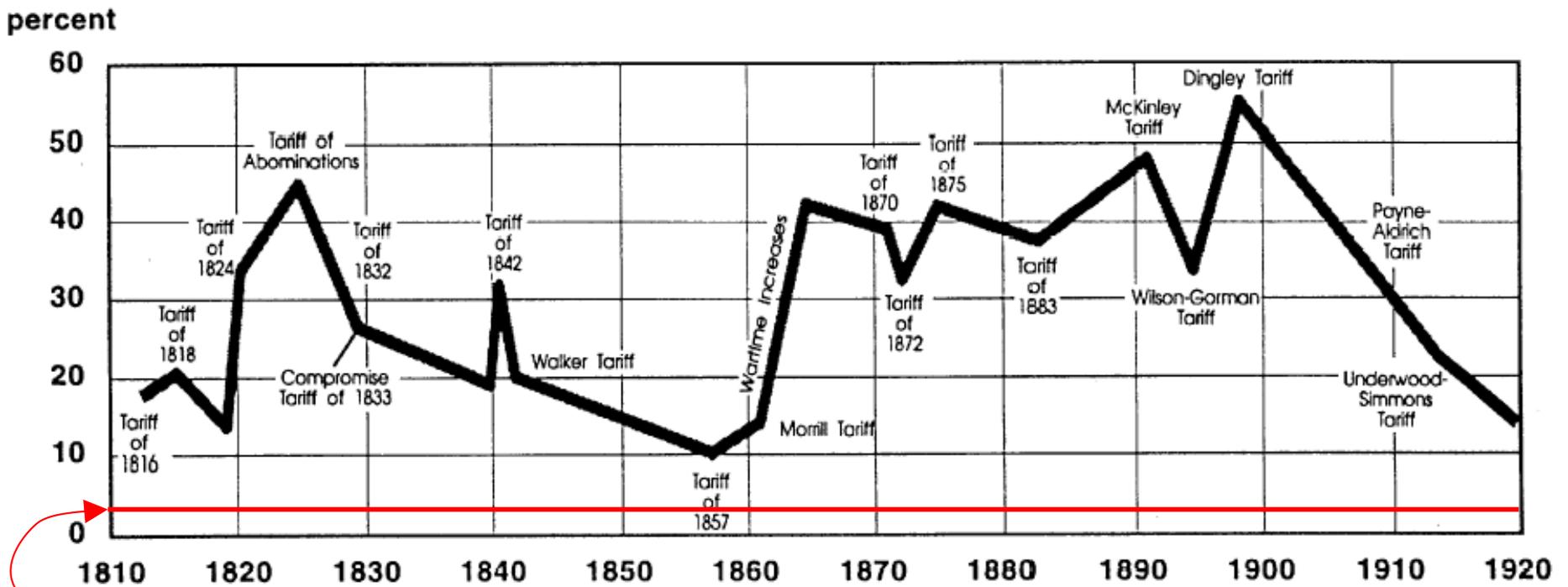
Harmonized Tariff Schedule of the United States (2020) Revision 21

Annotated for Statistical Reporting Purposes

XVII
87-5

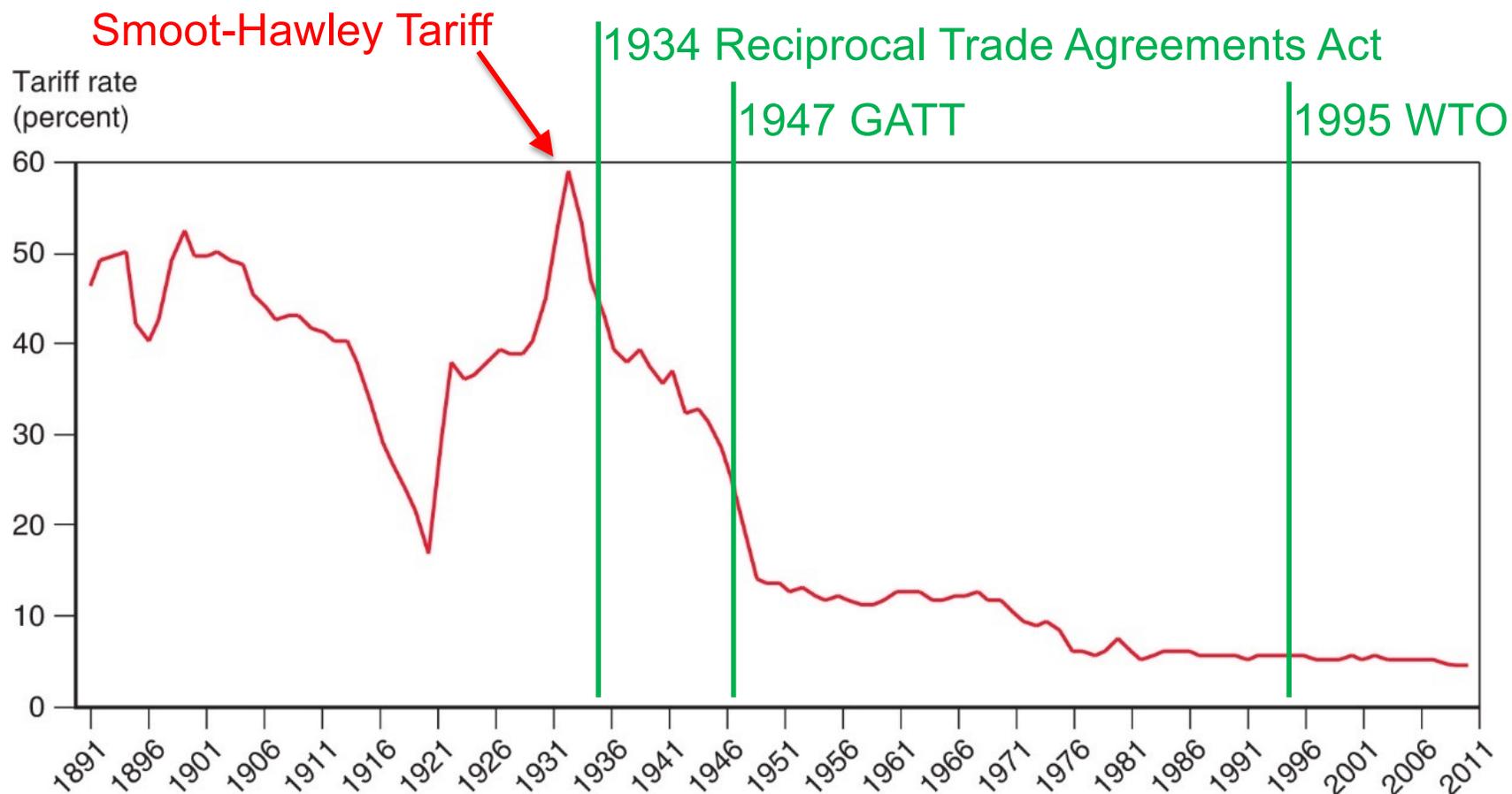
Heading/ Subheading	Stat. Suf- fix	Article Description	Unit of Quantity	Rates of Duty		
				1		2
				General	Special	
8703 (con.)		Motor cars and other motor vehicles principally designed for the transport of persons (other than those of heading 8702), including station wagons and racing cars: (con.)				
8703.21.01		Other vehicles, with only spark-ignition internal combustion reciprocating piston engines: Of a cylinder capacity not exceeding 1,000 cc.....	2.5% ^{1/}	Free (A+, AU, B, BH, CA, CL, CO, D, E, IL, JO, KR, MA, MX, OM, P, PA, PE, S, SG)	10%

- US tariff history: 1810-1920



Today

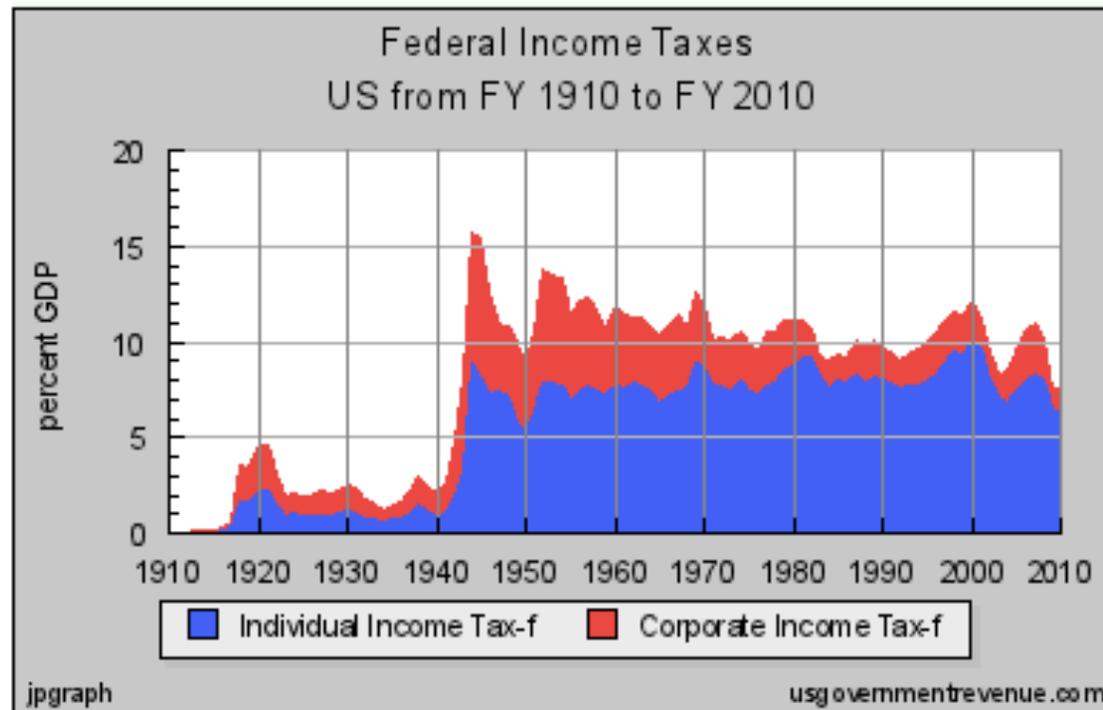
Figure 10.5 The U.S. Tariff Rate



After rising sharply at the beginning of the 1930s, the average tariff rate of the United States has steadily declined.

Features of US Trade Policies

- Why the decline in tariffs? Partly due to revenues from income tax:



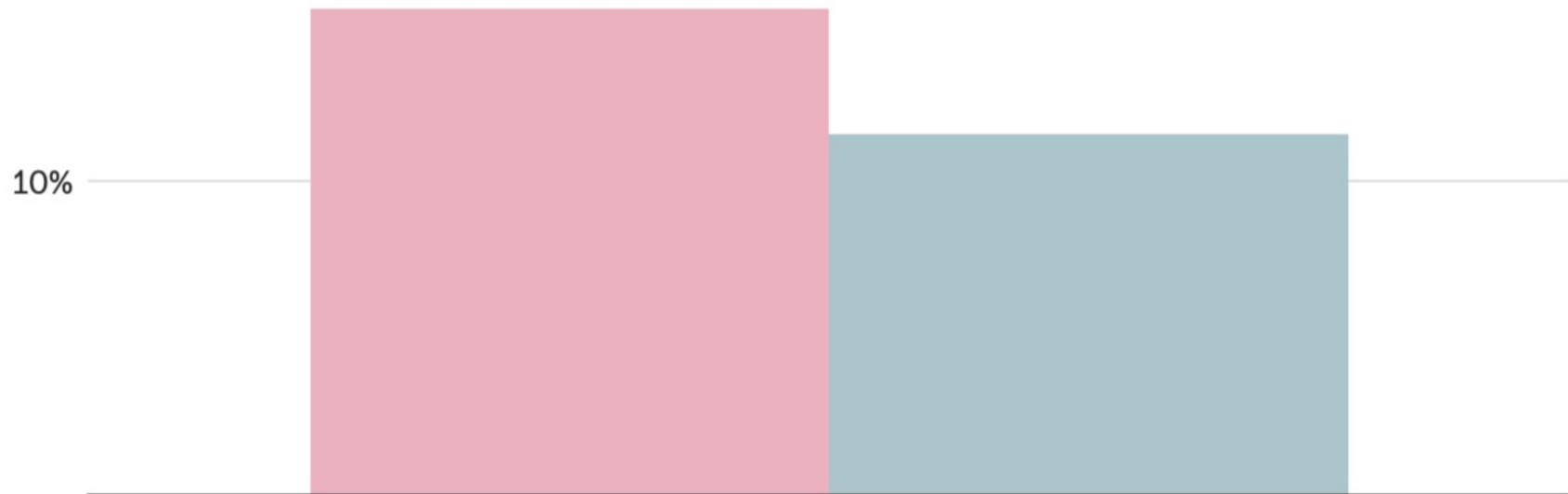
Features of US Trade Policies

- Tariffs, quotas, etc.
 - We still have high tariffs on a few products
 - Textiles, apparel
 - Men's cotton shirts: 19.7%
 - Women's blouses: 26.9%
 - » See optional reading by Rampell

Women's underwear faces higher average U.S. tariffs than men's underwear does

Average* U.S. tariff rates, 2022

■ women's underwear ■ men's underwear



*"Trade-weighted," combining tariffs collected on all imports, including those under most-favored nation tariff rates, Chinese products subject to 301 tariffs, and free-trade agreement/preference products exempted from tariffs.

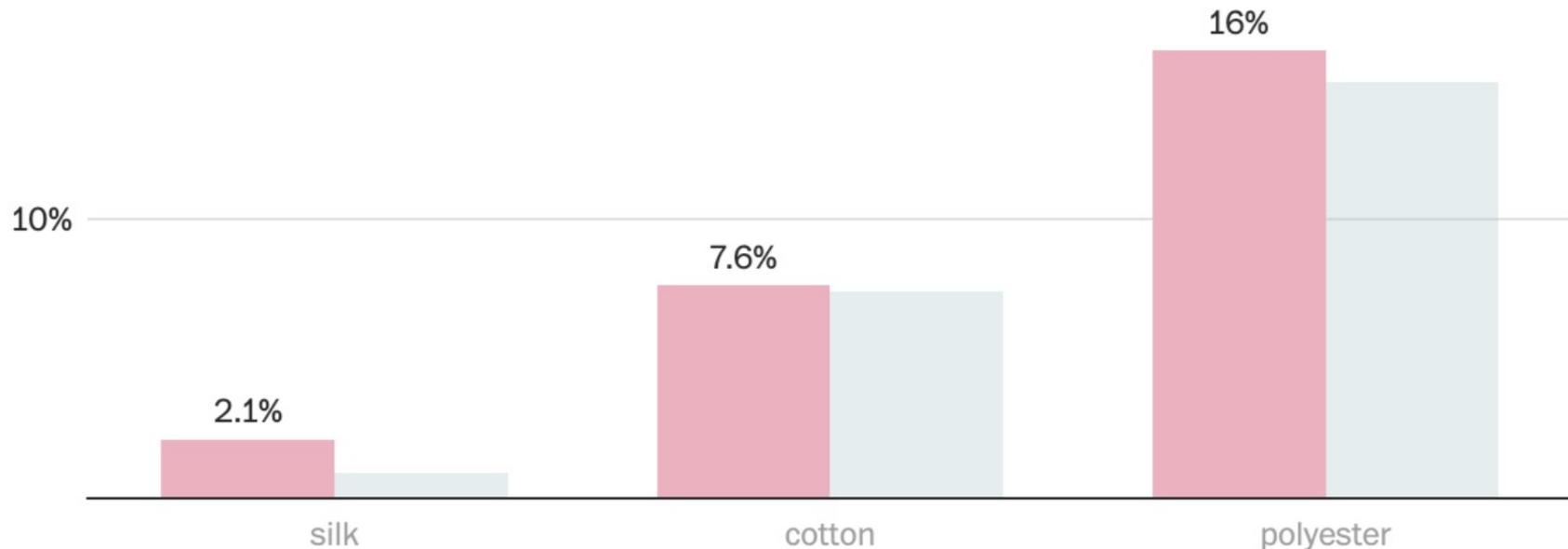
Source: Ed Gresser, Progressive Policy Institute

THE WASHINGTON POST

Pink taxes and poor taxes: U.S. tariffs are higher on lower-end fabrics and women's products

MFN* tariff rates on underwear imports, by material and gender of customer

Women's underwear Men's underwear



*MFN stands for "most-favored nation." It refers to the permanent tariff rate charged for products imported from most countries except the few we have special free-trade agreements with. Special tariffs such as the Trump administration's 301 and 232 tariffs are added on top of the MFN rate.

Source: Ed Gresser, Progressive Policy Institute

THE WASHINGTON POST

Features of US Trade Policies

- Tariffs, quotas, etc.
 - We still have high tariffs on a few products
 - Textiles, apparel
 - Men's cotton shirts: 19.7%
 - Women's blouses: 26.9%
 - Agriculture

Product	AVG %	MAX %
Dairy	17.6	118
Coffee, tea	3.2	54
Sugars	13.3	66
Bev & Tobac	15.0	350

By and large, U.S. tariffs are among lowest in world

By category of imported goods, 2017

	Average most-favored-nation applied duty	Global rank (out of 138)
Beverages & tobacco	19.1%	82
Dairy products	16.6%	61
Sugars & confectionery	16.4%	50
Clothing	11.6%	94
Textiles	7.9%	82
Oilseeds, fats & oils	7.2%	83
Petroleum	6.5%	47
Fruits, vegetables & plants	4.7%	118
Cotton	4.6%	59
Leather, footwear, etc.	3.8%	123
Coffee & tea	3.3%	122
Cereals & preparations	3.1%	126
Transport equipment	3.1%	122
Chemicals	2.8%	96
Other manufactured goods	2.4%	126
Animal products	2.2%	128
Minerals & metals	1.7%	125
Electrical machinery	1.7%	125
Non-electrical machinery	1.2%	119
Other agricultural products	1.0%	128
Fish & fish products	0.8%	123
Wood, paper, etc.	0.5%	129

Note: Ranking includes 137 individual countries and territories plus the European Union, which has a common tariff structure for its 28 member states.

Source: Pew Research Center analysis of data from "World Tariff Profiles 2017" report.

PEW RESEARCH CENTER

Source: Pew
Research
Center, 2018

Class 9: Policies and Institutions:
National, United States

Features of US Trade Policies

- De Minimus
 - As we saw earlier, US levies tariffs on imports only if they are worth more than \$800
 - This is allowing increasing amounts of US imports to enter tariff-free
 - See optional reading by Zumbun

Features of US Trade Policies

- Tariffs, quotas, etc.
 - Quotas are still common in agriculture
 - VERs: Voluntary Export Restraints
 - No longer
 - But Trump has negotiated something like VERs
 - With Trump we got more high tariffs, and Biden has not removed them

Features of US Trade Policies

- Escape Clause = Section 201
 - Called “Safeguards” in WTO
 - Permits temporary protection from injurious imports
 - Does NOT allege that the imports are “unfair”
 - Eligibility is decided by USITC alone
 - Injury (must be “serious”)
 - Causation (must be due to imports)
 - Implemented by President, who may say NO.
 - This was used under Trump for solar panels and washing machines (he could have said no)
 - We’ll study it more on Nov 15

Features of US Trade Policies

- Unfair Trade Laws
 - Permit protection (not necessarily temporary) from “unfair” imports
 - Must also be injurious, but less so than for escape clause (only “material injury”)
 - “Unfair” if
 - Subsidized by foreign government
 - “Dumped”, i.e., priced too low by firm (more on this below)

Features of US Trade Policies

- Unfair Trade Laws
 - Fairness decided by ITA
 - Injury decided by USITC
 - President is NOT permitted to say NO
- We'll study these more Nov 27, Dec 4

Features of US Trade Policies

- Section 301 of the Trade Act of 1974
 - US law permitting tariffs on countries that engage in “unfair trade” (other than dumping and subsidies)
 - Decided by USTR
 - What is unfair trade? “acts that are ‘unjustifiable’ or ‘unreasonable’ and burden U.S. commerce.”
 - Before 1995,
 - used extensively by US to pressure other countries, esp. Japan;
 - after that, not until Trump
 - 2018 applied to China by USTR:
 - “practices related to technology transfer, intellectual property, and innovation are unreasonable or discriminatory, and burden or restrict U.S. commerce.”

Features of US Trade Policies

- Section 232 Tariffs: National Defense
 - Used by Trump on Steel and Aluminum
 - Has basis in US law, but WTO legality in doubt
 - See Fefer et al.
 - WTO panel said no, but US appealed
 - Biden administration insists WTO cannot question this

Table 2.3 National security investigations during 2020 (chronological by date instituted)

Investigation	Instituted	Report Submitted	Outcome
Steel and aluminum	April 19, 2017	January 11, 2018	President concurred, tariffs
Automobiles and automotive parts	May 23, 2018	February 17, 2019	President concurred, no agreements, no measures. ^a
Uranium	Jul 18, 2018	April 14, 2019	President did not concur, no tariffs, working group, policy recommendations
Titanium sponge	March 4, 2019	November 29, 2019	President concurred, no tariffs, negotiations
Grain-oriented electrical steel	May 11, 2020	None	Consultations and monitoring
Mobile cranes	May 19, 2020	None	Terminated
Vanadium	May 28, 2020	None	Pending

Source: Compiled by USITC.

Note:

^aThe report was publicly released in 2021.

Source: USITC “The Year in Trade 2020”

Pause for Discussion

Questions on Fefer et al., “Section 232”

- Under what circumstances does Section 232 of the 1962 Trade Act permit the President to levy tariffs?
- Who conducts the investigation to determine if this is the case? If the answer is yes, must the President levy tariffs?
- Must the tariffs apply to all imports of the product? If not, do we know why not?
- Is the use of Section 232 legal under the rules of the WTO?

Features of US Trade Policies

- Trade Adjustment Assistance (TAA)
 - Provides temporary help (not tariff protection) for firms and workers hurt by imports
 - Gives workers access to income support, relocation allowances, job search allowances, health coverage tax credit, and occupational training
 - As of 2002, Alternative Trade Adjustment Assistance (ATAA) also provides limited “wage insurance” for trade-displaced older workers
 - We’ll study more Nov 20

Features of US Trade Policies

- Fast Track -- officially “Trade Promotion Authority” (TPA)
 - Procedure, imposed by Congress on itself, requiring it to

Consider trade legislation without amendment

 - Relevant for approval of FTAs and some other trade deals
 - Congress approved TPA in July 2015 but it expired July 1, 2021.
 - Biden wants to “rethink the objectives of trade agreements before seeking the authority.”

Features of US Trade Policies

- **Tariff Preference Programs**
 - **GSP = Generalized System of Preferences**
 - Charge lower tariffs on some exports from some developing countries than we charge other countries
 - Departure from MFN, permitted by WTO
 - Other developed countries do this too
 - **AGOA = African Growth and Opportunity Act**
 - Zero tariffs on many goods from many sub-Saharan African countries
 - **CBI = Caribbean Basin Initiative**
 - Tariff preferences for most Caribbean countries
 - **NTPP = Nepal Trade Preference Program**

Pause for Discussion

Questions on Verrill

- Who has "standing" under the antidumping law? Who determines whether there is dumping?
- How do the injury requirements differ for antidumping and for safeguards? Do either require that the domestic firms make losses?
- What can a U.S. producer do if it believes that its competitors in another country are engaging in anticompetitive conduct that is being tolerated by their government?

Questions on Jackson

- Why did Fast Track, or something like it, become necessary only after trade negotiations were moving on from tariffs to negotiating non-tariff measures?
- Once a trade agreement is negotiated and accepted, does it automatically become part of the law of the participating countries?
- What are the four requirements of the Fast Track procedure that was first approved by Congress? Under what President was this done?

Questions on Economist, “Trade Mission: Taking Stock...”

- What is AGOA?
- Has it succeeded?
- What interferes with its success?
- Do the preferences require that inputs also be made in Africa?

US Trade Policies under Biden

- He's done very little, so far. Mostly waiting to study issues
 - Negotiated with EU and others on steel and aluminum tariffs, and replaced with tariff-rate quotas
 - Settled the Airbus-Boeing dispute
 - Nuclear submarine exports to Australia
 - IRA Subsidies and tax credits conditional on sourcing in US and FTA partners

US Trade Policies under Biden

- USTR says US is pursuing a “new approach to trade policy” that
 - “grows the middle class,
 - addresses inequality, and
 - helps solve today’s greatest challenges, including
 - tackling the climate crisis and
 - promoting fair competition.”

US Trade Policies under Biden

- Key features:
 - Stepping up engagement with the WTO
 - Standing up for Workers' Rights via USMCA
 - Advancing environmental goals
 - Supporting U.S. Agriculture
 - Bolstering Supply Chain Resiliency (i.e., China)
 - Ensuring China competes fairly
 - Enforcing trade agreements.

Pause for Discussion

Questions on USTR, “FACT SHEET”

- From this, does it appear that the Biden administration is pursuing any new trade agreements?
- Is there any mention of actions taken against China?

Questions on Swanson, “Biden’s Reluctant Approach ...”

- What is the role of free-trade agreements in the green subsidies of the Inflation Reduction Act?
- Why is this a problem?
- How is the Biden administration trying to deal with this?
- On what basis does USTR Kai defend not pursuing more FTAs?
- Is she right that new FTAs are not part of the world we live in?

Questions on Boot, “Biden is making the same ...”

- What, according to this, did Biden do right on trade?
- What was largely right, if it can be limited properly?
- What has he done wrong, much like Trump?

Questions on Foroohar, “America Is Telling ...”

- Why is the new policy not “America First”?
- What are the “chokepoints” mentioned by USTR Tai?
- What is Tai’s objection to free trade agreements?
- Tai wants to help workers, here and abroad. How?

