

# PubPol/Econ 541

Class 9

## **Policies and Institutions: National, United States**

by

Alan V. Deardorff  
University of Michigan  
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# Announcements

- Office hours: I'll be there today only until 10:30.
- Quiz: Today's quiz does not ask for you to upload any file.

# 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
  - Trade Adjustment Assistance
  - Fast Track
  - GSP
- US of 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 several years ago that he sought to consolidate many of these in a single agency
  - He never did



# US Trade Institutions

- USTR = United States Trade Representative
  - 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
- Cabinet-level official of  
US government



# 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)

# 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
  - Column 1: Tariffs applied to almost all countries
    - MFN rates for WTO members and others
    - Negotiated mostly zero rates for FTA members

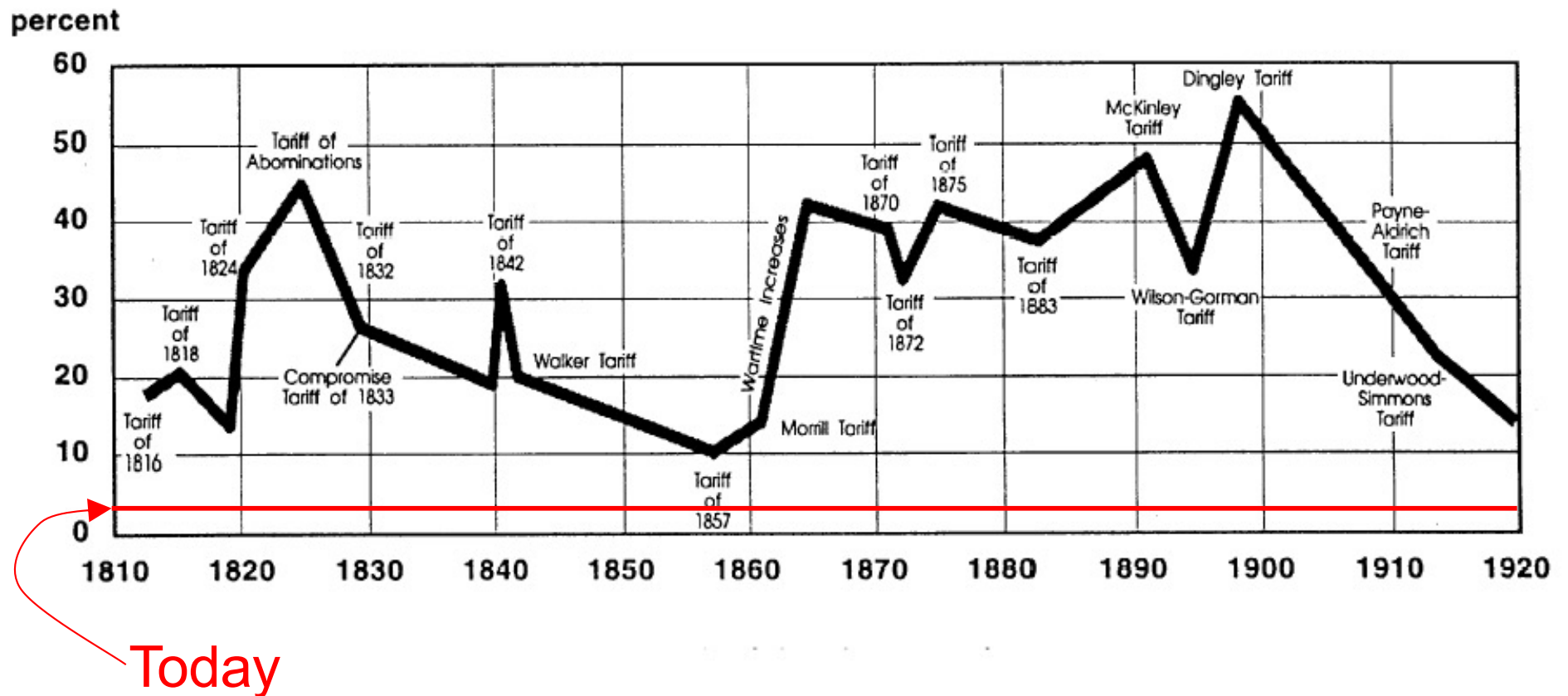
## Harmonized Tariff Schedule of the United States (2020) Revision 21

Annotated for Statistical Reporting Purposes

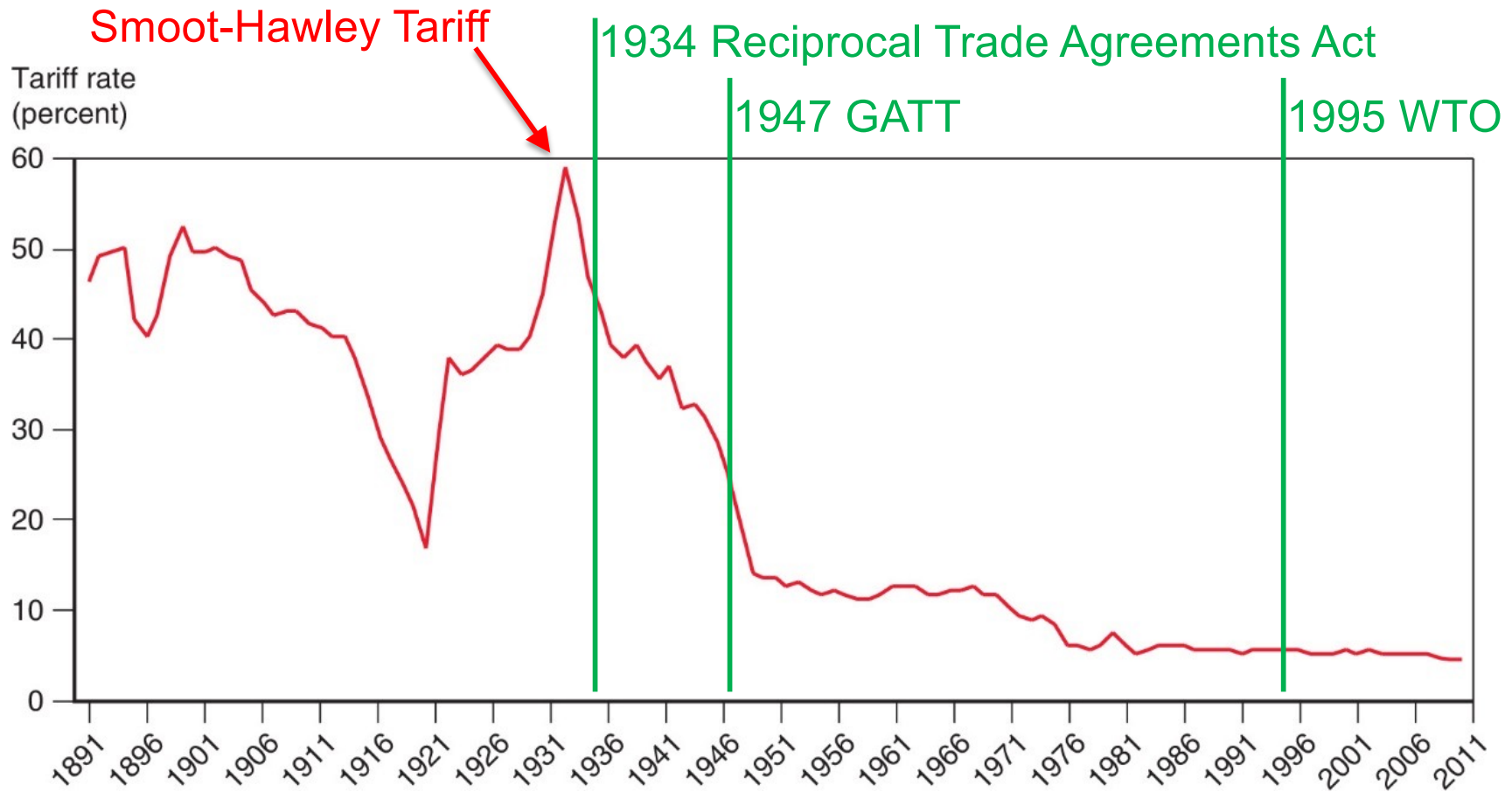
XVII  
87-5

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% <sup>1/</sup>	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



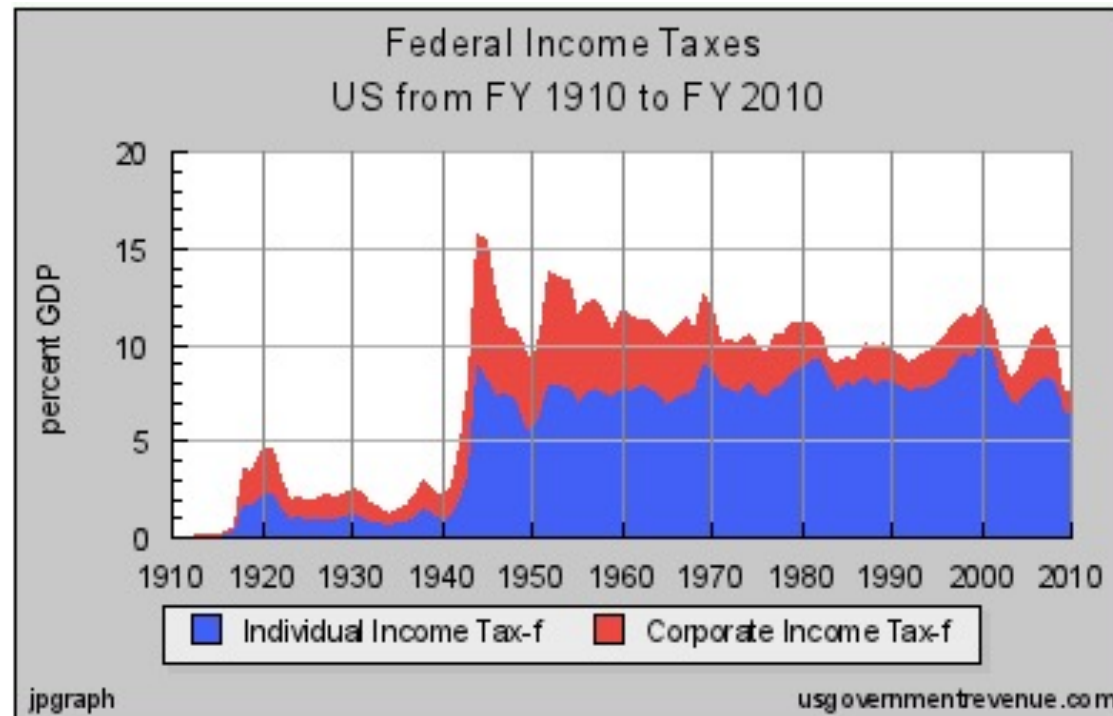
# Figure 10.5 The U.S. Tariff Rate



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%
    - Agriculture

<b>Product</b>	<b>AVG %</b>	<b>MAX %</b>
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

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# 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 have 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 30

# 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 Dec 2-7

# 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)
  - 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; not after that 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

- 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
  - Will study more Nov 23

# 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

**Table 2.6 Imports for consumption under specified tariff preference programs, annual, 2018–20**

In millions of dollars and percentages. AGOA = the African Growth and Opportunity Act; CBERA = the Caribbean Basin Economic Recovery Act; CBTPA = the Caribbean Basin Trade Partnership; HOPE = the Haitian Hemispheric Opportunity through Partnership Encouragement Act of 2006 and of 2008; GSP = the U.S. Generalized System of Preferences; GSP-LDBC = the U.S. Generalized System of Preferences for least-developed beneficiary developing countries; NTPP = the Nepal Trade Preference Program.

<b>Tariff preference program</b>	<b>2018 (million \$)</b>	<b>2019 (million \$)</b>	<b>2020 (million \$)</b>	<b>Percentage change 2019–20 (%)</b>
AGOA (excluding GSP)	10,817	7,312	3,227	-55.9
GSP, AGOA eligible	1,274	1,078	901	-16.4
Total AGOA (including GSP)	12,091	8,390	4,128	-50.8
CBERA (including CBTPA/Haiti HOPE) <sup>a</sup>	1,689	1,774	1,689	-4.8
GSP (including GSP-LDBC)	24,000	21,027	16,794	-20.1
NTPP	3	3	2	-33.3
Total tariff preference programs <sup>b</sup>	36,510	30,117	21,713	-27.9

Source: USITC DataWeb/Census, accessed February 25, 2021.

Note:

<sup>a</sup> CBERA data in 2019 incorporate USITC estimates to account for the misclassification of certain imports of methanol as not having received duty preferences under CBERA when in fact they did. These data will be subject to a forthcoming revision from the U.S. Census Bureau. Data available through USITC's DataWeb or the Census Bureau's USA Trade Online will not incorporate these revisions, until the Census Bureau's release of annual revisions in June 2022. U.S. government representative email message to USITC staff, July 20, 2021.

<sup>b</sup> Total tariff preference programs = AGOA (excluding GSP) + CBERA/CBTPA/Haiti HOPE + GSP (including GSP-LDBC) + NTPP. Because of rounding, figures may not add to totals shown.

Source: USITC “The Year in Trade 2020”



**Table 2.7** The utilization rate of specific tariff preference programs, annual, 2018–20

In percentages. AGOA = the African Growth and Opportunity Act; CBERA = the Caribbean Basin Economic Recovery Act; CBTPA = the Caribbean Basin Trade Partnership; HOPE = the Haitian Hemispheric Opportunity through Partnership Encouragement Act of 2006; GSP = the U.S. Generalized System of Preferences; GSP-LDBC = U.S. Generalized System of Preferences for least-developed beneficiary developing countries; NTPP = the Nepal Trade Preference Program.

Tariff preference program	2018	2019	2020	Percentage point change	
				2019–20	
AGOA (excluding GSP)	77.2	64.2	52.9	-11.3	
Total AGOA (including GSP)	86.3	73.6	67.6	-6.0	
CBERA (including CBTPA/Haiti HOPE)	65.3	74.6	70.0	-4.6	
GSP (including GSP-LDBDC)	50.3	42.3	51.3	9.0	
NTPP	47.1	49.1	51.5	2.4	
Total tariff preference programs	56.7	47.5	52.6	5.1	

Source: USITC DataWeb/Census, accessed February 25, 2021.

Note: The utilization rate is measured by imports under specified tariff preference programs as a share of total program-eligible country imports. Percentages reflect the total imports for consumption under the specified program as a share of imports for consumption of products classified under eligible Harmonized Tariff Schedule of the United States (HTS) 8-digit subheadings from program-eligible countries.

Source: USITC “The Year in Trade 2020”

# 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?

# US Trade Policies under Biden

- He's done very little, so far. Mostly waiting to study issues
  - Started discussions with EU on steel and aluminum tariffs
  - Settled the Airbus-Boeing dispute
  - Nuclear submarine exports to Australia

# US Trade Policies under Biden

- USTR says Biden wants trading system that
  - “is fair”
  - “promotes inclusive economic growth”
  - “reflects America’s universal values”
  - “respects the dignity of work”
  - “values Americans as workers and wage-earners, not only as consumers”

# US Trade Policies under Biden

- Restore U.S. global leadership on critical matters like
  - combatting forced labor
  - exploitative labor conditions
  - corruption,
  - discrimination against women and minorities

# US Trade Policies under Biden

- Wants trade policies to
  - address the climate crisis
  - bolster sustainable renewable energy supply chains
  - end unfair trade practices
  - discourage regulatory arbitrage
  - foster innovation and creativity



# US Trade Policies under Biden

- Address China's Coercive and Unfair Economic Trade Practices through a comprehensive strategy
  - more systematic approach than the recent piecemeal approach
  - comprehensive review of policy toward China
  - address China's "detrimental actions"
  - address the widespread human rights abuses
  - strengthen enforcement

# US Trade Policies under Biden

- China's "detrimental actions." List includes:
  - China's tariffs and non-tariff barriers,
  - government-sanctioned forced labor programs,
  - overcapacity in numerous sectors,
  - industrial policies utilizing unfair subsidies,
  - export subsidies,
  - technology transfers,
  - illicit acquisition and infringement of American intellectual property,
  - censorship and other restrictions on the internet and digital economy.

# Pause for Discussion

# Questions on USTR “Agenda”

- Does this agenda include removing any of the tariffs that President Trump put in place?
- Does this say the US will restore the WTO Appellate Body to functioning?
- Does it plan to make new trade agreements with other countries?
- What constituency within the US seems to be of most concern to the Biden administration?
- What other country seems to be of most concern to the Biden administration in its trade policy?

# National Defense Tariffs

- Section 232 Tariffs
  - Used by Trump on Steel and Aluminum
  - Has basis in US law, but WTO legality still questioned (see Fefer et al.)
  - Biden administration insists WTO cannot question this

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

<b>Investigation</b>	<b>Instituted</b>	<b>Report Submitted</b>	<b>Outcome</b>
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. <sup>a</sup>
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:

<sup>a</sup>The report was publicly released in 2021.

Source: USITC “The Year in Trade 2020”

# Pause for Discussion

# Questions on Fefer

## “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?



