

Trade Update and Outlook: A View from Washington



**CalChamber International Forum
May 31, 2017**



Who Said It?

“We are absolutely going to keep trading. I am not an isolationist... I want free trade, but it’s got to be fair trade. It’s got to be good deals for the United States... The fact that I’m negotiating trade will mean that we’re going to make good trade deals.”

TRUMP 2016

**NAFTA has been “devastating”
and “a big mistake... We should
use the hammer of a potential
opt-out as leverage to ensure
that we actually get labor and
environmental standards that
are enforced.”**

OBAMA 2008

The Opportunity and the Challenge of Trade

The Opportunity of Trade

- **JOB**S: 41 million American jobs depend on international trade
- **GROWTH**: Exports rose by 50% in 2009-2014
 - *Led by growth in exports to Mexico and Canada*
- **MANUFACTURING**: 1/2 of the 12 million U.S. manufacturing jobs depend on exports
- **AGRICULTURE**: 1 in 3 acres on U.S. farms planted for export

Opportunity for California

- **Over \$287 billion in exports**
- **Mexico, Canada, China are top markets**
- **Trade supports more than 4.8 million jobs**
- **96% of exporters are SMEs**
- **39% of exports went to FTA countries**
- **Foreign firms employ 631,500 workers in California**

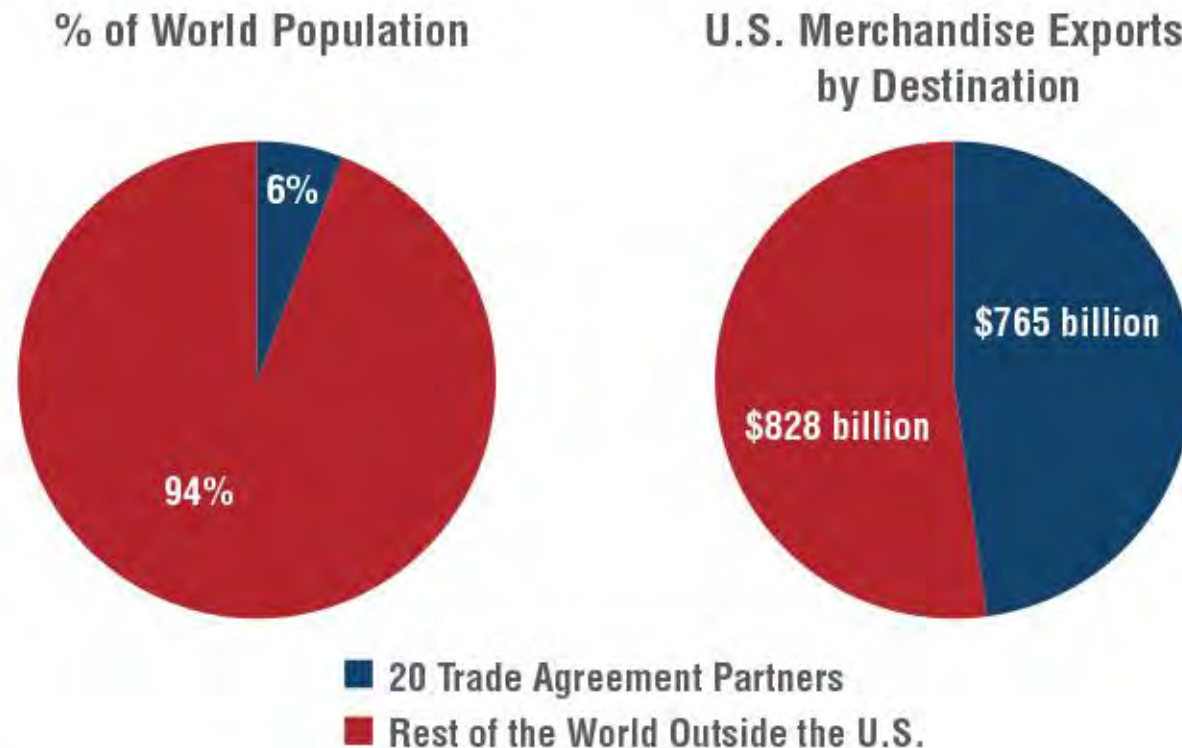
The Challenge of Trade

- **U.S. market largely open to imports, but tariffs in developing countries much higher**
- **It's like going into a basketball game down by a dozen points from the tip-off**
- **Discriminatory regulations and non-tariff barriers can make it even worse**

The Solution?

New, Market-Opening Trade Agreements

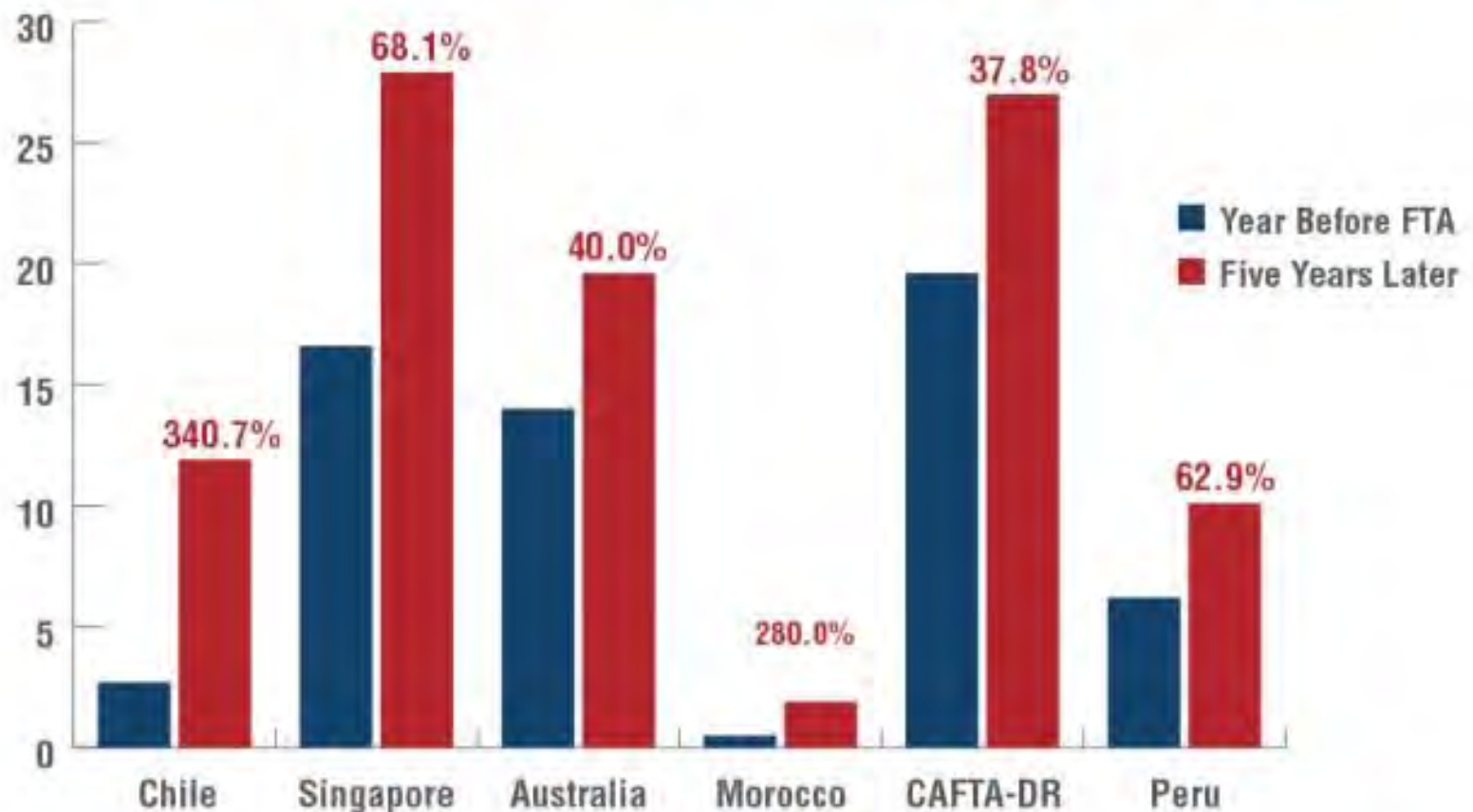
Trade Agreements Make BIG MARKETS Even Out of Small Economies



Sources: Derived from U.S. Census Bureau, U.S. Bureau of Economic Analysis data

Billions of U.S. dollars

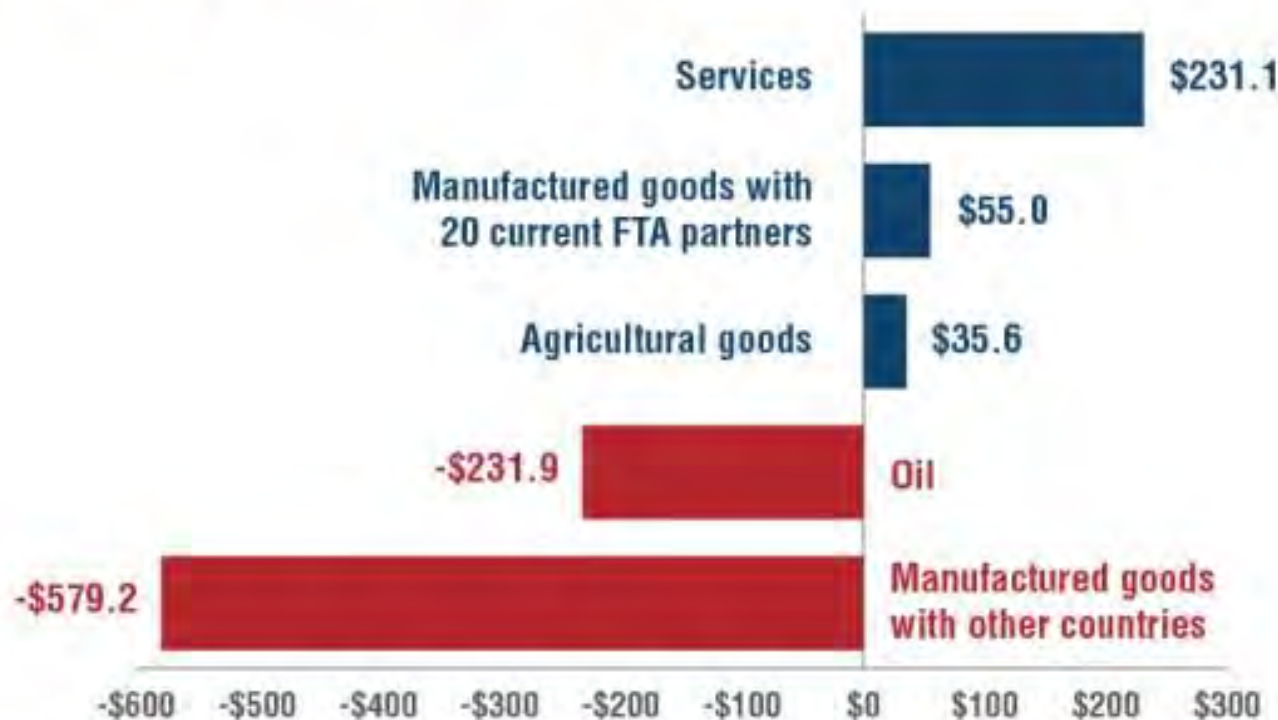
U.S. Merchandise Exports Boom



Sources: Derived from U.S. Census Bureau, U.S. Bureau of Economic Analysis data

Billions of U.S. dollars

Breaking Down the U.S. Trade Balance



Notes: Billions of U.S. dollars, 2014 data. Services exports and imports as reported in Table 1. U.S. International Trade in Goods and Services; manufactured goods include all products in NAICS categories 31-33; agricultural goods includes all products in NAICS categories 111-112; oil includes all products in NAICS categories 211.

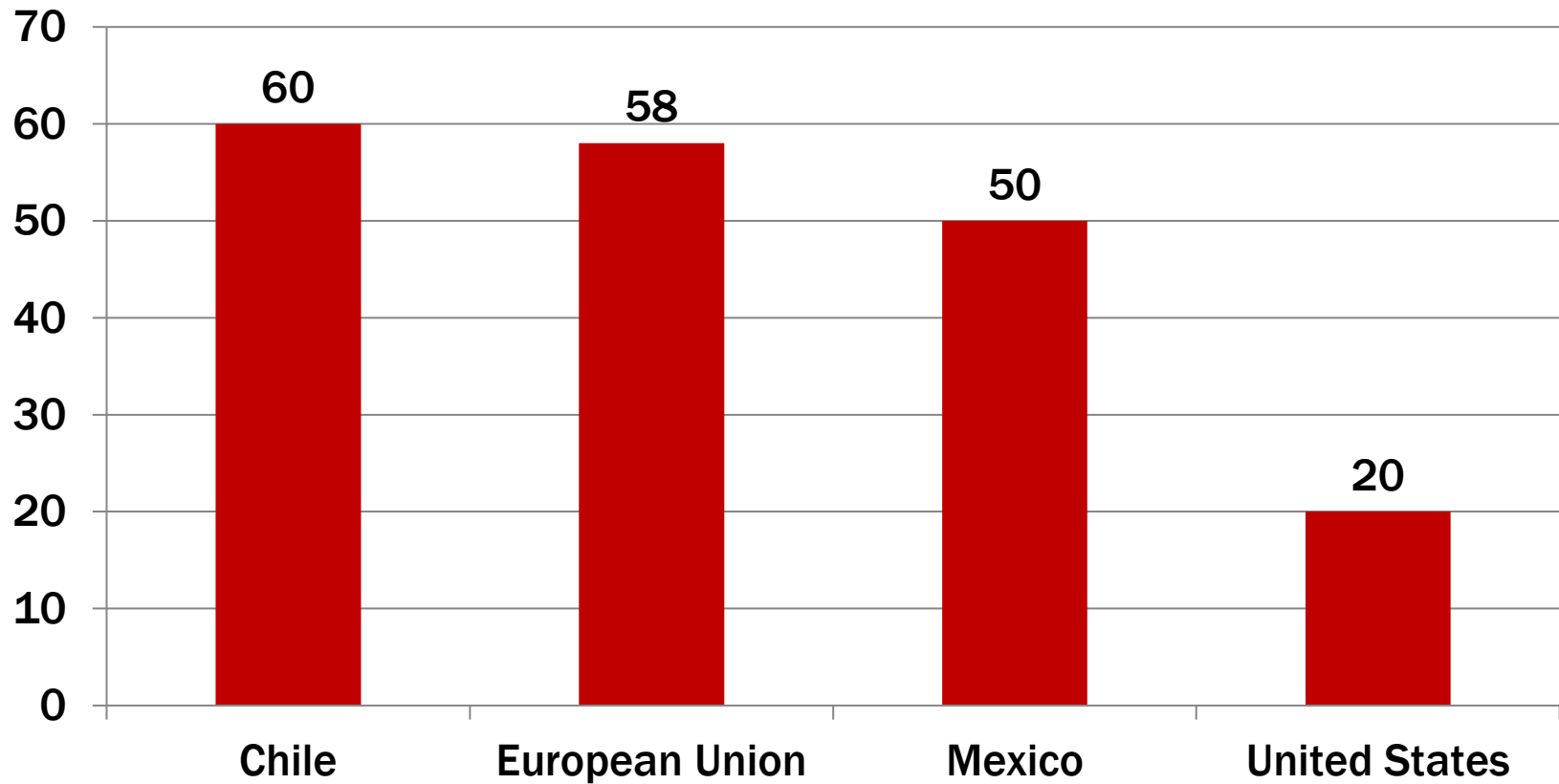
Sources: Derived from U.S. Census Bureau, U.S. Bureau of Economic Analysis data

America Left Behind?

- **U.S. exports rose substantially in 2000-2014**
- **But the U.S. share of global exports fell from 18% in 2000 to 8.5% in 2014**
- **423 FTAs in force, but U.S. has FTAs with just 20 countries**

Others Moving Ahead

No. of FTA Partner Countries



Trump's 7-Part Trade Plan

- 1) Withdraw from the *Trans-Pacific Partnership*
- 2) Appoint tough, smart trade negotiators
- 3) Crack down on violations of trade agreements
- 4) Renegotiate **NAFTA** or withdraw from it
- 5) Label **China** a currency manipulator
- 6) Challenge China subsidies, trade secret theft
- 7) Impose tariffs on imports if needed

Executive Actions

- President Trump Executive Action on January 23, 2017:
I hereby direct you to withdraw the United States as a signatory to the Trans-Pacific Partnership (TPP), to permanently withdraw the United States from TPP negotiations, and to begin pursuing, wherever possible, bilateral trade negotiations to promote American industry, protect American workers and raise American wages.
- Additional Executive Orders
 - FTA Review, OTMP, “Buy American, Hire American,” Steel/Aluminum imports, trade deficits, anti-dumping enforcement

“Renegotiate/Withdraw from NAFTA”

- **“[NAFTA is] a disaster...We will either renegotiate it, or we will break it. Because, you know, every agreement has an end”**
- **Threat to impose a 35% tariff on imports from Mexico**
- **Trump on April 27: “If I'm unable to make a fair deal for the United States, meaning a fair deal for our workers and our companies, I will terminate NAFTA. But we're going to give renegotiation a good, strong shot.”**

The Facts on NAFTA

- ***JOBS:*** 14 million American jobs depend on trade with Canada and Mexico
 - 333,472 in MA
- ***EXPORTS:*** \$3.5 billion every single day and \$1.2 trillion a year
- ***MANUFACTURING:*** For manufactured goods, the U.S. ran a cumulative trade *surplus* with Canada and Mexico of more than \$70 billion over the past eight years (2008-1015).
- ***AGRICULTURE:*** Increase by 350%

NAFTA Recommendations

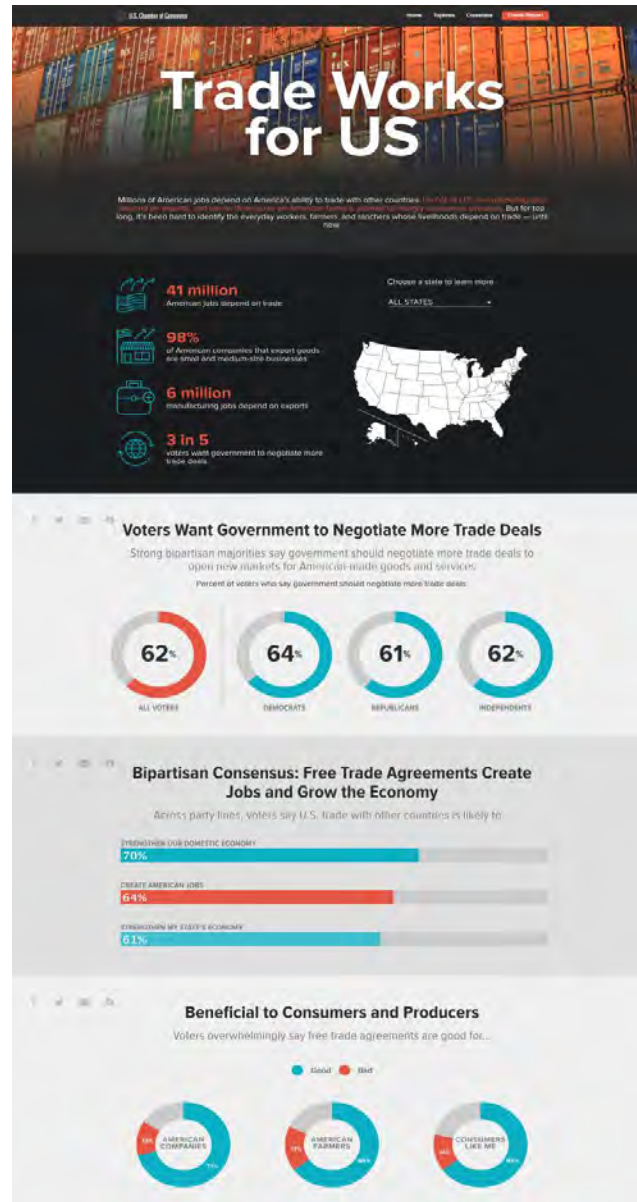
- 1. First, Do No Harm**
- 2. Move quickly**
- 3. Keep it Trilateral**
- 4. Use the Amendment Process**
- 5. Consult with Congress (TPA)**

Notification letter sent to Congress on May 18

Multilateral vs. Bilateral

- **Trump Administration skepticism of multilateral approaches to trade**
- **Future of negotiations at the WTO:**
 - Old Issues-DDA, EGA, TiSA**
 - New Issues-Digital Trade/E-commerce**
 - December Ministerial**
- **Bilaterals the way forward?**
 - Japan, Vietnam, Malaysia, U.K.**
 - Warming up to TTIP?**
 - Dynamic of TPP 11**

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Final Thoughts

- **A new dealmaker in chief**
- **“Where you stand is where you sit”**
- **Role of Congress on Trade (TPA)**
- **All eyes on NAFTA**
- **Need to be vocal/Faces of Trade**
- **Q+A**

Christopher Wenk

**Executive Director
International Policy**

U.S. Chamber of Commerce

cwenk@uschamber.com

@ChristopherWenk