NATIONAL TRADE POLICIES & INTERNATIONAL COMPETITIVENESS – PUBLIC ADMINISTRATION CHALLENGES

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U.S. International Trade Commission

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FULL TITLE

PUBLIC ADMINISTRATION CHALLENGES IN FORMULATING AND IMPLEMENTING TRADE POLICIES THAT CONTRIBUTE TO GLOBAL COMPETITIVENESS
BASIC PRINCIPLES

• Successful national trade policies depend on strong domestic economic policies

• Good trade policies require:
  – sound economic analysis
  – inclusive policy formulation processes
  – Good national trade laws
WHAT IS THE USITC?

- The USITC is an independent, nonpartisan, quasi-judicial federal agency
- Independence ensured by design
  Led by 6 Commissioners, evenly divided by party
  Nominated by President; confirmed by Senate
  Chairman rotates every two years
- Staff of around 370 - mainly industry specialists, economists, attorneys
- Is not a policymaking body
- Originally created in 1917 as the U.S. Tariff Commission
ITC KEY FUNCTIONS

• Maintains U.S. tariff schedule

• Provide objective information and analysis to the President and Congress to assist them in developing U.S. trade policies

• Administers certain U.S. trade remedy laws
FIVE MAIN AREAS OF RESPONSIBILITY:

1. **Import Injury**
   Administer Anti-dumping/countervailing duties and safeguard trade remedy laws

2. **Intellectual Property Rights**
   Section 337 cases – imports found to be unfair because they infringe U.S. patents or other intellectual property rights

3. **Industry and Economic Analysis**
   Conduct fact-finding investigations re FTA and other trade issues

4. **Trade Policy Support**
   Provide assistance to Congress and USTR on trade negotiations and other ongoing trade related matters

5. **Tariff and Trade Information Services**
   Maintain the U.S. tariff schedule
Trade Has Become a Larger Part of the U.S. Economy

- Trade, as a share of U.S. gross domestic product, has increased from 9 percent in 1965 to almost 32 percent in 2011.

Source: BEA
Service jobs have become more important

- Source: World Bank, World Development Indicators (8/23/18)
BENEFITS OF IMPROVED IPR PROTECTION

- Raising Chinese IPR protection to a level comparable to that in the U.S. could increase:
  - U.S. employment by an estimated 2.1 million workers
  - U.S. exports & sales to China by an estimated $107 billion
  - Chinese economic benefits (e.g., productivity, exports) given a business environment that will protect more domestic innovation

Source: Research results from USITC’s China IPR Investigation #332-519 (May 2011)
Global supply chains:
Sources of value in a specific product

<table>
<thead>
<tr>
<th>Country</th>
<th>Components: $10.75</th>
<th>USA</th>
<th>USA</th>
<th>Retail price: $500.00</th>
</tr>
</thead>
<tbody>
<tr>
<td>Korea</td>
<td>$22.96</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Germany</td>
<td>$30.15</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Japan</td>
<td>$60.60</td>
<td></td>
<td></td>
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</tr>
<tr>
<td>Rest of world</td>
<td>$48.04</td>
<td></td>
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</tr>
</tbody>
</table>

- Although the iPhone says “made in China”, only a small amount ($6.50) of the $179 value of each iPhone exported to the US is added in Chinese assembly.
- The United States adds $10.75 of value in components to each phone—more than China!
- Apple and other U.S. retailers capture substantial value ($321)

Source: Xing and Detert, 2010
FOREIGN INPUTS

• Since the 1970s use of foreign inputs has increased from 15% of gross export value to 25-30%

• More than half of global manufacturing imports and 70% of service imports are intermediates

• Inefficiencies between stages become more important
WTO IMPACT (1)

- The WTO Agreements require countries to have good policy coordination mechanisms.
WTO IMPACT (2)

• Governments have created specialized departments and allocated responsibilities more clearly and revised administrative and policy practices to ensure that WTO obligations are complied with and that they take advantage of the benefits of the agreements.
AGENCIES IN THE TRADE POLICY FORMULATION PROCESS
Trade Promotion Authority Timeline

- **90 days prior to negotiations**
  - President notifies Congress of intent to enter into negotiations

- **30 days prior to negotiations**
  - President publishes negotiating objectives

- **Negotiations Begin**

- **Agreement Signed**

- **Agreement Introduced**

- **180 days prior to signature**
  - President reports to Congress on potential changes to US trade remedy laws

- **90 days prior to signature**
  - President notifies Congress of intent to enter into agreement

- **60 days prior to signature**
  - President publishes full text of agreement on the internet

- **60 days after signature**
  - President reports to Congress on the changes to U.S. law that are required to comply with agreement

- **105 days after signature**
  - ITC must complete study of agreement’s economic impact

- **30 days before introduction**
  - President must submit final text of agreement to Congress

- **Final votes within 90 session days**
  - The House must vote within 60 days and then the Senate must vote within 30 days

- **Senate consideration**
  - Senate Finance must vote on bill within 15 session days of House; full Senate within 15 days of Committee

- **House consideration**
  - House Ways & Means must vote on bill within 45 session days; then full House must vote within 15 session days of Committee
TRADE POLICY TAKES INPUTS
FROM MANY SOURCES
TRADE REMEDIES AND STANDARDS SETTING REQUIRE MULTIPLE LEVELS OF INVESTIGATION AND REVIEW
Thank You