



GLOBAL
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Briefing on the United States' TPR: Evidence from the Global Trade Alert

Presentation to the Friends of Multilateralism Group
5 December 2022

Simon J. Evenett, Professor of International
Trade & Economic Development and Founder
5 December 2022

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Sequence of this presentation



Setting the scene: Macroeconomic & Trade Performance since the last US TPR



- GDP per capita has grown since last TPR—and workers have benefited from this growth in terms of higher real wages and lower unemployment.
- Limited progress in reducing Carbon dioxide emissions—but note new legislation was enacted this year.
- Strong goods trade performance not matched by service sector trade—the total value of service exports have actually fallen in nominal terms since 2018.
- The past decade has seen a significant reduction in the number of trading partners whose largest export market is the United States.

Setting the scene | Development

USA's development trajectory



| Development metric | Amount | Observations |
|--|---------------------------|--|
| GDP (constant 2015 US\$) | \$20.3 trillion [2021] | Strong recovery. Despite a -3.4% contraction in 2020, the US economy grew 7.5% since 2017, three percentage points more than the average for high income nations. |
| GDP per capita (constant 2015 US\$) | \$61,280.4 [2021] | Widening the lead. Grew 5.3% over the period 2017-2021, two percentage points than High Income group average. |
| Real Labor Compensation per employee Growth (Local Currency) | 4.8% [2020] | Pro-worker growth. Increase of 5.9% in comparison to 2015. |
| Carbon Dioxide Emissions per capita (metric tons) | 15.2 [2018] | Worrisome. Despite falling from 2014 levels (16.0), emissions still remain among the highest of the world. |
| Gender Gap in Average Monthly Earnings (2017 PPP\$) | 26.6% [2021] | Some progress. Gap decreased 5 percentage point since 2017, but in absolute terms the gap is still the same. |
| Unemployment Rate | 3.5% [Sept 2022] | Very low. Historically low level of unemployment. |

Setting the scene | Trade Flows

USA's trade volumes



| Trade metric | Amount | Observations |
|--|------------------------|--|
| Exports of Goods | \$2.2 trillion [2021] | Rising fast. Since 2017, the total value of goods exported by the USA grew by 24.0%. |
| Imports of Goods | \$2.9 trillion [2021] | Rapid recovery. Despite a 6.3% fall in 2020, the USA ended with 21.9% growth over the period 2017-2021. |
| Main sources of US goods imports | - | China (18.5%), European Union (17.1%), Mexico (13.2%) |
| Exports of Services (BoP, current US\$) | \$771.2 billion [2021] | Stagnation. Barely increased since 2017. In fact, this total has fallen 4.5% in nominal terms since 2018. |
| Imports of Services (BoP, current US\$) | \$541.2 billion [2021] | Stagnation. Practically the same as 2017. |
| Main sources of US services imports | - | European Union (23.7%), United Kingdom (11.1%), Canada (6.0%) |
| Number of trading partners where USA is the largest export destination for goods | 17 [2019] | In 2010, the USA was biggest export destination for 30 trading partners. |



United States' Trade Policy Stance Today

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Coverage of current US commercial policy stance in the Global Trade Alert database

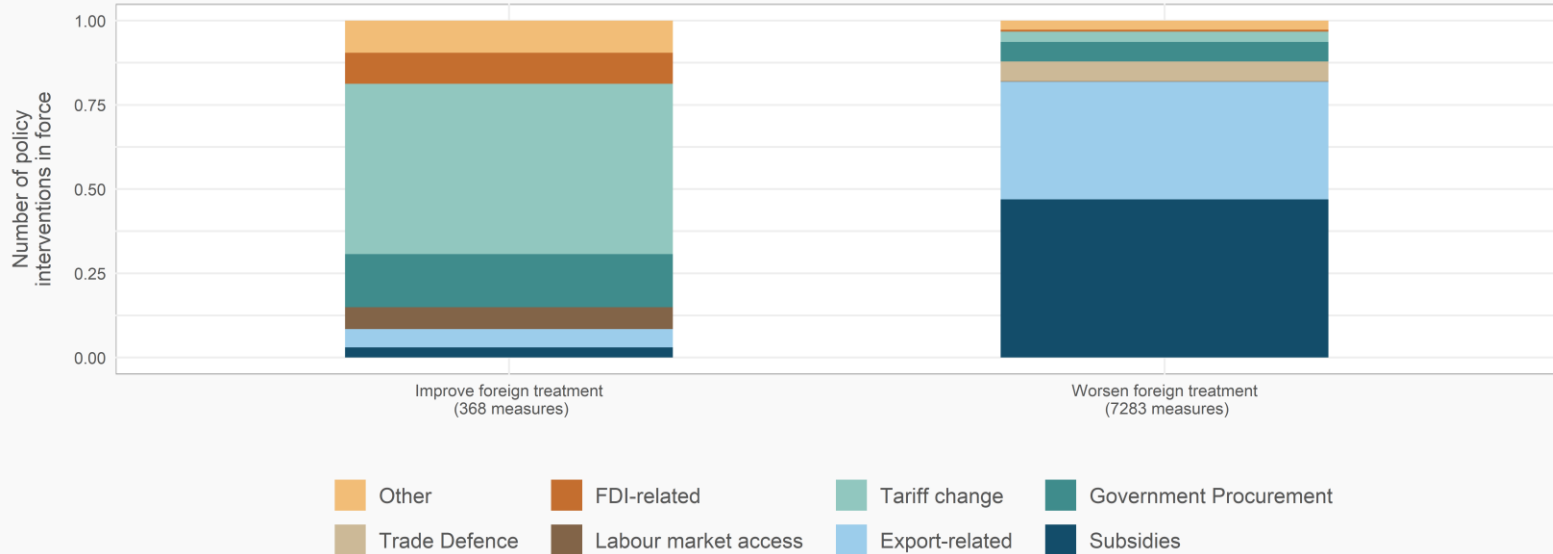


| Metric | Last TPR (17.12.2018) | Now (31.10.2022) |
|--|--------------------------|---------------------|
| Total number of policy interventions by the United States that harm the commercial interests of trading partners | 4963 | 7283 |
| Total number of commercial policy reforms by the United States | 253 | 368 |
| Total number of policy interventions by trading partners that harm the commercial interests of the United States | 4592 | 5662 |
| Total number of foreign commercial policy reforms likely to benefit the United States | 1567 | 2032 |

Note: At the end of October 2022, the GTA database contained 7651 (=7283+368) reports on measures taken by the USA that are currently in force. **Only 9 (less than 0.12%) such reports are based on non-official sources.**

Current state of play: 7651 measures in force—95% harm trading partners' interests

The USA's commercial policy mix in force on 31 October 2022



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Note: Since November 2008 a total of 8,691 policy interventions by USA have been recorded in the GTA database, of which 1,084 were tariff or trade defence measures. The WTO TMDB currently contains 454 goods-related actions and 23 service sector measures taken by USA.

63.9% of United States' harmful measures are concentrated in 20 sectors

Most frequently affected sectors
Top 20 CPC 2-digit Sectors

| | | | | |
|------------------|---|---|---|--|
| Others 36.10% | Electrical machinery & apparatus (CPC 46) 3.10% | Human health & social care services (CPC 93) 2.50% | Basic chemicals (CPC 34) 2.10% | Recreational, cultural & sporting services (CPC 96) 2.00% |
| | Passenger transport services (CPC 64) 3.30% | Special-purpose machinery (CPC 44) 2.50% | Office, accounting & computing machinery (CPC 45) 2.20% | |
| | | Supporting transport services (CPC 67) 2.60% | General-purpose machinery (CPC 43) 2.40% | Construction services (CPC 54) 2.40% |
| | ITC services (CPC 84) 3.40% | Bakery, grain mill & starch products (CPC 23) 3.00% | Medical appliances, precision & optical instruments, watches & clocks (CPC 48) 2.90% | Personal support services (CPC 85) 2.80% |
| | Pharmaceuticals & toiletries, man-made fibres & paint (CPC 35) 3.80% | Radio, television & communication equipment & apparatus (CPC 47) 3.60% | | Accommodation, food & beverage services (CPC 63) 3.40% |
| | Fabricated metal products, except machinery & equipment (CPC 42) 6.00% | | Basic metals (CPC 41) 5.80% | Transport equipment (CPC 49) 4.00% |
| | | | | |

“Excess capacity” sectors: US resorts to plenty of import curbs and subsidies to local firms

Figure 14. Indonesia, Argentina, India, and the United States restrict imports in “excess capacity” sectors on a larger scale

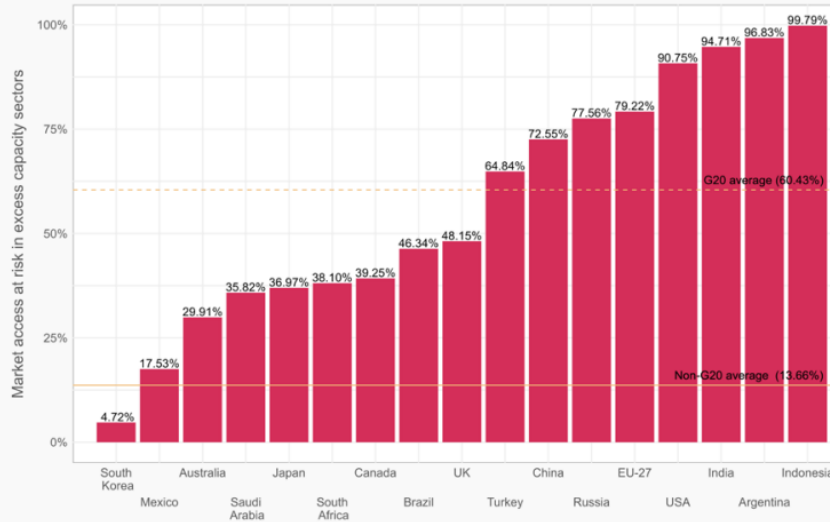
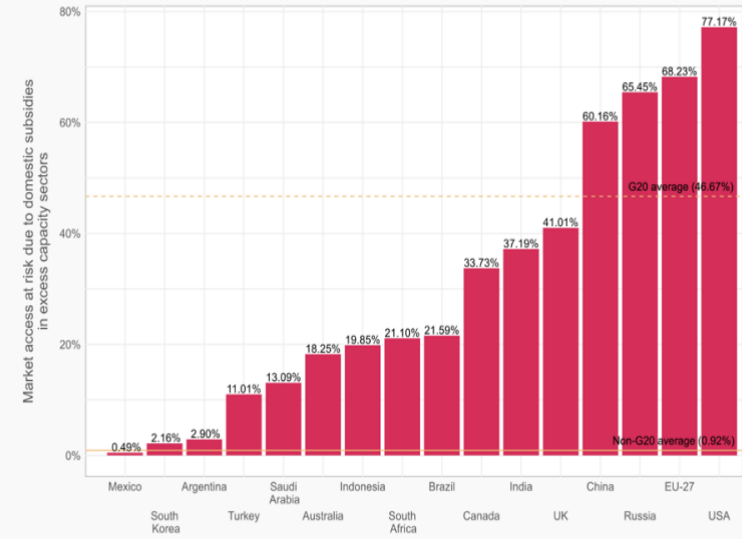


Figure 15. In “excess capacity” sectors, subsidies to local firms in the US, EU, Russia, and China threaten the most market access



Source: Global Trade Alert, *G20 Trade Policy Factbook*, November 2022.



United States' Trade Policy Evolution since its last TPR

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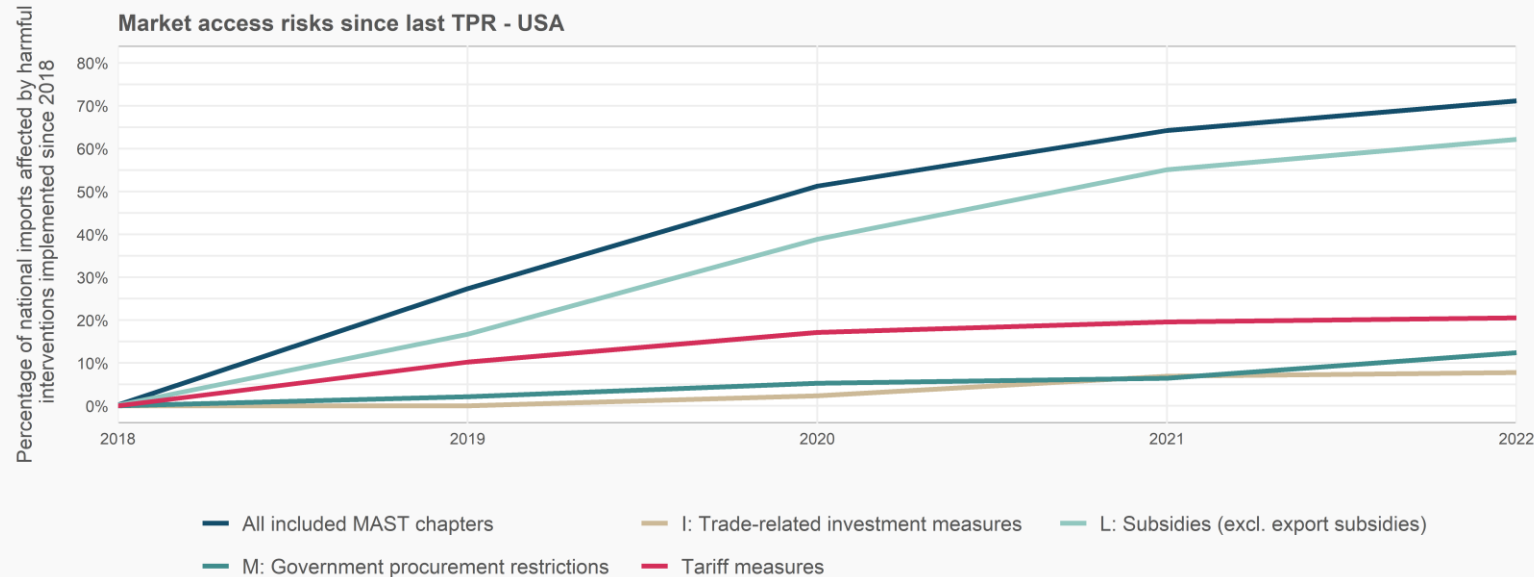
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A summary of the factual observations in this section



- Commercial policy reforms by the United States undertaken since its last TPR cover less than 20% of national imports. By contrast, over the same time frame, new harmful U.S. measures covered 70% of national imports.
- Measures taken by US cities and states—principally the award of corporate subsidies—covered a little under 20% of national imports.
- In terms of national imports covered, corporate subsidy awards are the largest market distorting practice—meanwhile tariff cuts are the largest reforming measure.
- The COVID-19 pandemic appears has had discernible impact on the build up of import shares covered by liberalising and harmful U.S. measures and on frequency of hits to foreign interests.
- A clean apples-for-apples comparison of the first 2 years of the Biden and Trump Administration reveals the former's commercial policy has favoured local firms more and liberalised less than the latter's commercial policy. Whether the record after 4 years is the same remains to be seen.

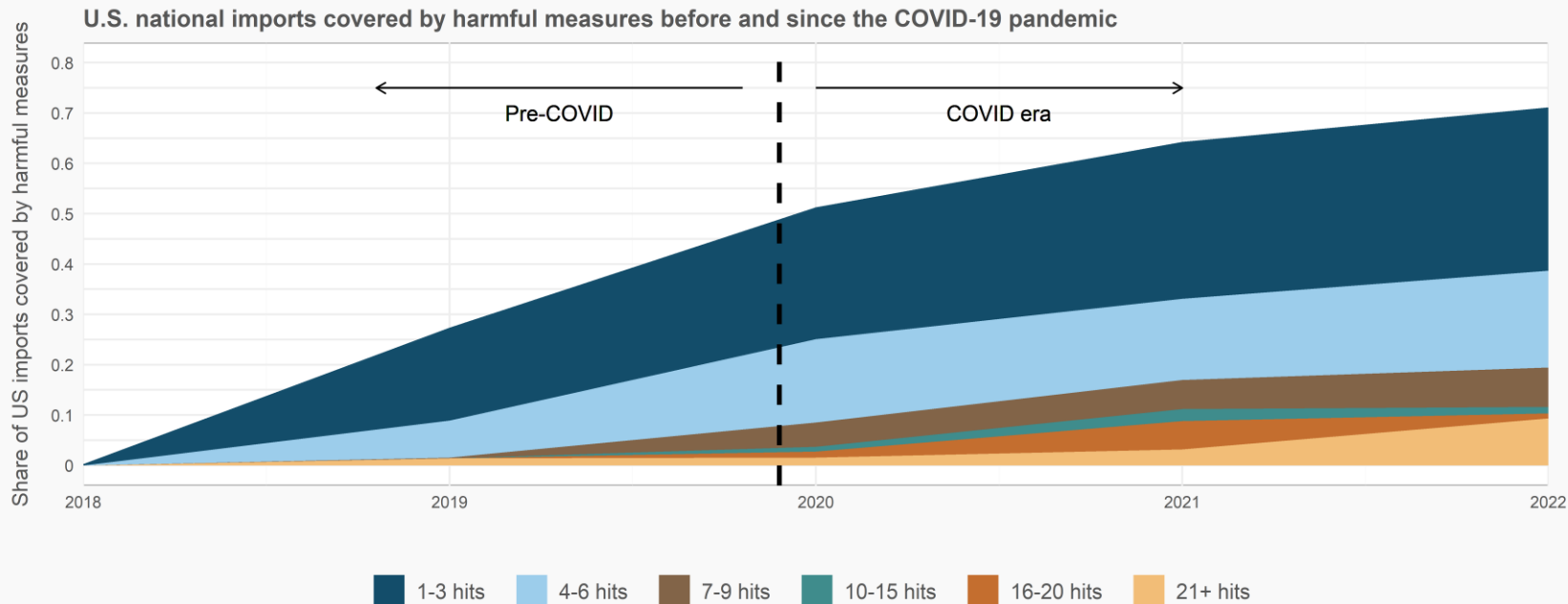
Goods market access at risk since last TPR: breakdown by class of policy instrument



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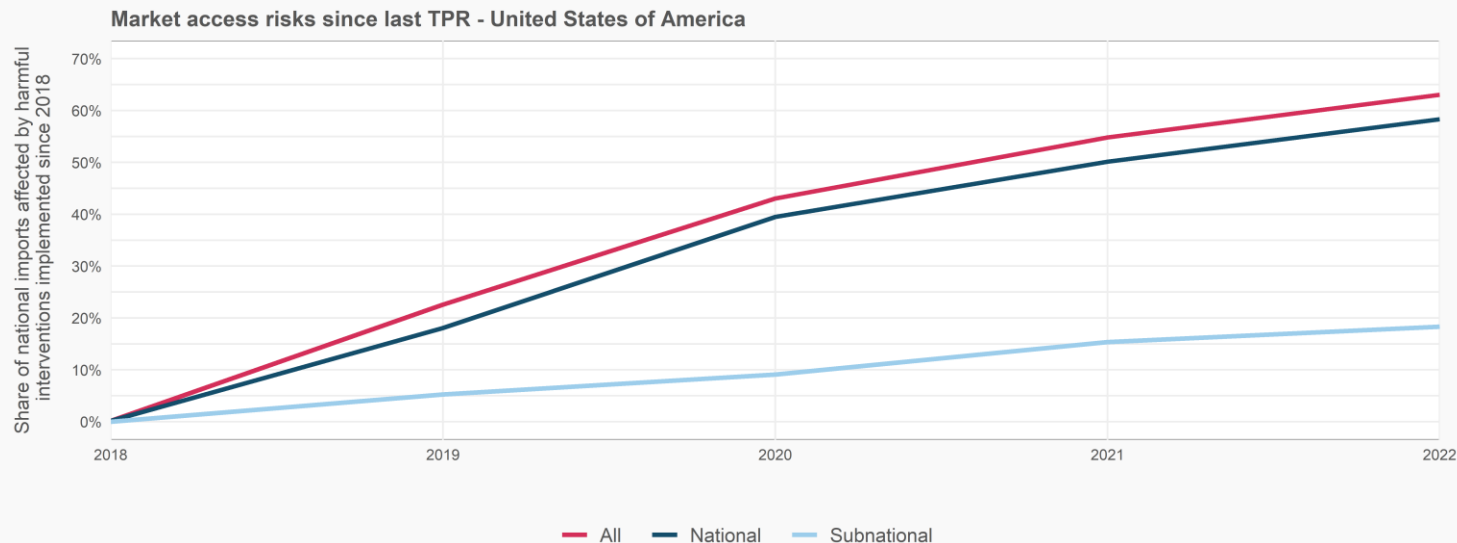
Recall UNCTAD's system for classifying NTMs into chapters is called MAST.

COVID-19 era: more & concentrated hits to foreign commercial interests



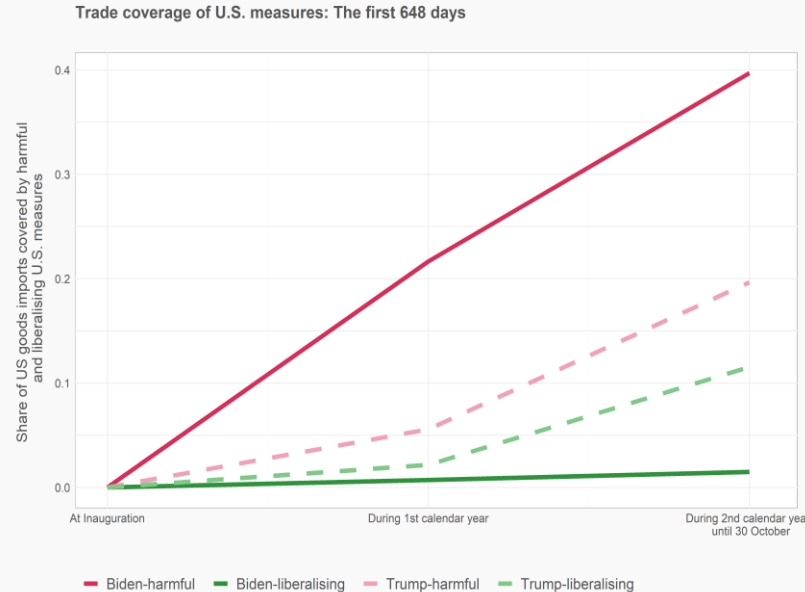
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Measures taken by U.S. cities and states contribute to market access threats as well



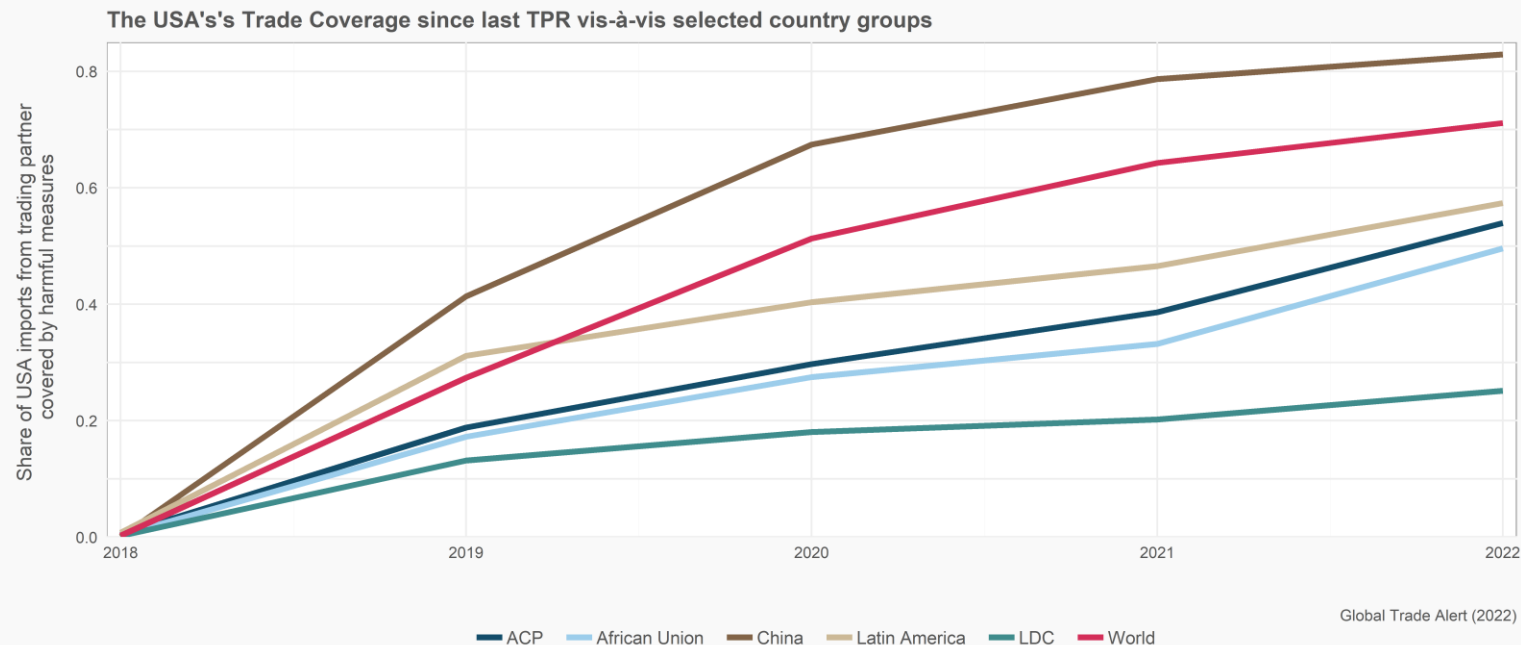
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Trade coverage estimates for the 1st two years of the Trump & Biden Administrations



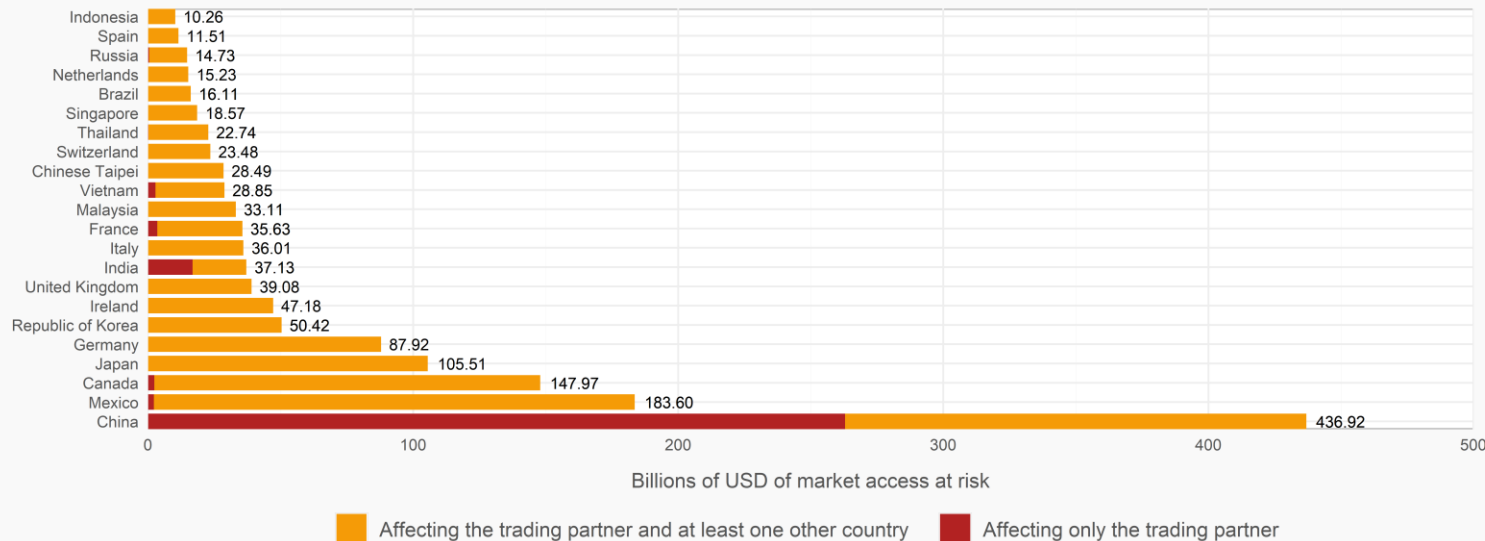
For the cleanest comparison only federal government measures count towards the reported totals in chart above.

Threats to LDC, AU, ACP and Latin America access to the US market below world level



22 trading partners have >\$10bn exports at risk from U.S. harmful policy changes since last TPR

Trading Partners with more than \$10B of goods trade at risk - USA



Note: Calculations based on trade weights for 2018.

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United States' Stake in the World Trading System

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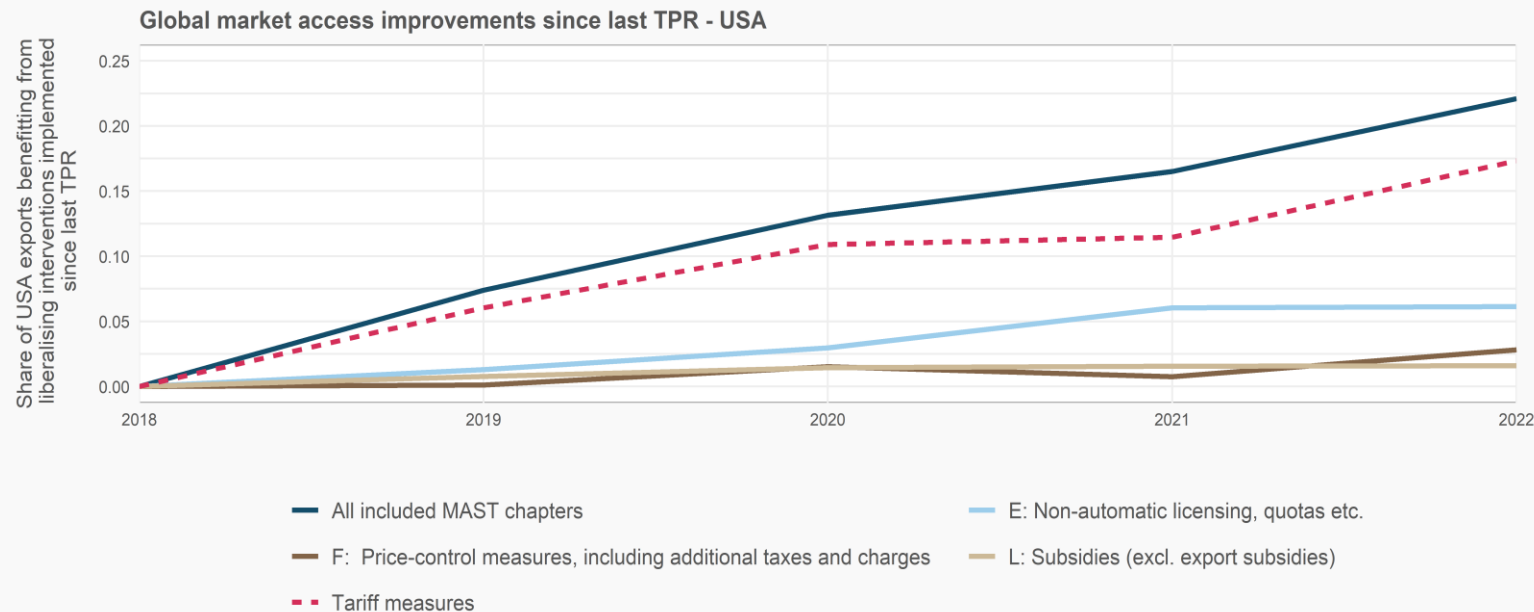
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A summary of the factual observations in this section



- Since its last TPR, trade reforms abroad have occurred in products and markets that created opportunities for nearly 25% of US exporters (by value).
- Just under 60% of US goods have seen foreign market access conditions deteriorate since the last TPR—largely on account of awards of corporate subsidies.
- Since its last TPR, eight of America's trading partners have taken steps that crimp the competitiveness of more than \$5 billion of US goods exports.
 - All eight trading partners are G20 members.
 - Very few of the measures taken by trading partners target only the United States.

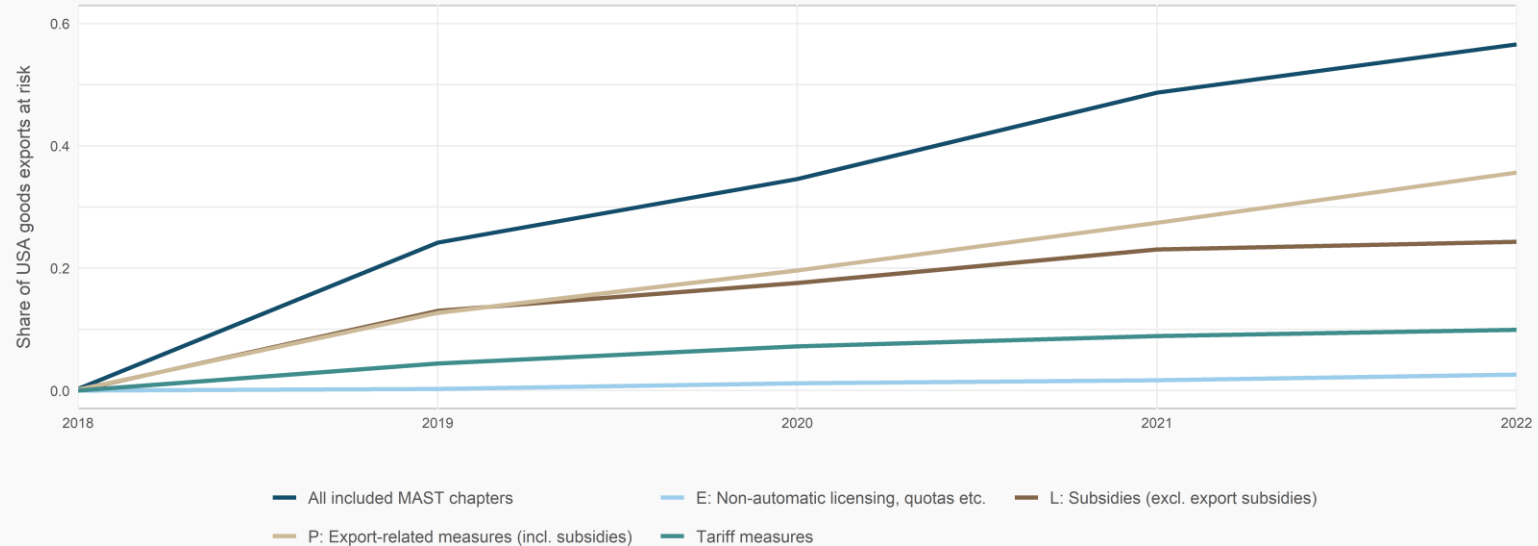
<25% of US exports face better conditions abroad: breakdown by class of policy instrument



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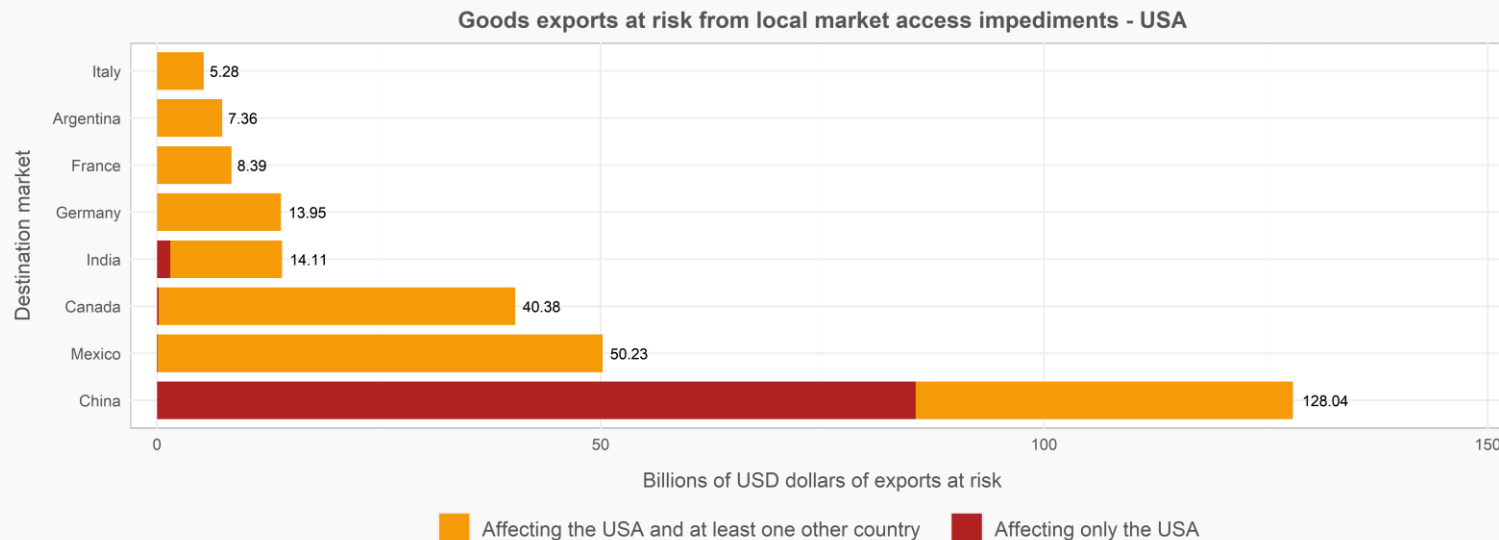
Like other WTO members, subsidies are the most pervasive threat to the USA's goods exports

Export-related measures threaten the most exports from the USA



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Market access threats to the USA's exports are concentrated in a few trading partners



Note: Destination countries are only included if more than USD 5B of exports from United States of America are affected by harmful interventions.

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Calculations based on trade weights for 2018.



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Questions Arising From the Evidence Presented Here

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Questions raised by the evidence in this presentation

1. What specific outcomes is the “worker-centric” trade policy seeking to achieve? What empirical evidence is there of meaningful progress towards those goals?
2. Given the revocation of MFN tariff status for China and the development of new non-binding approaches to bilateral and regional trade relations with allies, what role does the MFN principle play in the formulation of current U.S. commercial policy?
3. What steps can the United States take to ensure the pursuit of its geopolitical objectives do not unduly harm the commercial interests of trading partners?
4. The United States has no consolidated federal register of subsidies and many U.S. cities and states do not comply with Governmental Accounting Standards Board Statement No. 77 (requiring disclosure of tax breaks). What steps is the United States planning to take to enhance the transparency of corporate subsidies at all levels of government?
5. Why is recorded American trade in services stagnating?



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Back Up Slides

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Noteworthy USA Interventions

Measures **HARMFUL** to trading partner commercial interests



| Intervention Name | Implementation Date | Affected Countries (#) | Affected Sector | Intervention Type | Trade Covered (US\$ Billion) |
|--|---------------------|------------------------|--|--|------------------------------|
| Incentives package for Fiat Chrysler Automobile | 21/05/2019 | 26 | Motor vehicles, trailers & semi-trailer; parts | Financial Grant + In-kind Grant + Tax or Social Insurance Relief | |
| Apple secures a \$845 million tax incentive from the State of North Carolina for its new R&D campus investment | 26/04/2021 | 79 | 11 different CPC 3-Digit Sectors | Tax or Social Insurance Relief | |
| U.S. Administration issues the Agriculture Improvement Act of 2018 (Farm Bill) for the fiscal years 2019 through 2023 | 20/12/2018 | 147 | All food sectors | State loan | 158.1 |
| American Rescue Plan Act of 2021 | 11/03/2021 | 82 | 15 different CPC 3-Digit Sectors | State aid | 151.0 |

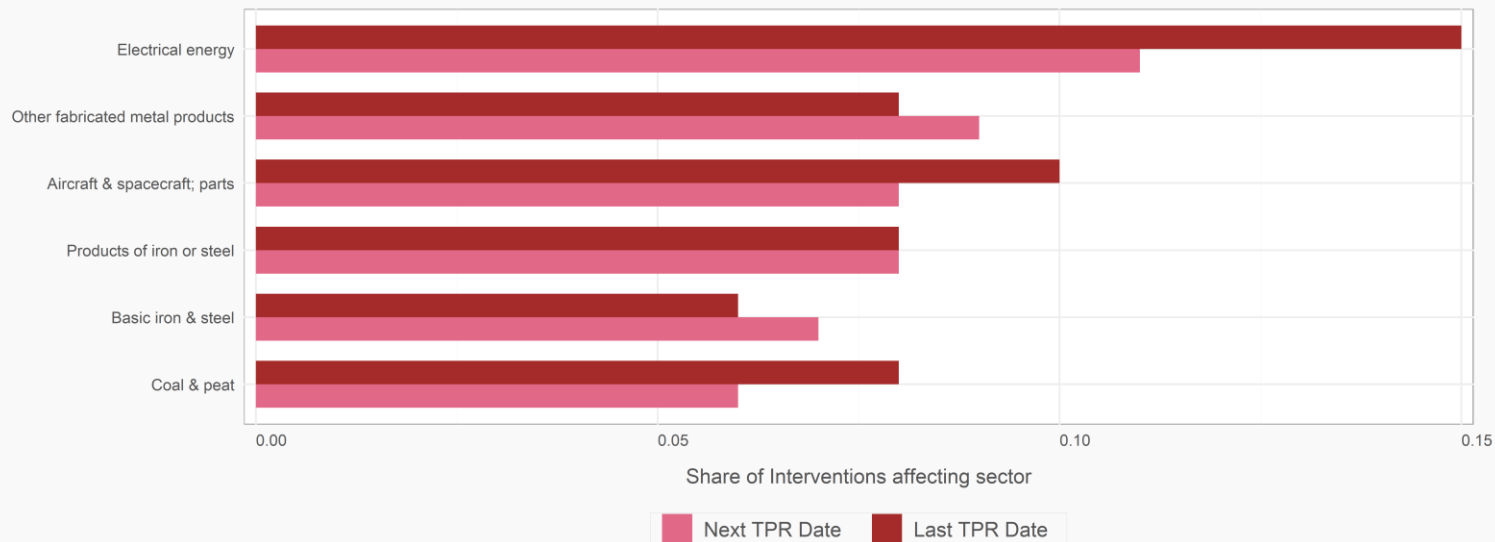
Noteworthy USA Interventions

LIBERALISING measures

| Intervention Name | Implementation Date | Affected Countries (#) | Affected Sector | Intervention Type | Trade Covered (US\$ Billion) |
|---|---------------------|------------------------|-----------------------------------|--|------------------------------|
| US Administration reduces tariffs from China following the phase-one trade deal | 14/02/2020 | 1 (China) | 122 different CPC 3-digit sectors | Import Tariff | 150.1 |
| “Safe Importation Action Plan” to facilitate the importation of certain prescription drugs from Canada and other countries | 31/07/2019 | 51 | Pharmaceutical products | Import-related non-tariff measure, nes | 121.8 |
| USTR excludes medical products from China Section 301 Tariffs | 01/01/2021 | 1 (China) | 20 different CPC 3-digit sectors | Import Tariff | 17.2 |
| U.S. Administration issues the Agriculture Improvement Act of 2018 (Farm Bill) for the fiscal years 2019 through 2023 | 20/12/2018 | 74 | 15 different CPC 3-digit sectors | Production Subsidy | 16.0 |

Traditional manufacturing sectors favoured; aircraft, coal, and electrical energy less so

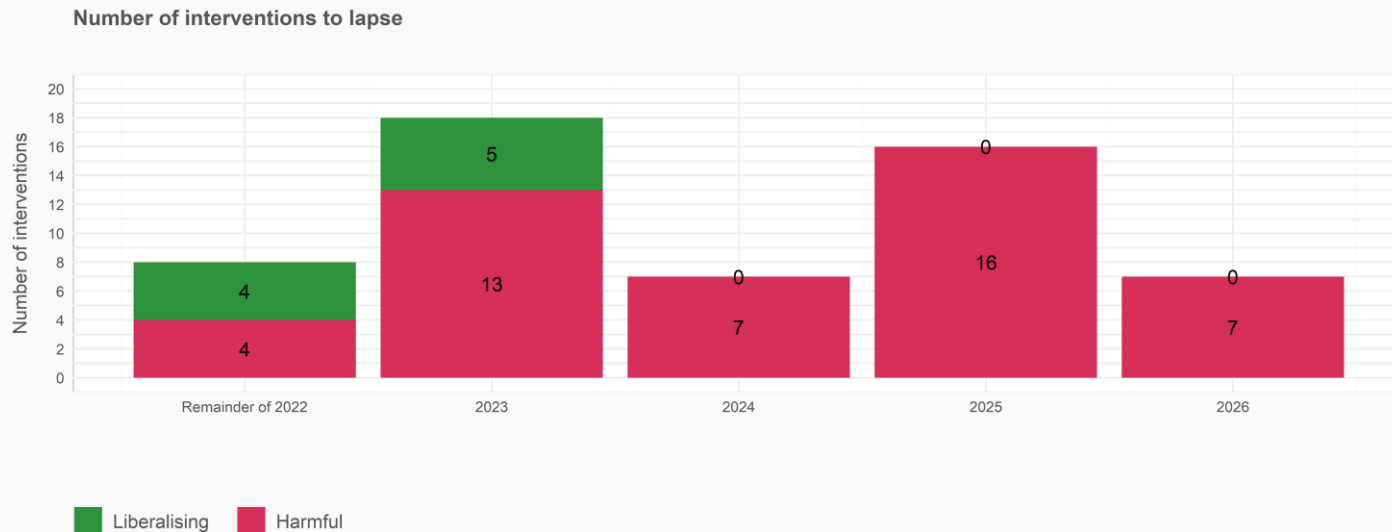
Distribution of USA's harmful measures by economic sector



Note: Only sectors accounting for 5% or more of harmful USA measures in force reported here."

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Looking forward: only 56 interventions will lapse by end 2026—9 had liberalised trade



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