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ITA's day in the sun

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ITA'S DAY IN THE SUN: It's a big day for the new Information Technology Agreement, which goes into force today more than six years after companies called for an update to the 1996 pact. The 50 signatory governments will begin to implement tariff cuts on everything from video game consoles to MRI machines.

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The updated deal will cut tariffs on 201 tariff lines representing hundreds of products. Some countries, such as Singapore, will immediately eliminate all tariffs, but others, including the United States, will take a more staged approach. The U.S. tech industry is worried that some countries are still lagging in adjusting their tariffs. China, South Korea and Japan won't meet the deadline today of implementing their initial tariff cuts, but aim to do so over the next few months.

Countries get some wiggle room on implementation. The ITA expansion ministerial declaration sets July 1 as the deadline for the first tariff cuts but specifies that the process is "subject to the completion of domestic procedural requirements."

"Given how hard everyone worked to reach agreement after four grueling years of negotiations and the many and abiding benefits ITA expansion will yield, it's pretty disappointing some of the major beneficiaries are relying on this technical process clause and missing the deadline," Semiconductor Industry Association President John Neuffer said in a [blog post](#) this morning. Read the presidential proclamation [here](#).

PROGRAMMING NOTE: Due to the July Fourth holiday, Morning Trade will not publish on Monday, July 4. Our next Morning Trade newsletter will publish on July 5.

TRUMP'S TRADE ADVISERS SPEAK: Donald Trump's proposals to end an "era of economic surrender" have been criticized as certain to start a trade war, but the Republican presidential candidate's top trade advisers say the plan unveiled this week was formulated to respond to a war already underway.

“He recognizes that China has been waging a trade war with us for the past two decades, and we have not shown up to engage China in that trade war,” said Dan DiMicco, a former steel executive the real estate mogul called on for trade advice about two months ago.

The other half of Trump’s new trade advising team, University of California Irvine economics professor Peter Navarro, said the policies suggested by the Republican presidential candidate are intrinsically defensive and meant to reverse the country's ballooning trade deficit.

“They are not protectionist,” said Navarro, who has run as a Democrat in three San Diego political races. “That’s a value-laden term. They are defensive in nature and they are meant to defend against predatory trade practices, and that’s the thrust of the policy.” Read the full story [here](#).

A NOT-SO-HAPPY ANNIVERSARY TO EX-IM: One year ago today, the Export-Import Bank lost its authorization after Congress let its charter lapse. While the bank ultimately regained its charter, it has been hobbled ever since by the persistent lack of quorum on its board. Now, the bank and some of its biggest customers are wondering how long the bruises of the past year’s turbulence will last.

Ex-Im’s woes are making the United States less competitive at a time when the rest of the world is becoming more so, as Group of Seven leading economies increasingly boost exports to drive economic growth, bank Chairman Fred Hochberg told POLITICO. Unless something changes fast, he warns, the shift toward foreign export credit could leave a lasting impact here at home as companies build new facilities overseas — taking jobs, supply chains and years’ worth of investment with them.

“The longer this delays, we give customers a chance to cancel orders or go elsewhere,” Hochberg said. “And those are jobs.” Stay tuned for the full story coming from Pro Trade’s Megan Cassella.

CATO GIVES TPP A THUMBS-UP: The Cato Institute is urging approval of the TPP, arguing the benefits of the 12-nation pact outweigh its shortcomings. “If the TPP will deliver more trade liberalization than restriction, and realistic alternatives to comprehensive liberalization are unavailable, why not support the TPP?” the libertarian think tank concluded.

Cato scholars evaluated 22 of the TPP's 30 chapters, ranking them on a scale of 1 to 10. The simple average score was 5.82, slightly above neutral. However, in Cato's view, the chapters dealing with market openings are more important than those on rules and governance. Taking that into account, it gave the pact a weighted average score of 6.03.

Former U.S. Trade Representative Clayton Yeutter agreed the pact fell short in some areas, but during a discussion at the think tank he argued it was strongly in the U.S. national interest for Congress to approve the pact. However, Derek Scissors, a resident scholar at the American Enterprise Institute, said the economic gains were too modest to justify the massive effort needed to win approval. To read the report, click [here](#).

REAGAN USTR: TRADE RHETORIC ‘SHAMEFUL’: Yeutter, who was U.S. trade representative under Ronald Reagan from 1985 to 1989, called Trump's views on trade appalling, while also criticizing Hillary Clinton for switching her position on the TPP.

"All of this rhetoric is just really troubling to me," the former Agriculture secretary and Republican National Committee chairman said. "I think most of it is shameful, and it's coming from both sides. ... There's a lot of loose language, and unfortunately it's getting worse instead of better, at least it has in the last few days, and I think that's just shameful."

Trump has threatened to walk away from TPP before it is even ratified and leave the 22-year-old NAFTA agreement unless Mexico and Canada agree to negotiate "a lot better" terms for the United States.

"We have a lot of trade agreements in the world. We ought to honor them all and when we start talking about tearing them up, that's just nonsense," Yeutter said. "If that were to really happen ... I worry about the carnage that would start to affect my kids and my great-grandkids, and I'm just appalled at this loose language that is being thrown around today."

The National Taxpayers Union called Trump's trade stance "incredibly irresponsible" after the candidate delivered another broadside at a town hall in New Hampshire on Thursday. "Tariffs are taxes on imports," NTU Executive Vice President Brandon Arnold said. "By threatening to impose tariffs on Mexico and China, Mr. Trump is proposing huge new taxes on American families and businesses. Even worse, he raised the possibility of a trade war with these nations that would only hurt American families and businesses by eliminating millions of jobs."

COULD CLINTON SAY 'READ MY LIPS, NO TPP'? Clinton has painted herself into a corner on the TPP by calling for changes that are nearly impossible to achieve, Philip Levy, a senior fellow at the Chicago Council on Global Affairs, said at the Cato discussion.

Her demand for the pact to contain enforceable currency provisions is "highly problematic," when the best that can be realistically achieved in that area is the non-binding side agreement already negotiated by the Obama administration, Levy said. Similarly, her call for changes to the automotive rules-of-origin would require Japan to give up one of its biggest gains from the agreement. "This is not a minor addendum," he said.

Levy said he also fears Trump would continue to attack Clinton from the left on the TPP, forcing her to take a harder and harder line against the pact. "The concern is we will move towards a 'read my lips, no TPP' kind of commitment as they fight this out across the battleground states in the industrial Midwest," he said.

Meanwhile, Yeutter offered a variation on the lame-duck action scenario, suggesting the possibility of a TPP vote in early 2017, after the new Congress is seated on Jan. 3 and before the president is sworn in Jan. 20. However, that would only be possible with a massive push from the agriculture and business communities, he said.

IMPORTERS DISAPPOINTED WITH OBAMA GSP LUGGAGE DECISION: Handbags and other travel goods from the Philippines, Thailand, Pakistan, Indonesia and Sri Lanka will continue to face tariffs as a result of a decision made by President Barack Obama under the Generalized System of Preferences, the American Apparel & Footwear Association complained.

"We are deeply disappointed," AAFA President and CEO Rick Helfenbein, said in a statement. "If President Obama had granted benefits to travel goods from all GSP-eligible countries, we

estimate the industry would have received benefits that could exceed \$75 million during the first year alone.”

Instead, Obama decided to only waive duties on the least-developed GSP countries and African Growth and Opportunity Act countries and indefinitely delayed a decision on the rest. “We will continue to fight for the addition of travel goods to the GSP program for all GSP-eligible countries,” Helfenbein said. To see all of the outcomes of the annual GSP review, click [here](#).

TPP TOBACCO CARVEOUT ‘UNFAIR AND UNNECESSARY’: That was the word from Geir Ulle, director of international trade for Japan Tobacco International, at the Cato discussion. Contrary to popular opinion, tobacco companies have not abused investor-state dispute settlement, Ulle argued, saying they have filed only two cases, one of which has been thrown out. That amounts to 0.3 percent of the ISDS caseload. “Is it really an abuse? I don’t think so,” he said.

SENATORS UNVEIL U.K. TRADE BILL: Really, who doesn’t love the U.K., land of the Beatles, Monty Python and the Rolling Stones, not to mention the close bonds forged in two world wars? In that vein, Republican Sens. Tom Cotton and Mike Lee want to help the U.K. as it navigates its Brexit from the European Union. This week, they offered the United Kingdom Trade Continuity Act, which would obligate the United States to continue all existing commercial agreements with the U.K. and also calls on the president to initiate negotiations for new bilateral agreements with the longtime ally within 30 days of the bill’s enactment.

LAWMAKERS SMELL FOUL PLAY IN HUMAN TRAFFICKING REPORT: The Senate Foreign Relations Committee will “carefully examine” the State Department’s annual human trafficking report and conduct public hearings to determine the integrity of its findings, Chairman Bob Corker said Thursday. Malaysia held onto its mid-level designation in this year’s report, a rating it controversially earned last year that made it legally easier for the country to remain part of TPP.

Some Democrats are saying the rating is undeserved and that the country has not done enough to stay off State’s list of worst human-trafficking offenders. Sen. Robert Menendez, who authored the TPA amendment last year that barred trade deals with any countries in the bottom tier from receiving fast-track treatment, said he expects Congress to thoroughly investigate the report’s methodology.

Rep. Sander Levin, meanwhile, called it “profoundly disappointing,” while Rep. Louise Slaughter labeled it “disheartening.” “It is bad enough that the administration wants to pass the misguided TPP that will hurt American workers,” she said in a statement, “but now it wants to sweep under the rug the fact that one of the proposed trading partners is a haven for human rights abuses and modern-day slavery.”

INTERNATIONAL OVERNIGHT

— Despite the looming threat of a WTO case, Bombardier delivers its first CSeries jet to Swiss International Air Lines, the Financial Post [reports](#).

— Experts say Brexit represents the first tangible retreat from globalization since World War II, Deutsche Welle [reports](#).

— Rep. Charlie Dent joins Speaker Paul Ryan and Sen. Ted Cruz in calling for a bilateral trade deal with the U.K., Bloomberg BNA [reports](#).

— A meeting between Obama and Canadian Prime Minister Justin Trudeau grew tense over softwood lumber, CBC [reports](#).