

Trump Ascendant, the United States in Decline: The Impact on Economic Relations between Korea and the US*

*Charles R. Irish***

ABSTRACT

The November, 2016 election of Donald Trump as 45th president of the United States was met with surprise, but also a great deal of dismay about the effects his policies would have on global economic affairs, including economic relations between Korea and the US. Based on Trump's campaign promises and his early morning tweets since his election, it appears that Trump's policies could have effects that range from moderately disruptive to the current global order to severely destructive of the existing system of international trade and investment. The conclusion of this essay is that the most likely impact will be on the less disruptive end of the scale. Trump is a narcissistic bore, a bully, and a misogynist. He seems to have no moral grounding and many of his business partners and consumers of his products claim that he is untrustworthy. There also are real questions about his ability to understand or deal with the complex world that extends beyond his penthouse apartment in Manhattan. But the people and institutions of the United States are much bigger and stronger than any single person, even somebody as disruptive as Trump as he ascends to the presidency. So, although it seems inevitable that Trump will bring protectionist trade policies into the White House, the combined power of the US Government's trade and foreign policy bureaucracy, the US Congress, and the private sector should be able to soften Trump's protectionist tendencies. There still is likely to be some disruption in international trade affairs, but this may be because hidden in Trump's rambling, bombastic, factually challenged rhetoric are some legitimate issues that the US should be addressing. On the specifics of Korea US economic relations, the effects of the Trump Administration are likely to be relatively limited. The one exception may be the KOR US FTA. Because of the importance of the KOR US FTA and the American perception that the agreement disproportionately favors Korea, Korea is likely to soon see visitors from the USTR and the US Department of Commerce seeking to renegotiate that agreement. It is reasonable to expect the renegotiations to be tough, but time consuming, so the impact of the renegotiations on Korea US economic relations is likely to be delayed for some time. Based on previous instances when the US has threatened to erect protectionist

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** Director (emeritus) of East Asian Legal Studies Center at University of Wisconsin. Contact Address: 875 Bascom Mall, Madison, Wisconsin 53706, USA. E-mail: crirish@wisc.edu, Tel: +1-608-332-5538

barriers to foreign trade, it also is probable that Korean automakers and manufacturing companies will expand their foreign direct investment in the US to counter the uncertainties created by a Trump Administration. Finally, the bigger and more destabilizing threat to the Korea US relationship may come from external sources, such as would occur if there is major escalation of tensions between the Americans and China, Russia, or North Korea. Given the aggressive and/or inexperienced international affairs advisors Trump is bringing into his administration and growing assertiveness of China, Russia and North Korea, the risk of a major foreign policy miscalculation seems much greater than at any time in recent history.

KEYWORDS: Donald Trump, Protectionism, Free Trade, KOR US FTA, NAFTA, WTO, TPP, Tariffs, Productivity Improvement, Manufacturing Job Losses

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I. Introduction

Over the last 70 years, the United States has played a leading role in the liberalization of economic activity around the world. The globalized economy that has resulted has brought enormous improvements in health, education and economic prosperity to billions of people in almost all parts of the world. But the globalization process may have reached an historic apex and is now beginning a retreat into greater protectionism. The US also may be unwilling to take the lead in championing trade liberalization and combatting protectionism.

For the last several years, there have been signs of growing opposition to the globalization process in many parts of the world. Among the more prominent examples are (i) the tens of thousands of Koreans who demonstrated against the KOR US FTA becoming effective in early 2012, (ii) the emergence of Poland's right wing, Eurosceptic government in 2015 and the rise of hard right, anti-immigration parties in France, Germany, the Netherlands, and several other European countries, and (iii) the British vote to leave the European Union (Brexit) in June, 2016.

Within the United States, an increasing number of Americans also have expressed unhappiness with the globalization process and the American Government's prominent role as a leading advocate for economic liberalization. There is a widespread feeling in the US that the political system has been corrupted by special interests and that globalization has been designed to reward the rich and powerful at the expense of the poor and middle classes. The opponents of globalization have argued that the benefits of international economic integration have

gone disproportionately to upper income individuals and large corporations, while the wages of the working middle class have stagnated and the job opportunities for unskilled labor have been shipped overseas. During the US presidential campaign in 2015 and 2016, the anti-trade, anti-globalization rhetoric of Bernie Sanders, Hillary Clinton, and Donald Trump was very popular with the voters. The popularity of their messages seemed to presage the election of Donald Trump as the 45th president of the US in November, 2016, which has given the opponents of globalization control of the executive branch of the US Government. Under a Trump Administration, it is widely expected that US will no longer be a strong advocate for economic liberalization. In fact, based on the promises he made in the presidential campaign and in the lead up to his inauguration in January, 2017, Trump may actively seek a reversal of the economic liberalizations already in place.

The purpose of this essay is to describe the possible impact of a Trump Administration on economic relations between Korea and the US. After this introduction, the essay continues with a description of Trump's stated positions on international economic issues. This is followed by a discussion of the reality of what Trump has the power to do under the US Constitution, various statutes dealing with international trade, the US courts and international organizations. The third section suggests how the Trump Administration is likely to deal with current international trade issues, such as the Trans-Pacific Partnership Agreement, the North American Free Trade Agreement, bilateral trade agreements (other than the KOR US FTA), and the World Trade Organization. The final section concludes with the impact Trump's election is likely to have on the KOR US FTA and Korea/US economic relations more generally. The conclusions are that Trumpian policies could have effects that range from moderately disruptive to the current international order to severely destructive of the existing system of international trade and investment. The most likely impact will be on the less disruptive end of the scale. It is true that Trump is a narcissistic bore, a bully, and a misogynist. He seems to have no moral grounding and his business partners and consumers of his products tell us that he is untrustworthy. There also are real questions about his ability to understand or deal with the complex world that extends beyond his penthouse apartment in Manhattan. But the people and institutions of the United States are much bigger and stronger than any single person,

even somebody as disruptive as Trump as he ascends to the presidency. So, although it seems inevitable that Trump will bring protectionist trade policies into the White House, the combined power of the US Government's trade and foreign policy bureaucracy, the US Congress, and the private sector should be able to soften Trump's protectionist tendencies. There still is likely to be some disruption in international trade affairs, but this may be because hidden in Trump's rambling, bombastic, factually challenged rhetoric are some legitimate issues that the US should be addressing. On the specifics of Korea US economic relations, the effects of the Trump Administration are likely to be relatively limited. The one exception may be the KOR US FTA. Because of the importance of the KOR US FTA and the apparent imbalance in the benefits from the agreement, it is likely that Korea will soon see visitors from the USTR and the US Department of Commerce seeking to renegotiate that agreement. It is reasonable to expect the renegotiations to be tough, but time consuming, so the impact of the renegotiations on Korea/US economic relations is likely to be delayed for some time. Based on previous instances when the US has threatened to erect protectionist barriers to foreign trade, it also is probable that Korean automakers and manufacturing companies will expand their foreign direct investment in the US to counter the uncertainties created by a Trump Administration. The Koreans' theory will be that, because of the importance of access to the US economy, if the US turns protectionist, they need to be inside the protectionist barriers rather than outside. Finally, the bigger and more destabilizing threat to the Korea/US bilateral relationship may come from external sources, such as would occur if there is major escalation of tensions between the Americans and China, Russia, or North Korea. Given the aggressive and/or inexperienced international affairs advisors Trump is bringing into his administration and growing assertiveness of China, Russia and North Korea, the risk of a major foreign policy miscalculation seems much greater than at any time in recent history.

II. What Has Trump Promised?

Trump's pronouncements on international economic policies have been long on polemics and short on substance. What substance there is, however, is very worrisome for the United States and for those closely

associated with the US. During the presidential campaign and since his election on November 8, 2016, Donald Trump has expressed support for proposals aimed at reversing many years of trade liberalization embraced by both Democratic and Republican presidents with bipartisan support from Congress. In several campaign speeches, Trump has proclaimed that he will quit the Trans-Pacific Partnership Agreement, renegotiate or leave the North American Free Trade Agreement, “rip up” existing bilateral trade agreements (including the KOR US FTA), and impose a 35 percent tariff on imports from Mexico and a 45 percent tariff on imports from China.¹ In addition, Trump has suggested he might “pull out” of the World Trade Organization, which is the main pillar of international trade for the US and the WTO’s 163 other member countries.²

Each of these specific acts is described in greater detail below.

1. Withdraw from TPP

The Trans-Pacific Partnership Agreement is the economic cornerstone of America’s engagement with the Asia/Pacific region. It is an ambitious trade deal signed in February, 2016 after 10 years of arduous negotiations. TPP involves the US and 11 other countries in the Asia/Pacific region which account for 40 percent of the world’s economy.³ Korea is not a member of TPP, although it has expressed interest in joining in the second round of accessions. To become effective, TPP has to be ratified by at least 6 countries that account for 85 percent of the group’s economic output by February, 2018. Because of the 85 percent requirement, ratification by Japan and the US are preconditions for TPP becoming effective.

Measuring the effect of existing trade agreements is imprecise and contentious, so forecasting the impact of TPP on the American economy is very hard to estimate. It is generally agreed that TPP will stimulate growth within the 12 member countries and several independent studies have concluded that the US would have the biggest

¹ See Peterson Institute for International Economics, *Assessing Trade Agendas in the US Presidential Campaign* at p. 5, at <https://pie.com/system/files/documents/piieb16-6.pdf> (visited November 27, 2016).

² *Id.*

³ The 12 member countries are Australia, Brunei, Canada, Chile, Japan, Malaysia, Mexico, New Zealand, Peru, Singapore, Vietnam, and the United States.

absolute gain because it is by far the biggest economy among the 12 members.⁴ The emerging markets, especially Vietnam, would have the most to gain relative to their size.⁵ But all trade agreements create both winners and losers and while gains usually exceed the losses, some individuals and businesses wind up being hurt by the trade agreements. This also would be true with TPP's impact on the American economy, just as it would be for the other 11 members of TPP. The losers from TPP are justified in opposing it, but the answer is to accommodate the legitimate grievances of the losers (generally job losses and business dislocations), not kill the whole deal which is in broad terms beneficial to the US and other TPP economy.⁶

As is true with most of America's free trade agreements, TPP is more an American foreign policy instrument than about improving American GDP. TPP's trade liberalizations are fairly important, but the agreement is ambitious because it extends rich world standards in many important areas that go well beyond trade. The most remarkable aspect of TPP is that any agreement was concluded at all given the very different approaches and standards within the member countries, including environmental protection, labor standards, and regulatory coherence as well as special protections for state owned enterprises and other protected industries. Leaders in Japan, Vietnam and some other member countries expended considerable political capital to obtain support for TPP within their own governments.

By American design, China is not a member of TPP. The American position is that China's absence will enable the US and the other TPP member countries to write the rules governing future trade in the region in a fashion that guarantees rule based free and open trade and investment as well as up to date protections of intellectual property

⁴ The apolitical International Trade Commission's concluded that the US economy would be TPP's major beneficiary, but only because the US economy is so much larger than the other eleven members of TPP. The ITC's report is at <https://www.usitc.gov/publications/332/pub4607.pdf> (visited November 30, 2016).

⁵ See <http://www.economist.com/blogs/economist-explains/2016/11/economist-explains-14?cid1=cust/ddnew/n/n/n/20161124n/owned/n/n/nwl/n/n/NA/8207260/email&etear=dailydispatch> (visited November 24, 2016)

⁶ Until the US presidential campaign in 2015-2016, this was the prevailing view in the US and the other TPP countries, although, as explained below, previous US efforts to assist those displaced by international trade have been almost totally ineffective.

rights.⁷ In other words, China's exclusion from the TPP negotiations has allowed the US (with support from the other 11 members) to write comprehensive rules governing trade in the Asia Pacific region and to set a precedent for future trade agreements, including most specifically the Transatlantic Trade and Investment Partnership⁸ and the Free Trade Area of the Asia Pacific, with the latter being a possible successor agreement to TPP. Members of TPP, including the US, have indicated that once TPP becomes effective, China and several other countries (including Korea) will be invited to join. But at that point, the rules will have been written, so China and the other countries joining in the second stage will have no say in the newest iteration of trade rules

In sum, from an American perspective, TPP is a central component of US trade and foreign policy. TPP would be the most important trade agreement concluded by the US since the establishment of the WTO in 1995 and although TPP's impact on the US economy would probably be modest, its main attraction is that it would extend many American regulatory standards to a significant part of the world and create a precedent for even broader application in future trade agreements. TPP also is of critical importance to maintain any credibility with our allies in the Asia/Pacific region.⁹ The American Government has repeatedly said that TPP demonstrates the seriousness of America's tilt towards Asia. In addition, after the American Government has pushed and prodded the other member states to make the reforms necessary to accommodate TPP's ambitious agenda, and the other member states have done so even where the domestic political consequences have been quite severe, US withdrawal from TPP at this late date will have a catastrophic impact on the US reputation as a trustworthy ally.

It is not clear that President elect Trump and his advisors fully appreciate the significance of American participation in TPP, but

⁷ The US Trade Representative, which is the office of the US Government responsible for negotiating international trade agreements argues that TPP's importance is largely because it will establish a modernized trading system largely consistent with US laws and regulations and very much supportive of US values. The USTR's website listing the benefits of TPP is at <https://ustr.gov/tpp/#overall-us-benefits> (visited November 22, 2016).

⁸ TTIP is a proposed free trade agreement between the US and the EU. It is still in the early stages of negotiation, but will almost certainly suffer the same fate as TPP.

⁹ Countries hostile to the US, such as North Korea, also may see the US position on TPP as evidence of the seriousness of any American threat directed towards them.

Trump has repeatedly called TPP a disaster for the country and stated that on his first day in office, he will quit TPP¹⁰ and not send it to the US Congress for ratification. Here is what Trump has said about TPP:

“The TPP is a horrible deal. It is a deal that is going to lead to nothing but trouble. It's a deal that was designed for China to come in, as they always do, through the back door and totally take advantage of everyone. It's 5,600 pages long, so complex that nobody's read it. This is one of the worst trade deals. And I would, yes, rather not have it. We're losing now over \$500 billion in terms of imbalance with China, \$75 billion a year imbalance with Japan.”¹¹

Even though Trump suggests that his objection to TPP is partly because China, which is not one of the 12 members of TPP, somehow gains special benefits from TPP, it is possible that Trump does understand TPP's importance. If this is true, he may be calculating that by stating his intention to withdraw from such an important component of American trade policy, he is enhancing his reputation as unpredictable, but generally protectionist. Trump may believe that he will be better able to achieve favorable concessions in other areas of international trade by taking this hardline approach on TPP. Although there currently is no evidence to suggest this, he even may think he can revive TPP in the later months of his administration when every step he takes is no longer being exhaustively scrutinized for consistency with campaign promises.¹²

It is not surprising given the amount of time, energy and political capital put into concluding TPP that the other 11 members of TPP are dismayed by the prospect of America's withdrawal. Some member states have suggested that the other 11 should go forward with TPP without American participation, but Japanese Prime Minister Abe has

¹⁰ For one of the instances when Trump said he would quit the TPP, see <http://www.bbc.com/news/world-us-canada-38059623> (visited November 22, 2016).

¹¹ This is a direct quote from the Fox Business/WSJ First Tier debate, Nov 10, 2015 and is available at http://www.ontheissues.org/2016/Donald_Trump_Free_Trade.htm (visited November 27, 2016).

¹² American campaign promises often go unfulfilled. Some people may remember that eight years ago, then President elect Barack Obama unequivocally promised to close the American prison at Guantanamo Bay in Cuba “on my first day in office.” Eight years later, Guantanamo Bay is still open as it will be when Obama leaves office on January 20, 2017.

said that TPP without American involvement is meaningless.¹³ The general view of America's allies who have watched the TPP's arduous 10 year negotiation process is that this is a good example of the feckless Americans and a good reason why they cannot be trusted. China and Russia, on the other hand, see American withdrawal from TPP as a major opening for them.¹⁴ China in particular is expected to benefit from the increased importance of the Chinese led, but much less ambitious regional trade agreement, the Regional Comprehensive Economic Partnership Agreement. If TPP dies, it leaves RCEP as the only trade agreement in the Asia Pacific region under active development.¹⁵

2. Renegotiate or Withdraw from NAFTA.

The North American Free Trade Agreement is a comprehensive regional free trade agreement that has significantly integrated the economies of Canada, Mexico and the US. It was negotiated during the Republican presidency of George H.W. Bush in 1989 – 1993, and ratified by Congress with bi-partisan support in 1993, during Democratic President Bill Clinton's first term in office. It is noteworthy that in the early days of Clinton's candidacy for president, Clinton actually opposed negotiating NAFTA. But by the time he became president, in January, 1993, Clinton supported NAFTA and put very considerable pressure on Congress to obtain NAFTA's Congressional ratification.

Since NAFTA came into force, total US trade with Canada and Mexico has quadrupled to \$1.3 trillion a year, but the combined deficit in trade in goods also has grown from \$9.1 billion in 1993 to \$76.2 billion in 2015. Canada is number one export destination for US goods,

¹³ In a press conference in Buenos Aires on November 21, 2016, Prime Minister Shinzo Abe said that TPP without the US participation was totally useless. Abe's comments are available at <http://fortune.com/2016/11/22/donald-trump-tpp-japan-trade/> (visited November 29, 2016).

¹⁴ Two articles that discuss how the US withdrawal from TPP will benefit China and Russia are available at *US change of guard offers Beijing whip hand on trade*, Financial Times (US edition) at p. 2 (18 November, 2016) and <http://www.reuters.com/article/us-apec-summit-idUSKBN13F117> (visited November 27, 2016).

¹⁵ See <https://sputniknews.com/politics/201611261047865042-china-us-tpp-rcep-asia-pacific/> (visited November 27, 2016).

while Mexico is second; and Canada and Mexico are the second and third largest importers of the US goods. NAFTA's effect on US jobs is in dispute. Organized labor is hostile to NAFTA because it claims that NAFTA has cost 850,000 US manufacturing jobs; but the business oriented US Chamber of Commerce says that NAFTA has added a net of 5 million jobs. The relatively objective Congressional Research Service has concluded that NAFTA's effect on the US economy has been slightly positive, but it has helped US manufacturers become more competitive because of more efficient supply chains.¹⁶

Trump has long been a critic of NAFTA as he claims that it is the "worst trade deal ever."¹⁷ In recent months, Trump frequently has said that as president he would renegotiate NAFTA or, if the renegotiations failed, he would withdraw from NAFTA. Getting to the renegotiating table may not be a problem, however, since Mexican President Enrique Pena Nieto and Canadian Prime Minister Justin Trudeau agree with Trump on the need for a NAFTA renegotiation, which is not surprising given that the agreement is 22 years old and there have been many major changes in international trade since it came into force in 1994. There also may be agreement that the renegotiations should focus on modernizing NAFTA, although it is anomalous given Trump's opposition to TPP that any renegotiation of NAFTA would be likely to include updated trade provisions included in TPP – specifically more rigorous provisions on environment, labor and digital economy standards. TPP also contains detailed rules on e-commerce and cross-border data flows. These activities hardly existed when NAFTA was negotiated in the early 1990s, but the new regulatory provisions now could offer better protections for intellectual property rights, which is usually a priority in US international trade negotiations.

¹⁶ See <http://www.cnn.com/2016/11/22/trumps-nafta-revamp-would-require-concessions-may-borrow-from-tpp.html> (visited November 22, 2016).

¹⁷ Trump has criticized NAFTA for many years. During the presidential campaign, he frequently called NAFTA the "worst deal ever." See, e.g., <http://www.cnn.com/2016/11/22/trumps-nafta-revamp-would-require-concessions-may-borrow-from-tpp.html> (visited November 22, 2016).

3. Renegotiate or Withdraw from Other Bilateral Trade Agreements, Including the KOR US FTA

The US has free trade agreements with 20 countries, including Canada and Mexico through NAFTA.¹⁸ All of these agreements provide for reciprocal tariff reductions and an easing of non-tariff barriers to trade.

The US's most significant bilateral trade agreement is the KOR US FTA. It was initially signed in 2007, but because of strong opposition within the US Congress and some Korean and US businesses and labor groups, ratification of the agreement could not proceed until a supplemental agreement was concluded in 2010. The supplemental agreement dealt mostly with agricultural trade issues and the disparity in trade in automobiles, with Korea exporting over 1 million automobiles to the US while importing about 13,000 units from the US in 2011.¹⁹ The supplemental agreement added provisions aimed at giving US automakers easier access to the Korean market and additional protections from a surge in Korean auto imports.²⁰ As an indication of what the Trump Administration will face in its efforts to renegotiate unfavorable aspects of the US trade agreements, the office of the USTR reported that in the negotiations involving the supplemental agreement in order to obtain the concessions for US automakers the US had to agree to a longer phase-out of the steep Korean pork tariffs and allow Korea to retain its health care reimbursement system which favors domestic drug makers.²¹ Following the conclusion of the supplemental agreement, the US Congress and the Korean National Assembly formally ratified the KORUS FTA and it went into effect on March 15, 2012.

Since the KOR US FTA became effective in 2012, bilateral trade has grown, but it has been largely with respect to Korean exports to the

¹⁸ See <https://ustr.gov/trade-agreements/free-trade-agreements>. The US also has bilateral investment treaties and other forms of economic cooperation, but the most significant are the free trade agreements.

¹⁹ See <https://www.statista.com/statistics/260899/number-of-vehicles-imported-into-the-united-states-by-country/> (visited November 27, 2016); <http://www.trade.gov/t/otm/assets/auto/ExportPaper2015.pdf> (visited November 27, 2016).

²⁰ See https://www.whitehouse.gov/sites/default/files/fact_sheet_increasing_us_auto_exports_us_korea_free_trade_agreement_v2_0.pdf (visited November 28, 2016).

²¹ See <http://www.cnn.com/2016/11/22/trumps-nafta-revamp-would-require-concessions-may-borrow-from-pp.html> (visited November 22, 2016).

US. Korea's exports to the US have increased from \$56.7 billion in 2011 to \$71.8 billion in 2015, an increase of about 27 percent. Meanwhile, US exports to Korea have remained relatively flat at \$43.4 billion in 2015. One consequence of the one sided growth in trade, sure to be noticed by the Trump Administration, is that from 2011 to 2015, the US bilateral trade deficit with Korea more than doubled as it grew from \$13.2 billion in 2011 to \$28.3 billion in 2015. Korea now is the 7th largest source of the US trade deficit, after China, Germany, Japan, Mexico, Vietnam, and Ireland.²² Of course, the Korean Ministry of Trade, Industry and Energy would counter that under the KOR US FTA, US agricultural and auto exports were increasing at a remarkable rate and that the US generally runs a surplus with Korea on services trade. Between 2011 and 2014, for example, US auto exports increased from 12,500 to 32,200 automobiles, and in 2012 the US surplus in services trade was \$8.7 billion, up 11.9 percent from 2011.²³ Based on the Trump Administration's pronouncements on trade matters, however, it seems that it will not be impressed by such an optimistic view of trade relations between Korea and the US.

During the presidential campaign, Trump has repeatedly asserted that he would "rip up" or at least renegotiate existing trade agreements. In his own words:

"You only have to look at our trade deficit to see that we are being taken to the cleaners by our trading partners. We need tougher negotiations, not protectionist walls around America. We need to ensure that foreign markets are as open to our products as our country is to theirs. Our long-term interests require that we cut better deals with our trading partners."²⁴

Trump has called US trade negotiators "stupid" and "political hacks" who only represent special interests. On the KOR US FTA, Trump has commented as follows:

"I'm for free and fair trade. After all, I do business all over the world. But look at the deal Obama cut with South Korea. It was so bad, so embarrassing, that you can hardly believe anyone would sign such a

²² See <https://www.census.gov/foreign-trade/statistics/highlights/top/top1512yr.html> (visited November 27, 2016).

²³ See <https://ustr.gov/countries-regions/japan-korea-apec/korea> (visited November 27, 2016).

²⁴ See http://www.ontheissues.org/2016/Donald_Trump_Free_Trade.htm (visited November 27, 2016).

thing. In theory, the agreement Obama signed will do next to nothing to even out the trade imbalance, will further erode American manufacturing and kill more American jobs, and will wipe away the tariffs South Korea presently pays us to sell their stuff in our country. Why would Obama agree to these terms, especially when we hold all the cards?”²⁵

More generally on Korea US relations, Trump has said:

“South Korea is a very, very rich country. They’re rich because of us. They sell us televisions; they sell us cars. They sell us everything. They are making a fortune. We have a huge deficit with South Korea. They’re friends of mine. I do deals with them. I’ve been partners with them, no problem. But they think we’re stupid. They can’t believe it. We are defending them against North Korea; we’re doing it for nothing. We’re not in that position. When will they start to pay us for this defense? Isn’t it really ridiculous when you think of it? They make a fortune on the United States and then they got some problems, and what happens? They call the United States to defend them, and we get nothing?”²⁶

It is obvious that Trump is not a fan of the KOR US FTA. Although his opinions are based on a number of major factual errors, he also seems to question the basic underpinnings of the Korea US security alliance. As a result, assuming no major international crisis intervenes, when Trump takes office on January 20, 2017, renegotiation of the KOR US FTA probably will be high on his international trade agenda.

4. Impose Tariffs of 35 Percent on Mexican Goods and 45 Percent on Chinese Goods

The average US tariff on imported goods is 1.5 percent, which is roughly consistent with tariff rates in other industrialized countries.²⁷ Due to the successive rounds of multilateral trade negotiations, first under the General Agreement on Tariffs and Trade and after 1994

²⁵ *Id.*

²⁶ See <http://thediplomat.com/2016/06/despite-trumps-rhetoric-gop-senators-try-to-reassure-south-korea/> (visited November 27, 2016).

²⁷ See <http://data.worldbank.org/indicator/TM.TAX.MRCH.WM.AR.ZS> (visited November 25, 2016). Many other industrialized countries actually have tariff rates lower than the US rate of 1.5 percent.

under the World Trade Organization, tariffs in the US and most other countries in the world have been trending downward since the end of World War II in 1945. The current tariff levels stand in sharp contrast to the average tariff in the US in the early 1930s. At that time, tariffs averaged about 50 percent under the infamous Smoot Hawley Tariff Act of 1930. In fact, a great deal of America's support for economic liberalization over the last 80 years is in response to the effects of the Smoot Hawley Tariff Act,²⁸ which prompted swift tariff retaliations by America's major trading partners. The ensuing trade wars led to reductions in American imports, but an even greater reduction in American exports. Some contend that the Smoot Hawley Tariff Act made the Great Depression much worse than it would have been under less protectionist trade policies. It also may have contributed to the rise of Nazism in Germany and the Japanese ultra-nationalists that then led their countries into World War II.²⁹

Although there is overwhelming evidence that job losses in the US are caused more by productivity improvements than international trade,³⁰ Trump (and Hillary Clinton and Bernie Sanders) has repeatedly ignored that evidence and accused other countries of stealing US manufacturing jobs. Trump has been especially aggressive in targeting Mexico and China as the causes for US manufacturing job losses. With respect to Mexico, Trump has stated:

"We have to renegotiate our trade deals. They're taking our jobs, they're giving incentives, they're doing things that, frankly, we don't do. Let me give you the example of Mexico. They have a VAT tax. We're

²⁸ The Smoot Hawley Tariff Act became effective in 1930. Four years later, President Franklin Roosevelt signed the Reciprocal Trade Agreement Act and began the move toward tariff reductions and international economic liberalization. See <https://www.britannica.com/topic/Smoot-Hawley-Tariff-Act> (visited November 27, 2016).

²⁹ See <https://www.britannica.com/topic/Smoot-Hawley-Tariff-Act> (visited November 27, 2016).

³⁰ The consensus among economists is that productivity improvements are by far more important causes of manufacturing job losses in the US. As reported by the Peterson Institute for International Economics, one study that examined the effects of productivity improvements, international trade, and changes in domestic demand on job losses during 2000 to 2010 concluded that productivity improvements caused 88 percent of the job losses. Discussion of the report is available at <https://piie.com/publications/piie-briefings/assessing-trade-agendas-us-presidential-campaign> at page 19.

on a different system. When we sell into Mexico, there's a tax. When they sell in-automatic, 16 percent, approximately. When they sell into us, there's no tax. It's a defective agreement. It's been defective for a long time, many years, but the politicians haven't done anything about it. But in all fairness to Secretary Clinton, when she started talking about this, it was really very recently. She's been doing this for 30 years. And why hasn't she made the agreements better? The NAFTA agreement is defective. We owe \$20 trillion. We cannot do it any longer.”³¹

Trump also said:

“We have a trade deficit with Mexico of \$58 billion a year. We're going to make them pay for that wall. The wall is \$10 billion to \$12 billion. I don't mind trade wars when we're losing \$58 billion a year. Mexico is taking our businesses. They de-value their currencies to such an extent that our businesses cannot compete with them, our workers lose their jobs.”³²

And:

“How do you bring back jobs [outsourced by] American manufacturers? How do you make them bring the jobs back? Well, the first thing you do is don't let the jobs leave. The companies are leaving. I could name, I mean, there are thousands of them. They're leaving, and they're leaving in bigger numbers than ever. And what you do is you say, fine, you want to go to Mexico or some other country, good luck. We wish you a lot of luck. But if you think you're going to make your air conditioners or your cars or your cookies or whatever you make and bring them into our country without a tax, you're wrong. And once you say you're going to have to tax them coming in, and our politicians never do this, because they have special interests and the special interests want those companies to leave, because in many cases, they own the companies. So what I'm saying is, we can stop them from leaving. We have to stop them from leaving. And that's a big, big factor.”³³

By a large margin, the US imports more goods from China than any other country and for 2015 the US trade deficit with China was

³¹ See http://www.ontheissues.org/2016/Donald_Trump_Free_Trade.htm (visited November 27, 2016).

³² See http://www.ontheissues.org/2016/Donald_Trump_Free_Trade.htm (visited November 27, 2016).

³³ *Id.*

\$365.7 billion, or about half of the total American trade deficit of \$736.2 billion. It is not surprising that China is the number one target of Trump's anti-trade rhetoric. Trump has said, for example,

"Our country is in serious trouble. We don't have victories anymore. We used to have victories, but we don't have them. When was the last time anybody saw us beating, let's say, China in a trade deal? They kill us. I beat China all the time. All the time."³⁴

To counter the claimed job losses to Mexico and China and eliminate the US trade deficit, on several occasions Trump has said he would impose a 35 percent tariff on Mexican goods and a 45 percent tariff on Chinese goods. Trump also has said that he would label China a "currency manipulator" under US trade laws, instruct the USTR to bring cases against China in the US and before the WTO to challenge China's use of unfair subsidies, and use every lawful presidential power to remedy trade disputes if China does not stop its illegal activities, including its theft of American trade secrets.³⁵

Effective in 2008, all goods moving within the NAFTA region were duty free. This means that Mexican and Canadian goods imported into the US are now duty free.³⁶ The average US tariff rate on imports from China and the other 162 countries in the WTO is about 3.5 percent.³⁷ As a result, if Trump imposes a tariff of 35 percent on Mexican goods and 45 percent on Chinese goods, the tariffs would have an enormous impact on trade flows from Mexico and China into the US market.³⁸ It would mean that Mexican and Chinese goods sold in the US would become much more expensive, which would disproportionately affect low and middle income households.³⁹ It also would significantly affect supply chains, which now account for about 80 percent of world trade. Of course, the high tariffs on Mexican and Chinese goods probably would lead to retaliation by the Mexican and Chinese governments. The trade retaliatory measures could be limited,

³⁴ *Id.*

³⁵ See <https://www.donaldjtrump.com/policies/trade> (visited November 28, 2016).

³⁶ See http://www.naftanow.org/faq_en.asp (visited November 27, 2016).

³⁷ See http://stat.wto.org/TariffProfiles/US_e.htm (visited November 28, 2016).

³⁸ As president, Trump has enormous powers to influence international trade, including the power to impose tariffs. The legality of Trump's proposed tariffs is discussed in more detail the next section.

³⁹ See http://www.nytimes.com/2016/04/08/upshot/how-a-tariff-on-chinese-imports-would-ripple-through-american-life.html?_r=0 (last visited November 28, 2016).

such as boycotts of US aircraft and soybean exports or US business services, or they could be across the board, but in either case they would have a very harmful effect on the US economy, as well as the Mexican and Chinese economies. The non-partisan Peterson Institute for International Economics has assessed the impact of Trump's tariff proposal as follows:

If implemented, these proposals would provoke retaliation by US trading partners, unleashing a trade war that would send the US economy into recession and cost millions of Americans their jobs. Industries that manufacture machinery used to create capital goods in the information technology, aerospace, and engineering sectors, which depend on exports, would be the most intensely affected. But the trade shock would also damage sectors not engaged in trade, such as wholesale and retail distribution, restaurants, and temporary employment agencies, particularly in regions where traded commodities are produced. Millions of American jobs that appear unconnected to international trade—disproportionately lower-skilled and lower-wage jobs—would be at risk.⁴⁰

The impact on the Mexican and Chinese economies would be equally severe, or even worse.

5. Pull Out of the World Trade Organization

The WTO was established in 1995 as the successor to the General Agreement on Tariffs and Trade, which was formed just after the end of World War II. WTO has 164 member countries and is the heart of the current rules based system governing international trade and related issues. The US played a prominent role in the creation of GATT and then the WTO and it continues as WTO's dominant member. Under GATT and the WTO, tariffs worldwide have been reduced dramatically and many non-tariff barriers have been eliminated or lessened. The US also has had considerable success challenging many country specific unfair trade practices through the WTO's Dispute Settlement Mechanism, just as other countries have successfully challenged the US for its unfair trade practices.

⁴⁰ Peterson Institute for International Economics, *Assessing Trade Agendas in the US Presidential Campaign*, at 18–19, available at <https://piie.com/system/files/documents/piieb16-6.pdf> (last visited November 29, 2016).

Because of the successes of the multilateral trade negotiations in the 70 years since GATT was formed, the trade issues that continue to hamper trade, such as agricultural subsidies, non-tariff barriers, and competition law policies, have a heightened sensitivity in member countries. It is largely for this reason that since its creation in 1995 the WTO has failed to adopt any additional significant trade liberalization measures. In fact, the one major effort at multilateral negotiations since the creation of the WTO, the Doha Round,⁴¹ has floundered because of the sensitivity of the issues involved, the enormous differences in attitudes on these issues among the 164 member countries, and the requirement that decisions under the WTO have to be reached by consensus.

On a number of occasions, Trump or his aides have suggested that he would consider withdrawing from the WTO. Given the frail nature of WTO today, US withdrawal would likely be WTO's death knell. The immediate impact of the WTO's demise would be a return of high tariff levels around the world, followed by severe drops in international trade. Economies around the world would be thrown into recessions, unemployment would rise, and political instability would explode. The global impact of WTO's collapse would be cataclysmic.

III. Does Trump Have the Power to Do What He Has Promised?

The short answer is yes, Trump could do all of things listed above at least in the short term. In the medium or long term, his actions would be vigorously challenged by business and labor groups adversely affected by his decisions, by a Congress that thinks Trump is usurping power reserved to it, and ultimately by the courts. For example, since trade agreements only become effective in the US after Congress passes legislation that incorporates the trade agreements, Congress would argue that Trump alone does not have the power to abrogate trade agreements, just as Trump alone cannot repeal any other legislative acts of Congress.⁴² Trump's action also would invite

⁴¹ As its name suggests, the Doha Round was begun in 2001 at a multilateral meeting in Doha, Qatar. See https://www.wto.org/english/tratop_e/dda_e/dda_e.htm (last visited November 28, 2016).

⁴² See *NAFTA isn't going anywhere, despite Trump's attacks*, Wis. State J., December 1, 2016 at A13.

international responses, under the WTO or any of the regional or bilateral agreements to which the US is a party. But the domestic and international challenges are not guaranteed to succeed and they would take months or years to conclude, by which time the effects of Trump's actions would be felt throughout the world. The wisest course of action, therefore, is to mount whatever efforts are possible to keep Trump from taking these extreme actions in the first place.

Under Article I, Section 8 of the US Constitution, Congress is given the power "to regulate Commerce with foreign Nations, and among the several States, and with the Indian Tribes." In Article II, Section 2 of the US Constitution, the president is expressly given the authority to make treaties, subject to the approval of two thirds of the senators. In addition, over many years dating back to the founding of the country, there has been recognition of an inherent power in the president to conduct foreign affairs.⁴³ It is through the exercise of this inherent power to conduct foreign affairs that Trump could withdraw from TPP, NAFTA, the KOR US FTA, and any other free trade agreements. The exercise of this power would be unprecedented, as historically presidents have used this power to lower tariffs, not raise them.⁴⁴ The specific agreements also all contain language that anticipate accessions and withdrawals and Trump's actions would seem to be legally permissible under them. For example, Article 24.5 of the KOR US FTA provides as follows:

ARTICLE 24.5: ENTRY INTO FORCE AND TERMINATION

1. This Agreement shall enter into force 60 days after the date the Parties exchange written notifications certifying that they have completed their respective applicable legal requirements and procedures or on such other date as the Parties may agree.

2. This Agreement shall terminate 180 days after the date either Party notifies the other Party in writing that it wishes to terminate the Agreement.

Trump's withdrawal from any or all of the US trade agreements and the WTO would result in a barrage of criticism from the US Congress, swaths of the American public and the private sector. His withdrawal also would generate worldwide condemnation. The ability

⁴³ See <http://www.heritage.org/research/lecture/an-understanding-of-the-constitutions-foreign-affairs-power> (last visited November 29, 2016).

⁴⁴ See Peterson Institute for International Economics, *supra* note 41, at 7–8.

to effectively reverse Trump's action within the US courts, however, would take months or years and even then the challenges might not be successful. International legal actions also would be time consuming and may not be successful.⁴⁵ In either event, the damage from his actions would be widely felt in the US and around the world. The better course of action, therefore, is to mount whatever efforts are possible to keep Trump from taking these extreme actions in the first place.

The president's inherent power to conduct foreign affairs also would be the basis for any attempts to renegotiate any bilateral or regional trade agreement, such as KOR US FTA and NAFTA. Once the renegotiations are completed, however, they would have to be ratified by Congress before becoming effective. Because of Congressional involvement in the renegotiation process, most counterparties would not agree to start the renegotiations until Congress gives the Trump Administration "Trade Promotion Authority" under which the USTR and president are authorized to proceed within specifically defined parameters to undertake trade negotiations.⁴⁶

Trump's legal support for imposing selective tariffs of 35 percent on Mexican goods and 45 percent on Chinese goods is more complex than with the relatively simple withdrawal from trade agreements. Congress has passed a number of laws dealing with trade abuses, such as dumping, export subsidies, and currency manipulations under which the president and the USTR are given the authority to enact tariffs and other measures aimed at counteracting the abuses. The president and the USTR also have authority to impose tariffs to prevent economic hardships resulting from import surges. In most cases, however, there are requirements that the abuses be quantified, as well as specific findings of injuries to US workers or industries and findings that the injuries were caused by the imported products being targeted. These trade remedies also involve the relatively independent International

⁴⁵ If China is faced with 45 percent tariffs on exports to the US, it will claim that the US is acting in violation of its commitments under the WTO. A similar case occurred when George Bush imposed tariffs on imports of Chinese (and other countries) steel in 2002. His actions were promptly challenged under the WTO's Dispute Settlement Mechanism. When the WTO ruled against the US in late 2003, however, 20 months had elapsed, and although Bush repealed the tariffs soon thereafter, by that time, he had largely achieved his political objectives, including securing trade promotion authority from Congress.

⁴⁶ The current Trade Promotion Authority is in Public Law 114 – 26, enacted in June, 2015.

Trade Commission, which has been known to arrive at conclusions that are politically unpopular.⁴⁷ On the other hand, there are three statutes that do give Trump broad authority to impose tariffs or other restrictions without quantifying the abuse or findings of injury and causation:⁴⁸

- Under section 232(b) of the Trade Expansion Act of 1962, the president (or some other party) can ask the director of the Office of Emergency Planning to investigate the impact on national security of specific imports and, if he finds an adverse impact, the president is empowered to impose import restrictions. The statute places no limit on the nature of restrictions or the height of tariffs. Presumably, Trump could impose the tariffs on Mexican and Chinese goods because they threaten the economic security of certain portions of the US economy where there has been significant economic displacement due to Mexican and Chinese imports.

- Section 122 of the Trade Act of 1974 gives the president power to impose tariffs of up to 15 percent or quantitative restrictions for a maximum of 150 days in order to counteract large and serious balance of payments deficits. The restrictions can be imposed either across the board or targeted against specific countries contributing to the balance of payments deficit.

- If the USTR first determines that a country is denying the US rights under a trade agreement or is carrying out practices that are unjustifiable, unreasonable, or discriminatory and burden or restrict US commerce, under section 301 of the Trade Act of 1974, the president can take retaliatory actions, including the imposition of duties or other import restrictions. The statute does not specify a timetable for invoking or lifting Section 301 measures. Since Trump is attacking Mexico and the Chinese because of unfair trade practices of stealing US jobs and undervaluing the currency, he could impose the tariffs of

⁴⁷ One of the most notable instances when the ITC's decision went against the political climate of the moment is the decision denying that US automakers were being injured by increased imports of Japanese and other foreign automobiles in November, 1980. See <http://www.upi.com/Archives/1980/11/11/Automakers-look-to-White-House-and-Congress-for-import-relief/7804342766800/> (last visited November 30, 2016). The ITC decision led to pressure from the US automaker to impose restrictions on Japanese imports, which resulted in the Voluntary Restraint Agreement limiting Japanese auto imports to 1.86 million units per year.

⁴⁸ See Peterson Institute for International Economics, *supra* note 41, at 9–10.

35 percent against Mexican goods and 45 percent against Chinese goods under section 301.

Trump's use of any of these three statutes, however, is likely to be challenged as a violation of the US obligations under the WTO. Of course, even if the challenge is successful, it will be several months or years after the initial imposition of the tariffs, so much of the damage from the tariffs would have been done to the US, Mexican and Chinese economies or Trump's political goals will have been achieved. Again, for those concerned with the maintenance of the current international trade system, the better course of action seems to forestall the imposition of the tariffs.

IV. What will Trump Do?

1. Trump's Proposals in an Historical Perspective

Trump's virulent anti-trade rhetoric during the presidential campaign and in the lead-up to his inauguration is causing the world to wait anxiously for signals from him about the specific actions he will take on international economic issues. There is a widespread feeling that we are teetering at the edge of an abyss and that the world's trading system, which has been 80 years in the making, may soon fall with cataclysmic consequences for the global economy. At this moment, it may be useful to recall that, while the US has played the leading role in the last 80 years' move towards international economic liberalization, there have been times in the last 8 decades when the US has turned away from its support for free trade and open markets. Four examples may add an historic perspective to Trump's threats on international trade and temper some of the angst dominating today's discussion on trade matters.

•*The International Trade Organization.* Shortly after the end of World War II, over 50 countries participated in negotiations to create an International Trade Organization (ITO) as a specialized agency of the United Nations. The draft ITO Charter was ambitious. It combined a significant effort to reduce tariffs and other traditional trade barriers with a rule based system that covering with investment, employment standards, development, business monopolies and commodity agreements. The ITO also introduced the concept that trade disputes

should be settled by consultation and mediation rather than with economic or political power. Further it established an institutional linkage between trade and labor standards that would effect a major advance in global governance. Finally it embedded the full employment obligation, along with "a commitment to free markets" as the cornerstone of multilateralism.⁴⁹ The aim was to create the ITO at a UN Conference on Trade and Employment in Havana, Cuba in 1947. Even though the US was one of the leaders in developing the ITO, opposition from the US Congress effectively killed the ITO. That is why from 1947 – 1995 (when the World Trade Organization came into existence), the principal legal regime governing international trade was the General Agreement on Tariffs and Trade (1947), which originally had been intended as a temporary measure to be replaced by the ITO.⁵⁰

•*The Nixon shock of 1971.* On August 15, 1971, President Richard M. Nixon announced his New Economic Policy, a program “to create a new prosperity without war.” Known colloquially as the “Nixon shock,” the initiative marked the beginning of the end for the Bretton Woods system of fixed exchange rates established at the end of World War II. Nixon identified a three-fold task: “We must create more and better jobs; we must stop the rise in the cost of living; we must protect the dollar from the attacks of international money speculators.” To achieve the first two goals, he proposed tax cuts and a 90-day freeze on prices and wages; to achieve the third, Nixon directed the suspension of the dollar’s convertibility into gold. He also ordered that an extra 10 percent tariff be levied on all dutiable imports; like the suspension of the dollar’s gold convertibility, this measure was intended to induce the United States’ major trading partners to adjust the value of their currencies upward and the level of their trade barriers downward so as to allow for more imports from the United States. Nixon’s program was a success at home, but it shocked many abroad, who saw it as an act of worrisome unilateralism.⁵¹

⁴⁹ Drache, *The Short but Significant Life of the International Trade Organisation: Lessons for Our Time*, available at http://wrap.warwick.ac.uk/2063/1/WRAP_Drache_wp6200.pdf.

⁵⁰ See https://www.wto.org/english/thewto_e/whatis_e/tif_e/fact4_e.htm (last visited November 28, 2016).

⁵¹ See <https://history.state.gov/milestones/1969-1976/nixon-shock> (last visited November 28, 2016).

•*Reagan, Japanese auto imports and VER agreements.* In the late 1970s, early 1980s, America's foreign trade demon was Japan and particular attention was paid to Japanese imports of well designed, reliable and fuel efficient small cars. The Japanese automakers were killing the US "big three" of GM, Ford and Chrysler. In his campaign for the presidency, Ronald Reagan promised he would rein in Japanese auto imports. At the same time, the US automakers and organized labor filed a petition with the International Trade Commission asking for temporary tariffs on Japanese auto imports under US trade law. This would have cleared the way for Reagan to impose the tariffs in order to give the US automakers temporary protections from their Japanese competitors. But, to the surprise of many, the International Trade Commission denied the petition for relief in part because the ITC felt that the injuries being suffered by the US automakers were at least partly self-inflicted. The ITC decision created a political firestorm of anti-Japanese trade sentiment with the US Congress threatening major trade sanctions targeting the Japanese. At this point, the Reagan Administration stepped in and negotiated a Voluntary Export Restraint Agreement with the Japanese Government. Under the VER, Japanese automakers agreed to limit their exports to 1.68 million vehicles per year, but they did so principally to forestall more protectionist measures being enacted by an exceptionally hostile Congress.⁵² The most significant effect of these threats of protectionism is that Japanese and other foreign manufacturers shifted large portions of their productive capacity into the US. During the 1980s, in part because of the congressional threats of protectionism, the US saw a boom in inbound foreign direct investment with new factories worth hundreds of billions of dollars being erected inside the US. The shift in production to the US was led by the Japanese automakers: 1982, Honda opened a plant in Marysville, Ohio; a Toyota joint venture with GM was started in Fremont, California in 1984; Nissan opened a plant in Smyrna, Tennessee in 1985; Mazda's plant opened in Flat Rock, Michigan in 1987; Mitsubishi/Chrysler's joint venture was opened in 1988 in Bloomington – Normal, Illinois; Toyota opened another plant in

⁵² The tensions that led to the VER are described in Robert C. Feenstra, *Carwars: Trying to Make Sense of U.S. Japan Trade Frictions in the Automobile and Automobile Parts Markets*, in *The Effects of U.S. Trade Protection and Promotion Policies*, at 11 (Robert C. Feenstra ed., 1997).

Georgetown, Kentucky in 1988; and Fuji-Isuzu established a plant in Lafayette, Indiana in 1989.⁵³

•*Bush and imported steel.* President George W. Bush imposed safeguard tariffs on a large volume of US steel imports in March 2002. At the time, the blatantly political decision was derided as “disgraceful” and “stupid.”⁵⁴ In November 2003, some 20 months later, the WTO Appellate Body ruled that the Bush steel tariffs were inconsistent with US obligations, and Bush lifted them in December 2003. By that time, Bush had achieved his political goals, in particular congressional passage of the Trade Promotion Authority Act of 2002, which was widely welcomed abroad. Once Bush had secured the Trade Promotion Authority, his administration reverted to being more supportive of free trade and concluded a series of free trade agreements, including in 2007 the KOR US FTA.

So, there are some grounds to think that increasing globalization and trade liberalization may survive the protectionist policies of a Trump Administration. Of course, this time may be different and international economic liberalism may be at the starting point of a retreat into protectionism. The threat of protectionism is made especially credible by the populist anti-trade forces that now extend throughout the world and seem to be growing. But, at least in the US, as explained in the next subsection, there may be influences to limit the protectionist dogma of President-elect Trump.

2. Moderating Influences

Trump’s blusterous, offensive speaking manner coupled with his willingness to make major pronouncements without regard for the truth cause many to discount Trump’s rantings on international trade as a misguided recipe for trade protectionism. That the incoming Trump Administration is headed down a protectionist path may in fact be the case as the early high level staff appointments to the incoming Trump Administration are not long on experience or diplomatic skills and none of those taking up powerful positions seems inclined to challenge Trump on his protectionist rhetoric.

⁵³ The inbound FDI by Japanese automakers is catalogued in Nakaprawing, *Foreign Direct Investment in the U.S.A.*, at 4 – 5 (2016) (research paper on file with the author).

⁵⁴ See <http://www.economist.com/node/1021395> (last visited November 30, 2016).

A more sanguine possibility is that there will be enough external influences to moderate Trump's proposals and perhaps even allow him to focus on those that have merit. Trump is almost completely wrong in his opposition to TPP and any secret benefits China may obtain from TPP through a backdoor, he is also wrong about Mexico's 16 percent VAT being an impermissible export subsidy,⁵⁵ and he and Clinton and Sanders have greatly overstated the effects of international trade on American manufacturing job losses as most evidence suggests that productivity improvements account for the great majority of the job losses.⁵⁶ On the other hand, Trump seems on firm ground with his assertions that China has been a currency manipulator,⁵⁷ that NAFTA needs to be renegotiated, that the benefits of the KOR US FTA seem to flow disproportionately to Korea, and that other countries are not abiding by their commitments under free trade agreements and the WTO. What Trump needs is advice that separates the real problems from his mishmash of campaign promises. Of course, Trump also has to listen to this advice. Surprisingly, there may be reason for optimism in this regard.

Trump was elected US president in November, 2016, and his anti-trade rhetoric certainly contributed to his electoral success. But not everybody agrees with Trump's policies. In the presidential election, Trump lost the popular vote to Hillary Clinton, by 61.9 million votes to 63.6 million.⁵⁸ In addition, because Trump and Clinton were the two most unpopular candidates ever to appear on the same ballot for president, 95 million people or 42 percent of the eligible voters did not vote.⁵⁹ So, while Trump appeals to a significant portion of the American population, his supporters are a minority of Americans, albeit a sizeable minority. For a significant majority of Americans, the man

⁵⁵ See <http://www.forbes.com/sites/timworstall/2016/08/17/a-vat-is-not-a-subsidy-to-exports-nor-is-it-a-tax-on-imports/#2267f3311d87> (last visited November 28, 2016).

⁵⁶ See *supra* note 41 at 19 (visited November 28, 2016).

⁵⁷ See <https://piie.com/blogs/realtime-economic-issues-watch/new-us-currency-policy> (last visited November 28, 2016). China is not alone, however, as many other countries manipulate their currencies to gain a competitive advantage for their exports – among them as Japan, Korea, Taiwan and Thailand.

⁵⁸ Even though Trump lost the popular vote, because of the peculiarity of the American Electoral College, Trump had 290 electoral votes while Clinton obtained only 232, with 270 electoral votes needed to win the presidency.

⁵⁹ For the record, the author of this essay was part of the 58 percent who did vote.

himself and his views are anathemas. The American voting public, however, has lost most of its ability to influence the Trump Administration until the next presidential election in 2020, although the midterm congressional elections in 2018 may signal to Trump whether the public supports him or not.

Apart from the American voting public, the US Government's trade and foreign policy bureaucracy, the Republican dominated US Congress, and the private sector do have the power to moderate the Trump Administration's behavior on international economic issues. The US State Department, the Departments of Agriculture and Commerce, the office of the US Trade Representative, and the US Export Import Bank have a total of 185,000 employees.⁶⁰ A great many of these employees understand that international economic liberalization has been good for America, as well as for the rest of the world. Even if Trump is successful in appointing supporters of his extreme protectionist statements in all of the key senior positions in the US trade bureaucracy, his appointees will be getting their information and their advice from many people who are not protectionist. Almost certainly there are enough strong willed free traders among the second and third tier of the US Government's trade bureaucracy to apply a filter to Trump's more extreme views.

The Republican controlled US Congress also should have a moderating influence on Trump's trade policies. Many of Trump's major non-trade initiatives, such as tax reform, infrastructure development, and the repeal of Obamacare, will require that he work closely with Congress. Trump needs Congressional goodwill and legislative action on these non-trade matters where the Republicans in Congress and the Trump Administration sometimes do not have radically different positions. This will give the Republican controlled Congress leverage with the Trump Administration on trade matters where Trump's protectionism is very much at odds with the pro-trade positions of many of the Republicans (and a good many Democrats) in Congress. The list of pro-trade Republicans is long, but includes key members such as: the Senate Majority Leader, Mitch McConnell (whose wife, Elaine Chao has been named as the Secretary of Transportation in the Trump Administration); Chairman of the Senate

⁶⁰ See US Government Manual 2016 *available at* <http://www.usgovernmentmanual.gov/> (last visited November 29, 2016).

Finance Committee, Orrin Hatch; the Chairman of the House Ways and Means Committee, Kevin Brady; and the Chairman of the House Subcommittee on Trade, Dave Reichert. All of them represent the Republican orthodoxy on international trade and generally support trade liberalization measures. Dave Reichert, for example, comes from the State of Washington where 40 percent of the State's employment is trade dependent.⁶¹ These people know the enormous damage that protectionist measures can have on the American economy, as well as the massive economic disruptions and political instability they will cause in the rest of the world. They understand, for example, how Hugo Chavez's populist, hyper-nationalistic rhetoric transformed Venezuela from a middle income, oil exporting country into an economy faced with massive shortages of basic commodities, high unemployment, soaring inflation, and serious political unrest. Not all of the Republicans in Congress will have Trump's ear, but some of them will and they should be able to soften Trump's actions on trade.

The American private sector also is likely to be a potent force for moderation on trade matters. The US Chamber of Commerce is one of the most powerful lobbyists in Washington, D.C. and it is strongly pro-trade. Listed below are some of top exporters in the US, each of which sees its continuing success dependent on free trade and open markets:

- Apple (computer hardware)
- Exxon Mobil (oil, gas)
- Johnson & Johnson (medical equipment, supplies)
- Chevron Corporation (oil, gas)
- Procter & Gamble (household, personal care items)
- Pfizer (pharmaceuticals)
- The Coca-Cola Company (beverages)
- Merck & Co (pharmaceuticals)
- Qualcomm (semiconductors)
- Philip Morris International (tobacco)
- Intel (semiconductors)
- Schlumberger (oil, gas)
- PepsiCo (beverages)
- Cisco Systems (communications equipment)
- Boeing (aerospace)

⁶¹ See <https://reichert.house.gov/press-release/rep-reichert-named-chairman-subcommittee-trade> (last visited November 29, 2016).

- ConocoPhillips (oil, gas)
- AbbVie (pharmaceuticals)
- Occidental Petroleum (oil, gas)
- Eli Lilly and Company (pharmaceuticals)⁶²

These companies have the resources and political access to make their views known to the Trump Administration. It seems reasonable to expect that the trade dependent business community will be able to appeal to a president who takes pride in characterizing himself as an American businessman.

3. Trump and TPP, NAFTA, Tariffs on Mexico and China, and the WTO

Once Trump assumes the power of the presidency in January, 2017, he will be a very busy man and many of those around him will have work pressures heavier than they have ever encountered before. High on Trump's initial list of things to do will be repeal of Obamacare, major tax reform, and the formulation of a massive infrastructure repair and maintenance program. International trade issues are not likely to be a top priority, but when his administration gets to trade matters, decisions will have to be made on withdrawing from TPP, renegotiating NAFTA, imposing high tariffs on Mexican and Chinese goods, and leaving the WTO.

TPP. Trump has threatened to quit TPP "on the first day of his administration."⁶³ It would be easy for him to do so as all he will have to do is issue a proclamation withdrawing from TPP. No further action seems necessary.

As explained above, TPP is a very important part of American involvement in the Asia Pacific region. In economic terms, TPP is the most important trade agreement concluded by the US since the establishment of the WTO in 1995, but its impact on the US economy is likely to be modest.⁶⁴ The primary attraction of TPP is that it will extend many American regulatory standards to a large part of the world

⁶² See <http://www.worldstopexports.com/united-states-top-10-exports/> (last visited November 29, 2016).

⁶³ See <http://www.bbc.com/news/world-us-canada-38059623> (last visited November 30, 2016).

⁶⁴ See <https://www.usitc.gov/publications/332/pub4607.pdf> at 29 (last visited November 30, 2016).

and create precedent for extending those standards even more broadly. Withdrawal from TPP will do enormous damage to American credibility in the region. It also will bolster China's efforts to play a more dominant role in the region, which seems the very opposite of Trump's objectives in the Asia Pacific region.

The moderating forces of the US Government's trade and foreign policy bureaucracy, key members of the US Congress, and the private sector all need to pressure the Trump Administration to soften its position on TPP. One plausible option would be announce in January an intention to withdraw at some date in the future, but to send a quiet signal to the other 11 TPP members that withdrawal is not certain.⁶⁵ Then, at some later date, the Trump Administration can announce that due to increased protections for intellectual property and other important safeguards now included in TPP, the Trump Administration will support ratification of TPP. The announcement can be phrased so that it appears that the Trump Administration is responsible for the new measures, although the reality is that they already exist in the agreement.⁶⁶ Since Canada and Mexico are members of TPP, another possibility would be to merge the renegotiation of NAFTA with a reconsideration of TPP – at least in the initial announcements to the US public. The ensuing (re)negotiation process then could proceed along two tracks, with an early ratification of TPP followed by NAFTA's review and ratification by the US Congress and its counterparts in Canada and Mexico.

NAFTA. Trump's longstanding criticism of NAFTA as "the worst deal ever" lends credibility to his other protectionist positions.⁶⁷ Unlike some of his other non-trade pronouncements which have changed with the political climate, Trump really has opposed NAFTA since its inception in 1994. Trump and his staff have indicated they

⁶⁵ During the presidential campaign, Trump criticized Clinton for saying that sometimes it was necessary to have a private position on an issue that was different from the public version. It did some damage to Clinton, even though the maintenance of such dual standards is a fact of life in political affairs.

⁶⁶ The fact that none of this is actually true is unlikely to bother Trump. During the presidential campaign, Trump seem to regard truth as something to be resorted to only if it was convenient.

⁶⁷ See <http://fortune.com/2016/09/27/presidential-debate-nafta-agreement/> (last visited November 30, 2016).

intend to renegotiate NAFTA, or if the renegotiations are not successful, withdraw from NAFTA.

During NAFTA's 22 year history, the economies of Mexico, Canada and the US have become highly integrated. Canada and Mexico are now the first and second largest markets for US exports and the second and third largest sources of imports. After 22 years, however, NAFTA is ripe for modernization, as Mexican President Enrique Peña Nieto and Canadian Prime Minister Justin Trudeau have acknowledged. So, getting the three countries together to discuss NAFTA should not be difficult. But once together, the negotiations may turn sticky. The Mexicans have said they favor modernizing NAFTA, but not renegotiating existing provisions. Included in the modernization would be environmental, labor, and digital economy standards not considered when NAFTA was initially negotiated in the early 1990s. New rules on e-commerce and cross-border data flows also could be considered, although all of these new provisions are now included in TPP. If as expected the US pushes for greater concessions for US industrial goods, Mexico could counter with demands for increased US quotas for Mexican sugar and greater protections for other Mexican agricultural products.⁶⁸ The Canadian also would be likely to insist that the long running dispute between the US and Canada involving Canadian softwood imports to the US be resolved.⁶⁹ And both the Mexicans and Canadians probably will seek greater access to US public sector procurements, which are now heavily protected by "Buy America"

⁶⁸ See <http://www.cnn.com/2016/11/22/trumps-nafta-revamp-would-require-concessions-may-borrow-from-tpp.html> (last visited November 22, 2016).

⁶⁹ The Canada–US softwood lumber dispute is the largest and most enduring trade dispute between the two countries. The controversy began in its current form in 1982. The basic dispute centers on the US lumber industry's claim that Canadian softwood producers are improperly subsidized by the Canadian provincial and federal governments, which own most of the timber in Canada. The Americans charge that the Canadian governments undercharge the Canadian timber harvesters, which gives the Canadian timber producers an unfair competitive advantage. The dispute continues with the US lumber industry filing a countervailing duty action against the Canadian softwood producers in late November, 2016. For a detailed discussion of the softwood controversy, see Dan Ikenson, *Tilting at Sawmills: America's Shameful Approach to the Softwood Lumber Dispute with Canada*, available at <http://www.forbes.com/sites/danikenson/2016/11/29/tilting-at-sawmills-americas-shameful-approach-to-the-softwood-lumber-dispute-with-canada/#704b40cf57f4>.

laws. Trump's large new infrastructure development program would make this access very attractive.

The NAFTA renegotiations may not be exactly as envisioned by the Trump Administration, but the end result of the process could be a new agreement that sets the stage for even further integration of the three economies, which would be beneficial to all three economies. On the American side, the job of the US Government trade and foreign affairs bureaucracy, the trade supporting Republicans in Congress, and the private sector with their integrated operations in Canada and Mexico is to persuade the Trump Administration to undertake good faith negotiations with the two trading partners, rather than berate them with populist soundbites.

One important step toward smoother negotiations with the Canadians and Mexicans would be to address the impact of NAFTA on the US labor market. Labor supporters generally claim that NAFTA and other trade deals have cost the US 850,000 in lost manufacturing jobs. It is true that between 2000 and 2010, manufacturing employment dropped significantly, but it is not accurate to put blame for the job losses largely on NAFTA and other trade deals. Instead, a good deal of the job losses was due to the Great Recession of 2007 – 2009, which could be charged to the corruption and greed of the US financial sector. An even greater cause of the job losses, perhaps in excess of 80 percent, is productivity improvements – workers being replaced by robots.⁷⁰ As Bernie Sanders, Hillary Clinton and Donald Trump all can attest, it is so much easier to blame international trade for job losses than to examine the real causes. But blaming international trade does not get at the root cause of the employment loss and so nothing gets done to deal with the real problems facing most workers who have been pushed out of their jobs.

On the problem of job losses resulting from both international trade and productivity improvements, there is fairly widespread agreement about what needs to be done, although in the US context there is a continuing refusal to do anything serious about it. What is needed is a major program that offers expanded unemployment compensation, job retraining and relocations services for workers displaced by trade and/or productivity improvements. One program that

⁷⁰ See *supra* note 41 at 19, which suggests that productivity improvements accounted for 88 percent of the job losses.

focuses on job losses and business dislocations caused by increased imports already exists: Trade Adjustment Assistance.⁷¹ TAA is, however, seriously underfunded and serves only a small portion of the unemployed in part because of the difficulty of proving the job losses are due to international trade. In 2010, for example, when about 15 million people were officially unemployed, 228,000 received TAA benefits or services (about 0.015 percent of the unemployed) and the average benefit received was less than \$5,000.⁷² What is needed is a much more expansive and generous program that provides assistance to displaced workers irrespective of the reasons. Although the need for such a program has long been recognized, both Democrats and Republicans in Congress and Democratic and Republican presidential administrations have repeatedly failed to act to pass the necessary legislation. By focusing on the need for such an expanded worker assistance program, the Trump Administration could move beyond populist slogans to real substance. If Trump is going to be disruptive of the current international order, at least he should do some good. Supporting an expanded worker assistance program also eliminate or significantly reduce organized labor's opposition to NAFTA and other free trade agreements, so it would smooth the way for NAFTA's renegotiation and subsequent ratification.

Tariffs on Mexico and China. The NAFTA renegotiations coupled with an open discussion about an expanded worker assistance program should eliminate the need to threaten Mexico with 35 percent tariffs. That will be good for both the US and Mexican economy as the tariffs would have a devastating effect on the Mexican economy, send many Mexican jobs to third countries and not to the US, be enormously disruptive of supply chains for American businesses, and cause a significant downturn in the US economy. The US tariffs also would lead to Mexican retaliatory tariffs, which would be further damaging to the US and Mexican economies, with spillover effects in Canada and the rest of the world.⁷³

The threatened 45 percent tariffs on Chinese goods is another matter. Trump has indicated that the 45 percent tariff is a threat and not a tax he is firmly committed to. Trump has said:

⁷¹ See <https://www.doleta.gov/tradeact/factsheet.cfm> (visited November 30, 2016).

⁷² *Id.*

⁷³ For analysis of the effects of the possible tariffs on Mexican and Chinese goods, see *supra* note 41 at 17 (last visited November 29, 2016).

“The 45% tariff is a threat. It's not a tax, it was a threat. It will be a tax if they don't behave. Take China as an example. I have many friends, great manufacturers, they want to go into China. They can't. China won't let them. We talk about free trade. It's not free trade; it's stupid trade. China dumps everything that they have over here. No tax, no anything. We can't get into China. The best manufacturers, when they get in, they have to pay a tremendous tax. The 45% is a threat that if they don't behave, we will tax you. It doesn't have to be 45, it could be less. But it has to be something because our country & our trade & our deals and most importantly our jobs are going to hell?”⁷⁴

Buried within the rambling bluster of Trump's trade pronouncements on China are at least two valid points. First, as Trump asserts, it is widely acknowledged that China has used currency manipulation to gain an advantage for Chinese exports.⁷⁵ Second, most Western cybersecurity experts agree with Trump that China's state sponsored intelligence apparatus has hacked not just US Government sites, but also US companies to steal their industrial secrets.⁷⁶ In addition to China's impermissible subsidies and other unfair trade practices, these are two issues that Trump's trade officials should address. In doing so, however, the Trump Administration should be clear about what is already being done to deal with these problems. On currency manipulation, for example, the Trade Enforcement and Trade Facilitation Act, which became law in February, 2016, now sets out new actions on exchange rate policy the president and the secretary of Treasury must pursue.⁷⁷ The objective criteria for determining the existence of currency manipulation is a major improvement over prior law which gave considerable discretion to Treasury not to take action. The new law is the result of widespread frustration in Congress at Treasury's failure to respond more effectively to currency manipulations.⁷⁸ Of course, one of the problems with currency

⁷⁴ http://www.ontheissues.org/2016/Donald_Trump_Free_Trade.htm (last visited November 30, 2016).

⁷⁵ See, e.g., C. Fred Bergsten and Joseph E. Gagnon, *Currency Manipulation, the US Economy and the Global Economic Order*, at <https://piie.com/sites/default/files/publications/pb/pb12-25.pdf> (last visited November 30, 2016).

⁷⁶ See <http://www.npr.org/sections/thetwo-way/2016/04/29/476070445/u-s-steel-says-china-is-using-cyber-stealth-to-steal-its-secrets> (last visited November 30, 2016).

⁷⁷ See <https://piie.com/blogs/realtime-economic-issues-watch/new-us-currency-policy> (last visited November 30, 2016).

⁷⁸ *Id.*

manipulations is that they actually occur quite often and even our major allies do it. Trump has focused on China, but China is not the only country that does it, which is why under the new law Treasury has put China and Japan, Germany, Korea and Taiwan on a watch list to be monitored for currency manipulations.⁷⁹

On the issue of cyber-enabled theft of intellectual property, including trade secrets or other confidential business information for commercial advantage, President Obama and Chinese President Xi Jinping agreed in September 25, 2015 that neither country would knowingly support such conduct.⁸⁰ In addition, the private sector is making use of existing trade laws to challenge China's cybertheft of commercial secrets. In April, 2016, for example, US Steel asked the International Trade Commission to find that it was being injured in part because of Chinese Government sponsored cybertheft of its research and intellectual property dealing with the production of specialty steel.⁸¹ So, even if the Chinese Government does not abide by the Xi/Obama agreement, there are private remedies available to deal with the problem.

The conclusion is that, while Trump is correct about China's currency manipulation and cybertheft of industrial secrets, there are legal remedies already available and thus no need for the threat of 45 percent tariffs. The Trump Administration just needs to ensure that the existing US trade laws and their foreign and international counterparts are enforced. In addition, on the problems of China's impermissible subsidies and other unfair trade practices, US and international laws are probably adequate to deal with them, so they too need not be a reason for the threat of 45 percent tariffs on Chinese goods.

⁷⁹ Under section 704 of the Trade Enforcement and Trade Facilitation Act, the US Treasury must examine the exchange rate policies of each country with which the US has a major trade deficit. If the Treasury finds evidence that a country is actively intervening in currency markets in order to maintain an undervalued currency, the President is directed to take actions to counteract the undervaluation, including the imposition of tariffs on goods imported from such country. A brief description of the act is *available at* <https://www.congress.gov/bill/114th-congress/house-bill/644>.

⁸⁰ See <https://www.ft.com/content/0dbcab36-63be-11e5-a28b-50226830d644> (visited November 30, 2016).

⁸¹ See <http://www.npr.org/sections/thetwo-way/2016/04/29/476070445/u-s-steel-says-china-is-using-cyber-stealth-to-steal-its-secrets> (last visited November 30, 2016).

Withdrawing from the WTO, ripping up trade agreements. As is often the case with rhetoric steeped in populism, an examination of Trump's concerns about the TPP, NAFTA, and Mexican and Chinese unfair trade practices shows that radical measures are not necessary. In every instance, a thoughtful and balanced approach under the existing US and the dispute settlement mechanisms in the WTO and America's free trade agreements can be used to cure the real problems. Of course, no system is adequate to deal with illusory problems, such as where job losses due to productivity improvements are attributed to globalization and trade. Trying to stem job losses due to productivity improvements through the adoption of trade protectionism will not bring the jobs back, but it will do serious damage to all aspects of the economy. The role of the moderating forces in the American economy should be to ensure that the full weight of the US and the international dispute settlement mechanisms are available to deal with real problems in the international trade regime, but that populist rhetoric is not allowed to create false problems with disruptive, but ineffective solutions. In other words, if the moderating forces in the US play their role, Trump's threat to withdraw from the WTO or rip up other trade agreements should soon be a forgotten bad dream.

V. Trump and Korea/US Economic Relations: What Lies Ahead?

The centerpiece of Korea US economic relations is the KOR US FTA, which has been in effect since March, 2012. As mentioned earlier, Trump said that the KOR US FTA "was so bad, so embarrassing, that you can hardly believe anyone would sign such a thing." He has expressed an intention to renegotiate the agreement, with the threat that if the renegotiations failed he would withdraw from the agreement.

Although Trump will never get high marks for either diplomatic skills or clear speaking, his claim that the benefits of KOR US FTA flow disproportionately to the Korean economy is supported by the evidence. As mentioned earlier, since the KOR US FTA became effective in 2012, bilateral trade has grown, but it has been largely with respect to Korean exports to the US. Over the period of the KOR US FTA's existence, aggregate US exports to Korea have not grown. In addition, some US companies have argued that parts of the KOR US FTA are not being properly implemented. They cite problems relating

to rules of origin verification, express delivery shipments, data transfers, and pending auto regulations.⁸²

Because the KOR US FTA is America's most significant bilateral trade agreement and from an American perspective it seems to be working to disproportionately benefit the Korean economy, Korean trade negotiators should expect to hear from the Trump Administration about scheduling sessions to renegotiate KOR US FTA. Since the current Trade Promotion Authority (authorizing the USTR to undertake trade negotiations) extends into 2018,⁸³ the Trump Administration may seek to put the renegotiations on a fast track. There is no evidence that Trump's aggressive, abrasive and fact challenged negotiating style extends beyond Trump himself and two or three of his close advisors, so the Korean negotiators should be prepared for long, tough, fact based sessions with their American counterparts. From the American side, a KOR US FTA with modernizing provisions and a greater balance will be an appealing prospect and one that could set the tone for revival of TPP if Trump has taken action to withdraw from TPP. On the other hand, both Korea and the US will be diminished if an agreement cannot be reached on the renegotiations.

In anticipation of the Korean US renegotiations, there are two Trumpian traits that seem especially relevant. The first is uncertainty: the uncertainty surrounding Trump is not an accident. Trump intentionally creates uncertainty in order to strengthen his negotiating position as he seeks better deals for the US in various trade fora, including the KOR US FTA. If, for example, the Korean trade negotiators think Trump will cancel the entire agreement if he does not get the concessions he wants, the Korean negotiators will take his demands very seriously. Of course, such erratic behavior on Trump's part carries considerable risks to the US and Korea or other counterparties. It also does not build friendship and trust among our allies and it makes the negotiations harder and more acrimonious. Given the experience and professionalism of the negotiators on both sides, however, it is reasonable to expect that they will be able to deliver a revised agreement that will be at least moderately palatable in Korea and the US.

⁸² See <https://fas.org/sgp/crs/row/RL34330.pdf> (last visited November 30, 2016).

⁸³ See Title 1 of Public Law 114 – 26, enacted in June, 2015.

The second point is that Trump is not an ideologue. In fact, he seems to have very few firmly grounded principles other than doing what is good for him and those around him. But the absence of an ideological core gives Trump the freedom to vacillate according to the current circumstances. It suggests that on international trade issues, Trump will consider many options irrespective of their ideological hue and choose the one that is best suited for the current moment. This flexibility and pragmatism actually may serve American interests as Trump seeks to recalibrate America's position in global affairs. It also challenges the Korean and US negotiators to find innovative solutions to problems to accommodate both Korean and American interests.

In addition to the KOR US FTA renegotiation, the other major change in Korea/US economic relations is that Korean companies are going to feel increasing pressure to move their production facilities into the US. The closest parallel to a protectionist Trump presidency is the 1980s, when US labor groups and businesses pressured Congress and the Reagan Administration for protectionist measures targeting Japanese imports. This time the focus is likely to be on Chinese imports, but Korea could easily get swept up in the anti-Chinese rhetoric. To forestall the possibility of being closed out of the US economy, Korean companies may feel compelled to move some parts of their supply chains (probably final assembly and distribution operations) into the American market. Since the 1950s (and possibly before), Korea's development strategies have emulated Japan practices in so many ways, and this may be another example. Defusing the protectionist pressures through foreign direct investment, as the Japanese companies did in the 1980s, may give Korean companies guaranteed access to the US market and ensure their long term profitability.

The biggest threat to Korea US economic relations is not economic, but external political events. If there is a major escalation of tensions between the US and China, Russia, or North Korea because one side miscalculates or misinterprets the other side's behavior it could quickly have cataclysmic consequences for Korea and the US. Given the aggressive and/or inexperienced international affairs advisors Trump is bringing into his administration and the growing assertiveness of China, Russia and a newly nuclear armed North Korea, the risk of a major foreign policy misstep seems much greater than at any time in recent history.

VI. Conclusion

As indicated in this essay, there are reasons to hope that a Trump Administration will not be as disastrous as the early evidence suggests. But there is a nagging feeling that Trump's election may signal the beginning of a real, long term decline in America's preeminent position in the world. American leadership on trade liberalization and its sponsorship of open and democratic societies around the world both may become casualties of a new protectionist, less tolerant, anti-immigrant American society. Trump may join another rich Republican President, Herbert Hoover (president from 1929 – 1933), in moving the country backwards into a period of darkness and instability. There are good reasons for thinking this will not happen, but if it does, Americans will have only themselves to blame, although the consequences will be felt throughout the world.

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