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Making America Great Again versus Made in China
The US Geo-Economic Rivalry with China

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The trade conflict between the United States and China is a severe threat to the world economy. While the debate over the effectiveness of tariffs is at a steady boil in the United States, the EU is opposed to tariffs as a means for dealing with China. Although serious issues with China must be addressed – such as dumping and subsidization – tariffs will make the United States neither more competitive nor secure. Instead of forging a go-it-alone approach, there is a lot the United States and the EU could do together.

DGAP

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1) This study is based on an article about the US China trade conflict, which was published in the CESifo Forum 2019-1.
2) Due to the delay of the publication of data in the United States, subsequent to the government shutdown, the study is based on data of 2017.

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Executive Summary/Recommendations

The United States and China are engaged in a trade conflict, which verges on the edge of a full-fledged trade war. In 2018, the administration of US President Donald Trump levied additional tariffs on imports from China with a value of 250 billion US dollars: 25 percent on imports worth 50 billion dollars; 10 percent on 200 billion. In May 2019, Trump further increased the tariffs from 10 precent to 25 percent and threatened to also subject the remaining imports of Chinese goods to additional tariffs. The reason was an alleged erosion of commitments by China.

The United States has had a large deficit in merchandise trade with China for many years – the deficit in trade in goods is higher than that with any other country in absolute numbers.[1] Trump believes that China's unfair trade practices are responsible for the persistent deficit: subsidization of domestic companies, overcapacities, forced technology transfer, and theft of intellectual property rights. However, the trade conflict is about much more than the US trade deficit; it is about a competition between economic and political systems, and it is very much about economic dominance and political power. US President Donald Trump sees China as a major economic adversary. Although the United States and China are negotiating a bilateral trade deal, it is thus unlikely that the conflict will be put to rest for good.

The trade conflict has already taken its toll. The International Monetary Fund (IMF) emphasized in its world economic outlook from April 2019 that the risks for the global economy have increased. The World Trade Organization (WTO) has downgraded its outlook for trade growth for 2018 to 3.9 percent (September 2018; down from an original estimate of 4.4 percent in April); growth is expected to further decrease to 3.7 percent in 2019.[2] Particularly, "activity softened amid an increase in trade tensions and tariff hikes between the United States and China, a decline in business confidence, a tightening of financial conditions, and higher policy uncertainty across many economies," according to the IMF.[3] In addition, in 2018, China's economic growth dropped to the lowest rate since 1990, caused by, among others, lower consumer spending and investment due to the trade conflict with the United States.[4] This is also affecting European – and, in particular German – businesses, which are heavily invested in both the United States and China. European companies producing in the United States and exporting to China (and vice versa) are facing higher costs due to the additional tariffs. Exports from China, which face greater hurdles entering the United States, are partly diverted to Europe, putting pressure on domestic producers. The depressed growth outlook in China also dampens demand for European goods and services. In addition, the US-China trade conflict has massively increased uncertainties in the global economy, which is bad for business everywhere. Last but not least, the frustration of the United States with China has spilled over into the WTO, threatening the organization that for decades has ensured rules-based and open trade.

In part, Trump is right: China has become a heavyweight in the world economy but has yet to assume responsibility for the world economic order. This view is also shared by European countries; the EU is currently devising a new China strategy – a first paper was presented in March 2019. The EU is also becoming much tougher on China.

However, Trump's goals are fundamentally flawed. The president seems to want to decouple the United States from China – in other words, to massively reduce the economic interdependence of the two superpowers. Not only will this strategy not work, the policies of the president are simply dangerous and could easily backfire politically and economically. Rather, the United States should consider the following five-point strategy in order to advance its own competitiveness and to ensure multilateral, open, and rules-based trade.

- *Devise a domestic reform agenda for competitiveness:* The United States is rightly concerned about fair competition with China. However, the country would be well-advised to focus more on its own strengths – and weaknesses. The United States needs to invest more in its ailing infrastructure and in education to address the skills gap. More research and development and a greater focus on sciences are needed.
- *Work together with allies:* The United States should use the combined economic and political strength of its partners – such as Germany and the EU – to get meaningful and binding reforms in China. To reestablish lost trust in the transatlantic relationship, the United States should phase out all tariffs implemented in the name of national security and abstain from further tariffs, such as those threatened on cars and car parts. Further, the United States should enhance the scope and focus of the Trilateral Initiative with the EU and Japan. The combined weight of the three partners makes it much more likely that China will make meaningful concessions than unilateral threats. The Trilateral Initiative could also deal with 5G security and tech regulation.

- *Reform international organizations:* The United States was the main driver in establishing liberal international organizations like the WTO after World War II, benefitting from the multilateral trading system for decades. Today, the Trump administration has blatantly put the WTO dispute settlement system in danger, thus undermining the effectiveness of the organization. The United States is right in pointing out the deficiencies of the system, but the means for how to achieve reforms are wrong. Decision-making in the WTO is based on consensus. The United States should therefore engage in the reform debates in a more constructive way, table its own reform proposals (including those on dispute settlement), and form alliances with like-minded countries. The proposal introduced by the United States that aims to improve compliance with transparency obligations is one example.
- *Pursue meaningful bilateral trade deals:* In addition, bilateral and regional trade agreements are a great opportunity to create strong economic partnerships and ambitious trade rules for new issues. The Transpacific Partnership, now called the Comprehensive and Progressive Agreement for Transpacific Partnership (CPTPP), is a case in point. Modern trade agreements include investment liberalization, transparent rules on services, strong intellectual property rights protection, open digital trade, and rules on fair competition (which relates to subsidies and state-owned enterprises (SOEs)). Such agreements set standards worldwide and are another way to incentivize structural reforms in China.
- *Work with China on a meaningful trade and investment deal:* For years, the United States and China had negotiated an investment treaty, covering both the protection of investment as well as market access issues. This agreement would have been binding under international law. President Trump put these negotiations on ice. Instead, the United States and China are currently negotiating a bilateral trade deal, which is more transactional than binding in nature. The United States needs to be careful that the deal does not backfire by hurting the global trading order.

Germany and the rest of Europe have a strong interest in a de-escalation of the US-China trade conflict, both politically as well as economically. The United States and China are both attractive markets – choosing between them is not a viable option for European business. European companies depend on open and rules-based global trade and, therefore, a functioning multilateral trading order. Last but not least, a bilateral US-China trade deal, which would grant preferential treatment to US businesses in China, risks distorting trade and investment, as well as hurting global value chains.

The EU also has some homework to do, however. Foremost, it needs to work on a coherent and unified China policy. The strategic outlook presented in March 2019 was a first step in the right direction, but much more needs to be done. At the EU-China summit on April 9, 2019 both sides agreed to reform the WTO rules for subsidies, to base their economic relationship on openness, non-discrimination and fair competition, and to fight protectionism. However, there are no concrete steps and deadlines in the declaration. The EU therefore needs to make sure that China also implements the promised reforms. In addition, the EU should try to channel shared US grievances with Chinese trade policies toward multilateral solutions whenever possible. This means working on new WTO rules on subsidies and state-owned-enterprises as well as dealing with steel overcapacities in the context of the Global Forum on Steel Excess Capacity. Last but not least, the EU needs to do its share in revitalizing the transatlantic relationship. In mid-April 2019 the EU finally agreed to two negotiation mandates for trade talks with the United States. The transatlantic partners met in Washington D.C. in early May 2019 to commence talks on the mutual recognition of conformity assessment. Now, they should also kick-start the negotiations on industrial tariffs.

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1. Introduction

In February 2019, the Office of the United States Trade Representative (USTR) published its annual report on China and the compatibility of the country's trade policy with the rules of the World Trade Organization (WTO). According to the report, China presented a unique and serious challenge for members of the WTO. Forced technology transfer, market access restrictions, export and import substitution subsidies, and export barriers are just a few of the practices that the report criticizes.[5] The report came at the same time as the United States and China are engaged in negotiations on a bilateral trade deal to address many of the aforementioned issues.

US President Donald Trump sees China as a major economic adversary – and he has done so for quite a long time. In an interview in 2015, he stated, "Because it's an economic enemy, because they have taken advantage of us like nobody in history. They have; it's the greatest theft in the history of the world what they've done to the United States. They've taken our jobs."[6] In a similar tone, Trump's 2017 National Security Strategy criticizes that China challenged American power, influence, and interests, attempting to erode American security and prosperity: "They [China and Russia] are determined to make economies less free and less fair, to grow their militaries, and to control information and data to repress their societies and expand their influence."[7]

Many in the United States share Trump's perception of this threat. According to a report of the Pew Research Center polling institute, 47 percent of Americans view China unfavorably (38 percent positive). The top issues Americans are concerned about include the large US debt held by China, cyberattacks from China, the country's impact on the global economy, the loss of US jobs to China, and the US trade deficit with China.[8]

The United States has had a large deficit in merchandise trade with China for many years. Amounting to 378.7 billion US dollars in 2018, the deficit in trade in goods is higher than that with any other country in absolute numbers.[9] However, the trade war is about much more than the US trade deficit. It is very much about a competition between economic and political systems. And it is about power and economic dominance. The United States is deeply worried about China's industrial policy – a hybrid mix of state planning and interventionism, as well as market reforms. This was reinforced by the "Made in China 2025" strategy, which aims to make the country a "manufacturing superpower." In addition, the One Belt and One Road Initiative (OBOR) – China's gigantic infrastructure project to build and expand trade and infrastructure networks between China and over 70 other African, Asian, and European countries – severely bothers the United States.

China has become a heavyweight in the world economy (see Figure 1) but has yet to assume responsibility for the world economic order. For instance, it not only is much less open economically than advanced countries, it has also been hindering a reform of the WTO by blocking talks about state-owned enterprises and state subsidies, as well as special and differential treatment for developing countries. Moreover, the country frequently fails to adhere to the rules of the WTO and its own Accession Protocol to the organization.

President Trump is therefore right in his criticism. But the goal of the president to decouple the United States from China is fundamentally flawed, and his policies are quite dangerous. First, his strategy will not work, because the two economies are too deeply integrated through trade and investment. Second, the tit-for-tat tariff escalation is likely to backfire on the US and global economy. The loss of a major export markets and the rising costs for intermediary goods – coupled with increased uncertainty in the global economy – have already taken their toll on the US economy. Third, while China has made some concessions – for example, regarding forced technology transfer – none of these are legally binding and enforceable in a reliable way. It is unlikely that a US-China deal will address the underlying problems, rooted in China's

Figure 1: The Ascent of China within the World Economy, 1990-2017

Share of World GDP, based on Purchasing Power Parity (in Percent)

	United States (in %)	European Union (28) (in %)	China (in %)
1990	21.8	27.4	4.1
2001	20.2	23.5	7.8
2017	15.3	16.5	18.2

Share of World Trade in Goods and Services (in percent) (Including Intra-EU trade)

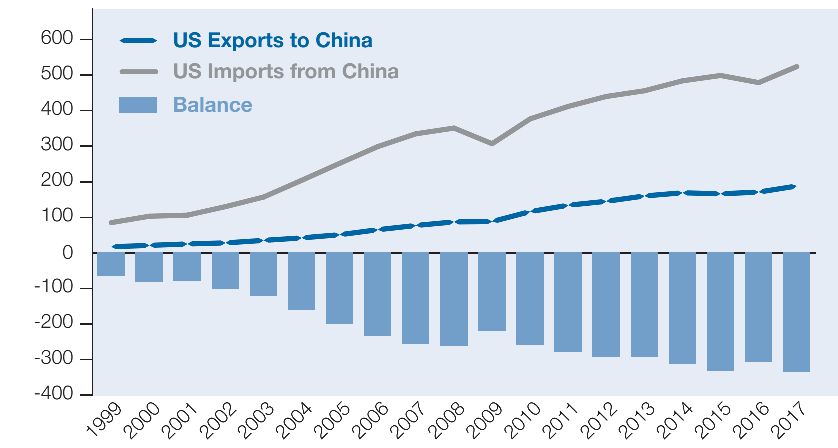
		United States (in %)	European Union (28) (in %)	China (in %)
1999	Exports	13	42	3
	Imports	17	42	3
2005	Exports	10	40	6
	Imports	15	40	6
2017	Exports	10	36	11
	Imports	13	34	10

Share of World FDI Stocks (in Percent)

		United States (in%)	European Union 28 (in%)	China (in%)
1990	Inward	25	40	1
	Outward	32	43	0
2001	Inward	34	32	3
	Outward	32	42	0
2017	Inward	25	29	5
	Outward	25	34	5

Sources: IMF (2018), <https://www.imf.org/external/datamapper/PPPSH@WEO/WEOWORLD/EU/CHN/USA> (accessed January 15, 2019). WTO (2018), <http://stat.wto.org/StatisticalProgram/WSDBViewData.aspx?Language=E (accessed January 15, 2019). UNCTAD (2018), <http://unctadstat.unctad.org/wds/temp/us_fdiflowsstock_70356058382115.xls> (accessed January 15, 2019).

Figure 2: Trade in Goods and Services, United States-China 1999-2017, in Billions of US Dollars



Source: Bureau of Economic Analysis (2018), <https://www.bea.gov/data/intl-trade-investment/international-trade-goods-and-services> (accessed January 8, 2019).

economic model. What's more, it will not end the competition between the two superpowers for dominance in the international system.

Additional tariffs will make the United States neither more competitive nor secure. The Chinese market is critical to the global competitiveness of US companies, and US consumers benefit greatly from imports of lower-cost goods from China. Rather, the United States needs to invest more in infrastructure and seriously address the skills gap. Instead of engaging in threat scenarios and tit-for-tat protectionist spirals, the right way ahead would be solving these issues within the WTO. At the same time, the EU and the United States should work more closely together on advancing national policy instruments, such as competition law, to address unfair trade policies.

The following study analyzes the geo-economic rivalry between the United States and China, pointing the flashlight on the United States and trade, in particular. It will start by giving an overview of economic interdependencies between China and the Unites States, before covering in depth the current trade conflict. Last but not least, recommendations are given for how the United States and the EU could better handle the competition with the rising superpower of China.

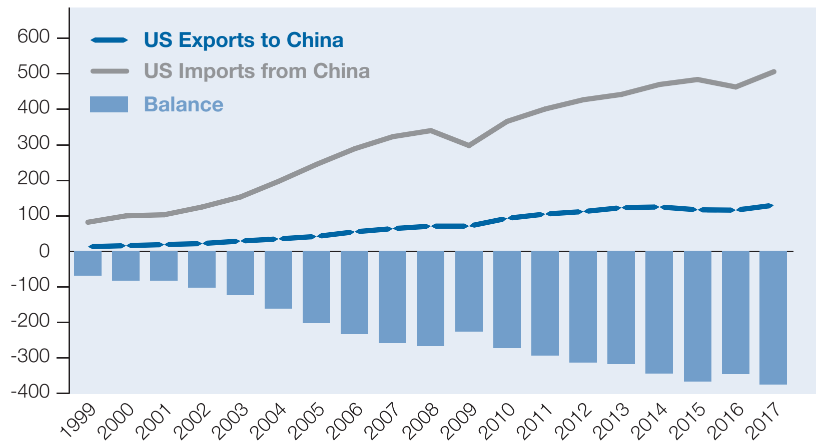
2. Economic Interdependence

US-China economic ties have expanded substantially since the two countries began to normalize their relationship in the late 1970s. Since China's accession to the WTO, the economic interdependence between the two superpowers has increased once more.

With an export value of 188 billion US dollars, China was the third most important market for US goods and services after Canada and Mexico (8 percent of total) in 2017. Regarding imports of goods and services, China ranked first (523.7 billion US dollars), which made the country the most important overall trading partner for the United States (in this case, EU countries are considered individually; if the EU is taken as a whole, the EU is the most important trading partner of the United States).[10]

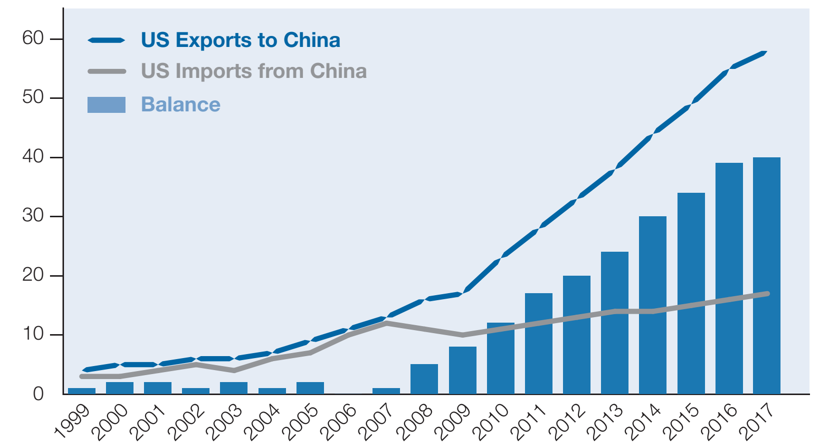
As Figure 2 shows, the United States runs a significant trade deficit with China. US imports from China expanded rapidly in the first years of this millennium. Import growth met a first dent in

Figure 3: Trade in Goods, United States-China 1999 - 2017, Billions of US Dollars



Source: BEA, <https://www.bea.gov/data/intl-trade-investment/international-trade-goods-and-services> (accessed January 8, 2019).

Figure 4: Trade in Services, United States-China 1999 - 2017, Billions of US Dollars



Source: Bureau of Economic Analysis, <https://www.bea.gov/data/intl-trade-investment/international-trade-goods-and-services> (accessed January 8, 2019).

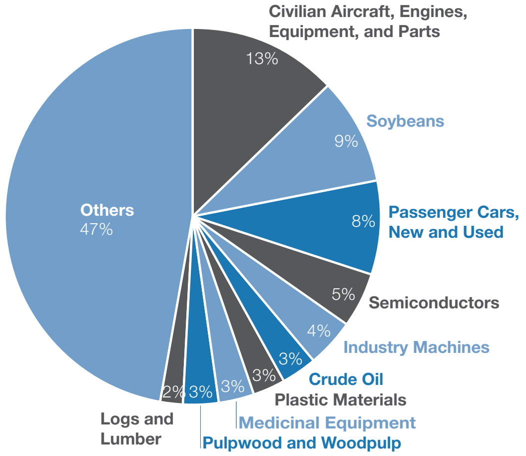
the aftermath of the financial crisis in 2009; a second dent occurred in 2016. Nonetheless, as Figure 3 shows, imports of goods from China to the United States reached a new record high of 506 billion US dollars (2.6 percent of GDP) in 2017. The bilateral deficit in trade in goods amounted to 376 billion US dollars, or 1.9 percent of GDP. In contrast, the United States consistently runs a surplus in trade in services with China as Figure 4 shows. The surplus has been growing significantly since 2008, amounting to 40 billion US dollars in 2017 alone.[11] The positive contribution of trade in services is often overlooked, not least by President Trump.

In 2017, the United States primarily exported civilian aircraft and parts (13 percent of the total), soybeans (9 percent), and passenger cars (8 percent) to China, as Figure 5 illustrates. While throughout the 1980s and 1990s, the United States mostly imported low-value, labor-intensive products from China, technologically advanced products make up an increasing portion of US imports, which can be seen in Figure 6. The main import goods are cell phones and other household goods (14 percent), computers (9 percent), and equipment for telecommunications (7 percent). It is mainly in the trade of these goods that the United States has a large deficit, as can be seen in Annex A1. In contrast, the United States realizes a surplus with China in the trade of large civilian aircraft and soybeans, as Annex A2 illustrates.

The deficit with China has many causes, such as the role of the US dollar as a dominant global reserve and transaction currency, the size of the US market and attractiveness for foreign capital, US consumer spending and saving behavior, and macroeconomic policies, to name a few. In addition, the sharp increase in US imports from China can be explained by the movement in production facilities from other (primarily Asian) countries to China.[12] Furthermore, it has a lot to do with China's place in global value chains. According to an OECD/WTO study, 32.2 percent of the overall value of China's gross exports (40.2 percent for China's total manufactured exports) was comprised of foreign imports in 2011 (the latest available data of value added trade).[13] Furthermore, US companies localize in China to better serve the local and Asian markets. Trade statistics and balances do not reflect this fact.[14]

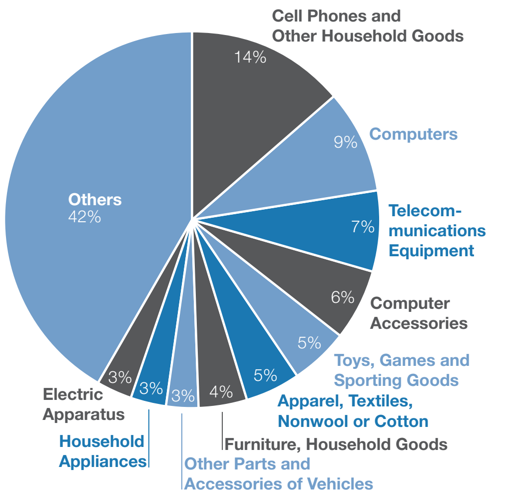
The widening bilateral trade deficit can also be attributed to strong economic growth, high employment rates, and stable domestic demand in the United States. At the same time, there was a considerable decline in US exports to China in certain products starting in July and August 2018, subsequent to the implementation of retaliatory tariffs – which is documented in Figure A3. While exports in machinery and equipment grew strongly in March 2018, with a year-on-year growth of 38.5 percent (from 3.9 billion US dollars to 5.4 billion US dollars), exports considerably decreased in a year-on-year comparison from July onwards (July 2018: 4.7 billion US dollars; July 2017: 5.0 billion US dollars). In August 2018, bilateral trade in

Figure 5: US Exports to China by Product Type 2017, in Percent of the Total



Source: US Census Bureau, <ttps://www.census.gov/foreign-trade/statistics/product/enduse/exports/c5700.html> (accessed January 8, 2019).

Figure 6: US Imports from China by Product Type 2017, in Percent of the Total



Source: US Census Bureau, <https://www.census.gov/foreign-trade/statistics/product/enduse/imports/c5700.html#questions> (accessed January 8, 2019).

machinery and equipment stood at 4.6 billion US dollars – considerably lower than in August 2017, with 5.4 billion US dollars. The effect of Chinese retaliatory tariffs on fuel products was also clearly felt, as exports decreased by 81 percent from July to August 2018. Export numbers of crude materials (except fuel) seem to fluctuate, but have generally tended to be declining since July 2018, when China implemented retaliatory measures.

The monthly statistics about trade in agricultural products, which are shown in Annex A3, reveal that US agricultural exports to China have become volatile. August and September 2018 (directly after China imposed retaliatory tariffs) have seen the lowest export levels in 22 months. In September 2018, US agricultural exports to China were 91 percent lower than in September 2017.

Financial interdependence is also increasing, although China still does not rank among the top five destinations or sources of foreign direct investment (FDI) for the United States, neither in stocks nor in flows.[15] In 2017, China ranked 14th regarding US FDI stocks abroad and 10th concerning outward flows (see Figures 7 and 8). In the same year, China placed 14th regarding FDI stocks in the United States. As FDI flows from China to the United States were negative in 2017, the country placed only 134th.

As can be seen in Figure 9, FDI flows between the United States and China (in both directions) stood at 43.4 billion US dollars in 2017. While this was the second highest year to date, it marks a 28 percent drop from the 60 billion US dollar total in 2016. This decline was due to a change in Chinese policy, narrowing controls on outbound investment, as well as heightened investment screening undertaken by the Committee on Foreign Investment in the United States. The latter specifically affected Chinese investment in high-tech sectors. Although Chinese FDI flows to the United States overtook US-to-China in 2015, US FDI stocks in China have been historically and consistently higher, at 216.7 billion US dollars from 2000 to 2017, compared to 139.8 billion US dollars (China-to-US) within the same time period (see Figure 10).

Regarding industry concentration, in 2017, Chinese investment was strongest in American real estate and hospitality – although this sector showed a notable decline in investment from 2016 to 2017 – as well as transport and infrastructure, which noted an increase in investment in the same period. Additionally, Chinese investment was over 1 billion US dollars each (2017) in ICT and health and pharmaceuticals – which stayed stable from the previous year – as well as financial and business services.

For China, FDI sourced from the United States ranked in 6th place. The Chinese statistics, however, are significantly skewed, as the biggest investor is identified as Hong Kong, with a share of 75.5 percent of all FDI inflows.[16] American investment in China was highest in ICT by far, but was also strong in entertainment, media and education, automotive and transportation equipment, agriculture and food, and real estate and hospitality.

In December 2018, China held 1.124 trillion US dollars in US Treasury securities (17.9 percent of securities issued). The share of foreign holders of US securities can

Figure 7: Foreign Direct Investment in the United States, 2017, Top Ten Countries

Stocks	Billion US Dollars	Percentage of Total FDI in US	Flows	Billion US Dollars	Percentage of Total FDI in US
United Kingdom	540.9	13.4%	Canada	71.9	25.9%
Japan	469	11.7%	Japan	43.9	15.8%
Canada	453.1	11.3%	United Kingdom	43.7	15.8%
Luxembourg	410.7	10.2%	Switzerland	21.1	7.6%
Netherlands	367.1	9.1%	France	20.8	7.5%
Germany	310.2	7.7%	Netherlands	17.8	6.4%
Switzerland	309.4	7.7%	Ireland	17.3	6.2%
France	275.5	6.8%	Germany	11.9	4.3%
Ireland	147.8	3.7%	Korea	10.4	3.7%
Belgium	103.5	2.6%	Belgium	6.0	2.2%

Source: Bureau of Economic Analysis, < https://www.bea.gov/international/di1usdbal> (accessed January 15, 2019).

Figure 8: US Foreign Direct Investment Abroad, 2017, Top Ten Countries

Stocks	Billion US Dollars	Percentage of Total US FDI abroad	Flows	Billion US Dollars	Percentage of Total US FDI abroad
Netherlands	936.7	15.6%	Ireland	44.7	14.9%
United Kingdom	747.6	12.4%	Netherlands	34.5	11.5%
Luxembourg	676.4	11.2%	Luxembourg	33.4	11.1%
Ireland	446.4	7.4%	Bermuda	30	10.0%
Canada	391.2	6.5%	Switzerland	30	10.0%
Bermuda	346.8	5.8%	UK Islands, Caribbean	25.7	8.6%
UK Islands, Caribbean	331.4	5.5%	United Kingdom	23.1	7.7%
Singapore	274.3	4.6%	Canada	18.6	6.2%
Switzerland	245	4.2%	Singapore	17.2	5.7%
Australia	168.9	2.8%	China	9.9	3.3%

Source: Bureau of Economic Analysis, <https://www.bea.gov/international/di1usdbal> (accessed January 17, 2019).

be seen in Figure 11 (October 2018). The high percentage of US debt ownership by China highlights once again the mutual dependency of the two economies. For example, a rapid Chinese sell-off of Treasury securities would harm both parties, as the interest on Treasury securities would rise while their price would go down, thereby decreasing their value.

The strong economic interdependence in all fields – trade in goods and services, FDI, and finance – shows that the United States and China are mutually dependent on each other. Any strategy that tries to decouple the two economies is thus bound to fail. In other words, decoupling is only possible at huge economic and financial costs for both sides, with strong repercussions on the global economy.

3. Tit-for-Tat: The Trade Conflict between the United States and China

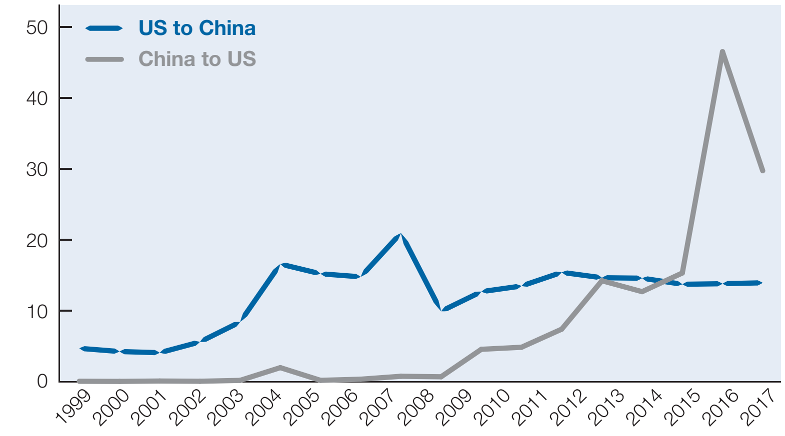
3.1 Trump's Trade Policy: Going after Unfair Trade

President Trump's trade policy, laid out in his Trade Policy Agenda of both 2018 and 2019, is much more aggressive than those of his predecessors: trade policy should focus more on the national interests of the United States and, hence, be coordinated with the country's National Security Strategy. The National Security Strategy of 2017 likewise criticizes the weakening of the US economy due to unfair trade practices, stating, "We will insist upon fair and reciprocal economic relationships to address trade imbalances."[17]

President Trump repeatedly stated that he is not interested in concluding such trade agreements that in his view only make competitors stronger. Rather, he intends to negotiate better deals to promote US jobs and prosperity. "Rebuilding economic strength at home and preserving a fair and reciprocal international economic system will enhance our security and advance prosperity and peace in the world," the Security Strategy underlines.[18] This is why Trump pulled the United States out of the Trans-Pacific Partnership a few days after taking office. Further toward the top of the agenda stood the trade accord between the United States, Mexico, and Canada (NAFTA, which is known as the United States-Mexico-Canada Agreement – USMCA – in its newly renegotiated form), and the free trade agreement with South Korea (KORUS).

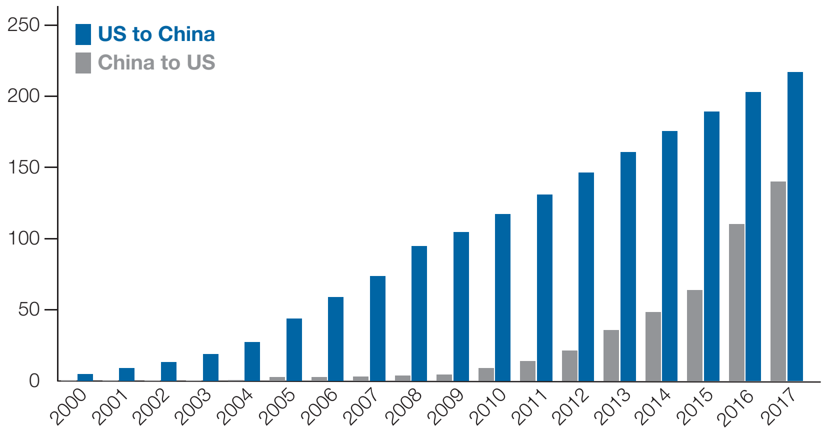
The Trump administration is also no longer willing to tolerate so-called unfair trade practices and is prioritizing the rigorous application of national trade laws. One such law is the Trade Act of 1974. Under Section 301 of that law, the president can take retaliatory measures, including imposing tariffs and quotas, if a country denies the United States its rights under a free trade agreement

Figure 9: FDI Flows in all Industries between the United States and China 2000-2017, Billions of US Dollars



Source: Rhodium Group, <https://www.us-china-fdi.com/> (accessed January 8, 2019).

Figure 10: FDI Stocks in all Industries between the United States and China 2000-2017, Billions of US Dollars



Source: Rhodium Group, <https://www.us-china-fdi.com/> (accessed January 8, 2019).

or takes measures that are unjustified, unreasonable, or discriminatory. The Trade Policy Agenda also refers to the investigations into steel and aluminum imports under Section 232 of the Trade Expansion Act of 1962 regarding their national security implications.

The Trump administration is also highly critical of the WTO. The USTR highlighted in the 2019 Trade Agenda that the organization has not always worked as expected. Among other things, the agenda criticizes the dispute settlement system for overstepping its mandate and intervening in areas for which the WTO members themselves are responsible. As a response, the Trump administration is threatening the functioning of the entire organization by blocking the appointment of members to the Appellate Body and by refusing to engage in serious reform discussions.

Trump's trade policy is a considerable break from the liberal-institutional policies of his predecessors, not just regarding content but also in style. Trump's approach is very much transactional. The president sees himself as a dealmaker. He sees little value in multilateral institutions and binding commitments under international law. His approach is bilateral, quid-pro-quo, and based on narrow cost-benefit analyses. He calls for reciprocity – product by product, sector by sector, and country by country. President Trump proudly calls himself the Tariff President. And he believes that tariffs are a good way to pursue American interests in trade negotiations. In his State of the Union Address, he said, "If another country places an unfair tariff on an American product, we can charge them the exact same tariff on the same product that they sell to us."[19] Trump and his team are fixated on trade balances. These are used as a measure of whether or not a country trades fairly. China stands at the center of Trump's trade policy.[20]

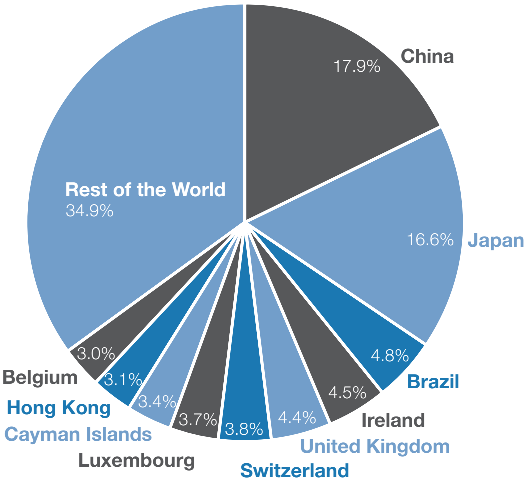
3.2 Market Access: An Unlevel Playing Field

In summer 2018, the Office of Trade and Manufacturing Policy published a report outlining how China's policies threaten the economic and national security of the United States. The report identifies five ways that China tries to aggressively acquire US technology and intellectual property: physical and cyber theft, forced technology transfers, evading United States export controls, export restraints on raw materials, and investments in high-tech assets in the United States. The report also criticizes high tariffs, non-tariff barriers, and other regulatory hurdles.[21]

China's market is much less open than that of the United States. In terms of the simple average Most-Favored Nation (MFN) applied tariff rates, China's rates are approximately three times those of the United States for total trade (9.8 percent vs. 3.4 percent) and both agricultural (15.6 percent vs. 5.3 percent) and non-agricultural trade (8.8 percent vs. 3.1 percent) (see Figure 12).

Out of 22 product groups, US tariffs are only higher than China's in one sector: dairy products. As can be seen

Figure 11: Foreign Holders of US Securities December 2018, by Percentage



Source: Department of the Treasury/Federal Reserve Board, <http://tic-data.treasury.gov/Publish/mfh.txt> (accessed January 8, 2019).

in Figure 13, differences are starkest in seven categories (in which China's tariff rates are 10 or more percentage points higher than the United States): cereal and preparations, cotton, sugars and confectionary, animal products, coffee and tea, other agricultural products, and fish and fish products. However, compared with other emerging market economies (Figure 14), China's openness does not differ much from the average.

China's market is also significantly more protected by non-tariff barriers than the US market, which can be seen in Figure 15. Out of seven categories of non-tariff measures imposed on all UNCTAD members, the United States has imposed measures for only one category more frequently than China (sanitary and phytosanitary measures). As the graph shows, China has imposed 571 more export-related measures and 1624 more technical barriers to trade than the United States.

In its 2018 Foreign Trade Barriers Report, the USTR identified several areas of concern regarding China. Pointing at "Made in China 2025" – a long-term strategy targeting ten strategic industries – the USTR criticizes that domestic companies – especially state-owned enterprises (SOEs) – are protected and promoted by a wide range of industrial policies. The report criticizes, among others, the numerous restrictions on the level and types of FDI allowed in China, the joint venture obligations, and forced technology transfer. Another area of concern is the relatively ineffective enforcement of intellectual property rights.[22]

The US government also criticizes China's mixed implementation record of WTO obligations and commitments undertaken in its Accession Protocol. For example, it still employs export barriers and has yet to join the Agreement on Government Procurement.[23] This finding is reiterated by the annual USTR report on China's compliance with the rules of the WTO. In early 2019, the USTR concluded that "China's market-distorting policies and practices harm and disadvantage its fellow WTO members, even as China reaps enormous benefits from its WTO membership."[24]

3.3 Competition between the Systems

However, the problem is not only that China is not playing by the rules. A report by the US Senate Committee on Small Business and Entrepreneurship[25] summarized that "The 'Made in China 2025' industrial plan demonstrates that the Chinese government is doing more than merely 'breaking the rules,' it is seeking to set new terms for international economic competition." The United States is deeply worried about China's industrial policy – a hybrid mix of state planning and interventionism, as well as market reforms. The report finds that China has rapidly advanced technologies in information technology, shipping, and energy and power generation, while investing in large-scale projects in aerospace, vehicles, and robotics. In a foreword, the Republican Chairman Marco Rubio, states, "The 'Made in China 2025' industrial plan announced in 2015 by the Chinese government makes their goal clear. China aims to become the global leader in innovation and manufacturing. This would be an unacceptable outcome for American workers."

Figure 12: Degree of Trade Openness: United States and China

	Simple Average Final Bound Tariff Rate: Total Trade	Simple Average Final Bound Tariff Rate: Agricultural Trade	Simple Average Final Bound Tariff Rate: Non-Agricultural Trade	Simple Average MFN Applied Tariff Rate (2017): Total Trade	Simple Average MFN Applied Tariff Rate (2017): Agricultural Trade	Simple Average MFN Applied Tariff Rate (2017): Non-Agricultural Trade
United States	3.4	4.9	3.2	3.4	5.3	3.1
China	10	15.7	9.1	9.8	15.6	8.8

Source: WTO Tariff Profile, <http://stat.wto.org/TariffProfile/WSDBTariffPFView.aspx?Language=E&Country=CN,US> (accessed January 9, 2019).

Figure 13: MFN Applied Duties (average), by Product Groups: The United States and China

	United States	China	Difference in Percentage Points
Cereal & preparations	3.1	23	19.9
Cotton	4.8	22	17.2
Sugars & confectionary	15.7	28.7	13
Animal products	2.2	14.1	11.9
Coffee, tea	3.2	14.9	11.7
Other agricultural products	1.1	11.9	10.8
Fish & fish products	0.7	10.8	10.1
Fruits, vegetables, plants	4.8	14.7	9.9
Manufactures, n.e.s.	2.2	11.7	9.5
Leather, footwear, etc.	3.9	13.3	9.4
Transport equipment	2.9	12.3	9.4
Electrical machinery	1.5	8.6	7.1
Non-electrical machinery	1.2	8.1	6.9
Minerals & metals	1.7	7.8	6.1
Beverages & tobacco	18.6	23.7	5.1
Clothing	11.6	16	4.4
Chemicals	2.8	6.6	3.8
Wood, paper, etc.	0.5	4.1	3.6
Oilseeds, fats & oils	7.4	10.9	3.5
Petroleum	1.8	5.3	3.5
Textiles	7.9	9.6	1.7
Dairy products	18.3	12.3	-6

Source: WTO, <http://stat.wto.org/TariffProfile/WSDBTariffPFView.aspx?Language=E&Country=CN,US> (accessed January 16, 2019).

One of these sectors is the telecommunication sector, which has received considerable attention within the Made in China 2025 strategy. China has made massive technological advances. The Chinese company Huawei, for example, is one of the top electronics makers in the word. China's forthcoming satellite-navigation system will compete with America's GPS, undermining Washington's geopolitical dominance in this area. The United States government has thus banned Huawei from its plan to build new 5G technologies, the Next Generation Mobile Network, a technology necessary for advancing the Internet of Things and Industry 4.0. Trump issued an executive order in mid-May, 2019. Declaring a national emergency, the President prohibited the purchase or use

Figure 14: Degree of Trade Openness: Emerging Economies

	Simple Average MFN Applied Tariff Rate (2017) Total Trade	Simple Average MFN Applied Tariff Rate (2017) Agricultural Trade	Simple Average MFN Applied Tariff Rate (2017) Non-Agricultural Trade
China	9.8	15.6	8.8
Brazil	13.4	10.2	13.9
India	13.8	32.8	10.7
South Africa	7.6	8.5	7.5

Source: WTO, <http://stat.wto.org/TariffProfile/WSDBTariffPFView.aspx?Language=E&Country=BR%2cCN%2cIN%2cUS%2cZA> (accessed January 16, 2019).

of any communications technology produced by entities controlled by "a foreign adversary" and likely to create an "undue risk of sabotage" of US communications systems or "catastrophic effects" to US infrastructure.

Subsequently, the Department of Commerce added Huawei to its so called "entity list", which makes it necessary for US companies to receive licenses in order to do business with Huawei. It is expected that the DOC is unlikely to grant such licences which would mean a de facto ban of transactions with Huawei.[26]

Another sector of great concern is biotechnology. The United States-China Economic and Security Review Commission – a congressional commission of the United States government, responsible for monitoring and investigating national security and trade issues between the United States and China – released a report on China's biotechnology development mid-February 2019. The report states that even though today the United States is the leading biotechnology nation in the world, China is quickly catching up due to its large population and its efforts to advance in this field. The report warns that China is also becoming more and more important in the field of biotechnology by using US firms to acquire technology and data.[27]

The Trump administration is also worried about China's Belt and Road Initiative. The initiative seeks to "transform its expansive energy infrastructure" through overland corridors and a new "Maritime Silk Road" connecting seaports from the South China Sea to Africa; these endeavors stretch across more than 70 countries, including Russia, Indonesia, Austria, Greece, and Saudi Arabia.[28] The project also includes 6 trillion dollars in investment in clean energy generation.[29] In December 2017, in his blueprint for American national security policy and as an apparent response to the project, Trump asserted that "China is using economic inducements and penalties, influence operations and implied military threats to persuade other states to heed its political and security agenda. China's infrastructure investments and trade strategies reinforce its geopolitical aspirations."[30] At the ASEAN summit in Singapore 2018, US Vice President Mike Pence noted that the United States does not "offer a constricting belt or a one-way road."[31] Furthermore, in October 2018, President Trump established a new foreign aid agency, called the United States International Development Finance Corporation, with the authority to provide 60 billion US dollars in loans, insurance, and guarantees to assist infrastructure initiatives in Africa, Asia, and Latin America.[32] Pence deemed the initiative a way to offer "foreign nations a just and transparent alternative to China's debt-trap diplomacy."[33]

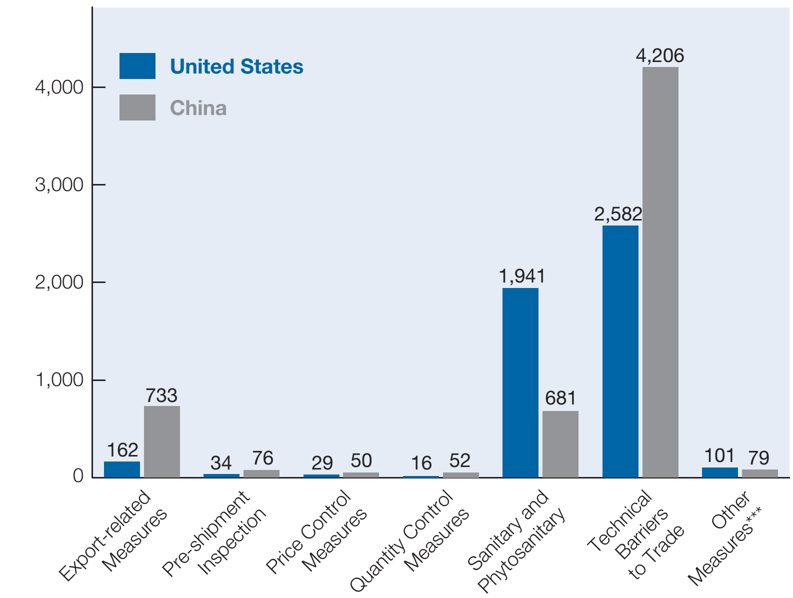
3.4 An Escalating Trade Conflict Verging on a Trade War

In late 2018, Kevin Hassett, chairman of the president's Council of Economic Advisers, said China had "misbehaved" as a member of the WTO and hinted that there might be a case for ejecting China from the WTO.[34] Peter Navarro, Trump's director of the Office of Trade and Manufacturing Policy, said, "China is basically trying to steal the future of Japan, the US and Europe, by going after our technology."[35]

The Trump administration seems to believe that unilateral actions are necessary to ensure fair trade. The 2018 USTR report on China's compliance with WTO rules stresses, "It is simply unrealistic to believe that WTO enforcement actions alone can ever have a significant impact on an economy as large as China's economy … The notion that our problems with China can be solved by bringing more cases at the WTO alone is naïve at best, and at worst it distracts policymakers from facing the gravity of the challenge…"[36] The Trump administration has thus pursued an aggressive unilateral strategy toward China.

On March 8, 2018, President Trump announced the imposition of global tariffs on steel (25 percent) and aluminum (10 percent), based on the national security justifications of Section 232 of the Trade Act of 1962. China is the world's largest producer of both of these commodities and has substantial overcapacities, which distort world markets. In early July 2018, the United States imposed import duties of 25 percent on Chinese imports – worth 34 billion US dollars – based on Section 301 of the Trade Act of 1974. The duties relate primarily to high-tech product groups such as aircraft parts, batteries, flat-screen televisions, and specialist medical equipment – products that China identified as particularly important in the current five-year plan as part of the Made in China 2025 strategy.

Figure 15: US and Chinese NTBs Imposed against each other* in Force as of March 6, 2019**



* Sum of US / Chinese NTBs imposed against all partners (including China/ the United States) and US/ Chinese NTBs imposed only against China/ the United States

** These numbers are only indicative. They cannot be compared due to the different nature of measures and different legal structures of countries.

*** Under the category "other measures" bilateral contingent trade protective measures are included.

Source: TRAINS by UNCTAD, <https://trains.unctad.org> (accessed March 6, 2019).

The Chinese government immediately implemented retaliatory tariffs covering a trade volume of around 34 billion US dollars. Trump turned up the heat by extending tariffs on imports worth 16 billion US dollars in late August 2018. Again, China imposed retaliatory tariffs, also covering a trade volume of around 16 billion US dollars.

A few days after the first Section 301 tariffs, the United States Trade Representative published a further list with almost 6,000 Chinese merchandise goods. The list comprised a trade volume of 200 billion US dollars, on which duties of 10 percent were levied in late September 2018. The tariffs were to increase to 25 percent starting on January 1, 2019. In total, US imports from China worth 250 billion US dollars, or almost 50 percent of US goods imports from China in 2017, are now burdened with additional tariffs. Trump has repeatedly signaled that, if necessary, tariffs on imports worth 500 billion US dollars would be imposed if China did not back down. This corresponds to nearly all US imports from China.

The conflict further escalated in late 2018 with a spat between the United States and China over the Chinese technology giant Huawei. Early in December 2018, Canada arrested Huawei's Chief Financial Officer at the request of the United States, when she was stopping over at Vancouver Airport. The United States alleges that Huawei used a Hong Kong shell company to sell equipment to Iran, thus acting in violation of US sanctions. In late-January 2019, the US Justice Department also accused Huawei of the theft of trade secrets. The Chinese government harshly criticized this move. According to Beijing, the "war" against Huawei had political motives and was an attempt by the US government to win the struggle for technological leadership. The Chinese foreign ministry stated, "The United States have been using state power to smear and attack specific Chinese enterprises, destroying legitimate operations of the companies."[37] In March 2019, Huawei also sued the US government, arguing that Congress violated the Constitution by forbidding federal agencies to use the company's technology. Late May 2019, reacting to the listing of Huawei on the "entity list" of the DOC, China announced to draw up its own list of "unreliable" entities.

At the G20 summit in Buenos Aires in late-2018, the United States and China reached a temporary ceasefire, at least on the tariff front. The two adversaries agreed to reach a deal before March 1, 2019, on several trade issues, such as intellectual property protection and forced technology transfers, non-tariff barriers, and cyber theft of trade secrets. For the duration of the negotiations, they agreed to abstain from any further tariffs. China also announced the increase of imports of agricultural, energy, industrial, and other products from the United States to gradually ease the trade imbalance.

In early January 2019, the two superpowers met in Beijing to begin to tackle the details of the deal. The Trump administration showed optimism, although without a doubt this was also intended to calm the stock market. The Chinese government announced that it would open China's market for five genetically modified crops, which the United States has been demanding for years. However, differences persisted over more complex issues, such as the protection of intellectual property rights and subsidies to Chinese state enterprises. USTR Robert Lighthizer and Secretary of Commerce Wilbur Ross emphasized that China needed to commit to buying more US goods and services and to enacting serious reforms. They also asserted that any agreement needed to encompass a monitoring and enforcement mechanism.

After several rounds of negotiations, Trump extended the March deadline,[38] because the negotiations with China had made substantial progress, according to his team.[39] Both sides declared that they had reached a deal on currency manipulation. For years, the United States has been criticizing China for artificially undervaluing its currency to foster exports. While the Renminbi had appreciated vis-á-vis the dollar for some years, of late, it had suffered losses in value again subsequent to the US-China trade conflict. Six memorandums of understanding on agriculture, services, non-tariff barriers, intellectual property rights, forced technology transfers, and cybersecurity had been drafted, according to media reports,[40] although enforcement of these remained unclear.[41] In addition, China had offered to increase its purchases of American goods by 1.2 trillion US dollar over the next six years and to grant further market access in some sectors.

However, in May 2019, Trump escalated the tariff conflict again, because China had allegedly withdrawn a number of commitments, namely on enforcement issues. As a consequence, Trump raised the tariffs on Chinese goods worth 200 billion US dollars from ten percent to 25 percent. And he threatened to impose additional tariffs on the remaining US imports of Chinese goods. China retaliated with its own tariffs on US goods worth 60 billion US dollars. It also threatened to restrict the export of rare earths which are existential for the production of many hightech products. In a white paper, China accused the US of stalling the negotiations.[42]

The outcome of the US-China negotiations remains uncertain for the time being. The planned meeting of President Trump and Chinese President Xi has been postponed from April to June 2019. Trump's tough stance has a lot of supporters in the United States, but not everybody is in favor of the tariff conflict.

4. Support for (and Opposition of) Trump's China Policy – The Public, Stakeholders, and Congress

4.1 US Public Opinion and the View of Stakeholders on China

President Trump is not alone in perceiving China as a threat. According to the aforementioned Pew survey, there has been a general downward trend since 2011 in the number of Americans who see China favorably, although there was a surprising 7 percent increase from 2016 to 2017, perhaps as a backlash against the harsh treatment of the country by President Trump in the media. This is illustrated in Figure 16. Younger Americans tend to see China more favorably than older Americans, with 49 percent of survey participants ages 18-29 holding this view, compared with 37 percent of respondents ages 30-49, and 34 percent of those over age 50.

Figure 17 shows the key concerns regarding China. Thus, Americans are worried about both economic and political issues, including cyberattacks, the impact of China's economic growth on the global environment, and the substantial US debt held by the country. Compared to 2017, there was a 6 percent increase in Americans who believe that China's economic power is a greater concern to the United States, and a 7 percent decrease in those who believe that Chinese military might is of greater concern. This could correspond to the increase in rhetoric from the Trump administration regarding the trade deficit with China and unfair trade practices.

There are marked partisan differences that become apparent in Figure 18: Republican respondents tend to be more worried about the threat posed by China's economic strength (American debt held by China, loss of US jobs, the trade deficit), while Democrats are more concerned with China's impact on the global environment, on human rights, and the tensions between China and Taiwan. Again, this does not only reflect convictions but is also influenced by President Trump's rhetoric, as well as by support for (or opposition of) Trump.

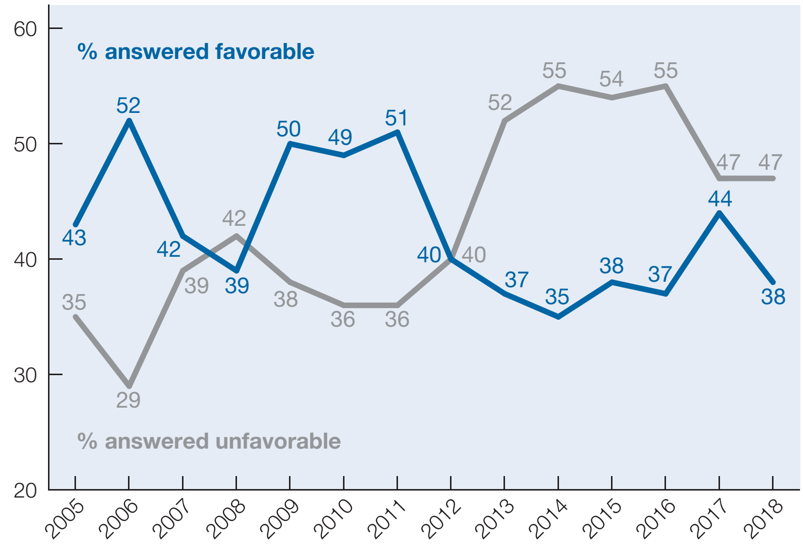
Public opinion on Trump's trade policy measures vis-á-vis China is much less decisive, on the other hand. Specifically, according to a Gallup poll on the first round of tariffs imposed between the United States and China in July 2018, more than twice as many Americans believed that the tariffs would hurt the US economy than those who believed they would help it, while nearly the same number believed the tariffs would have no effect. Also, 45 percent of respondents predicted that the tariffs would have adverse long-term effects on the economy compared with 31 percent who foresaw positive effects; in this case, only 19 percent believed they would have no effect on the economy.

Again, respondents are divided along partisan lines. As shown in Figure 19, more Republicans than Democrats anticipated short-term positive effects for their family's financial situation (11 percent to 2 percent), and more Republicans than Democrats (28 percent to 5 percent) believed tariffs were helpful to the US economy. Additionally, 23 percent of Democrats polled foresaw negative effects for their familial financial standing, compared with 7 percent of Republicans, and notably, 57 percent of Democrats found the tariffs to be detrimental to the American economy, compared to only 16 percent of Republicans polled.

Regarding long-term effects (Figure 20), these differences become even more pronounced. Here, Republican respondents believed that tariffs would have positive effects for their familial financial standing and for the US economy (39 percent and 62 percent respectively), while, respectively, only 7 percent and 12 percent Democrats shared this view. On the other hand, 56 percent and 72 percent of Democratic respondents, respectively, predicted detrimental impacts on their family's financial situation and for the American economy, compared to 12 percent and 17 percent of Republicans.

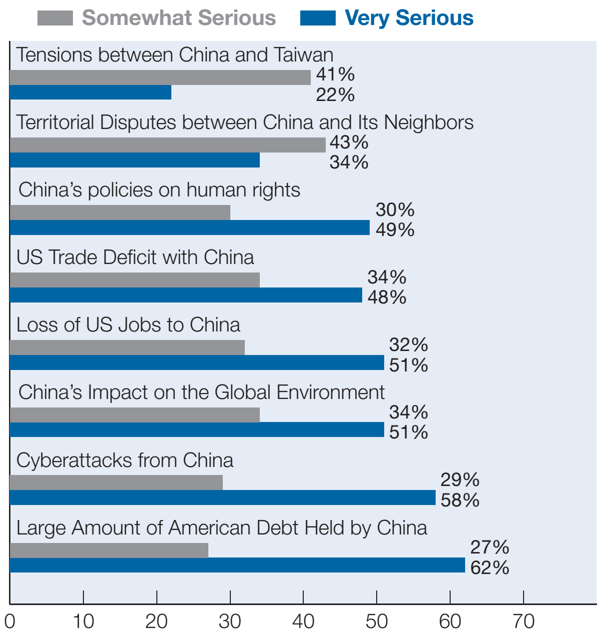
When controlling for other factors, including employment status, region, level of education, income levels and how closely one followed the news on tariffs, differences were either inconsequential or inconsistent. Partisan affiliation seems to be the only strongly significant predictor of opinion on the tariffs. This can partially be attributed to the partisan polarization in the United States – currently at an all-time high – but it remains an interesting new trend as traditionally, Democrats were more skeptical towards free trade while being more open for protectionist measures than Republicans. As for how far

Figure 16: American Opinions on China (Favorable v. Unfavorable View of China) 2005 - 2018



Source: Pew Research Center, <http://www.pewglobal.org/wp-content/uploads/sites/2/2018/08/Pew-Research-Center_U.S.-Views-of-China_Report_2018-08-28.pdf> (accessed January 9, 2019).

Figure 17: Key American Concerns about China (2018)



Source: Source: Pew Research Center, <http://www.pewglobal.org/wp-content/uploads/sites/2/2018/08/Pew-Research-Center_U.S.-Views-of-China_Report_2018-08-28.pdf> (accessed January 9, 2019).

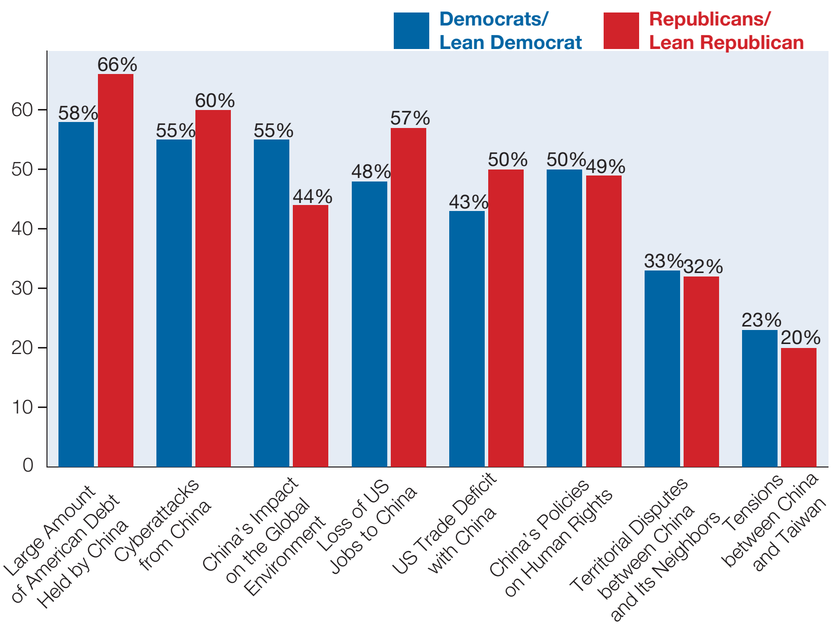
this will affect trade policy decision-making in Congress remains to be seen.

The business community is strongly critical of Trump's trade policy but shares many of his administration's concerns regarding China at the same time. The US Chamber of Commerce, for example, which represents a broad range of American business interests, has taken a clear stance against the Trump administration's tariffs on Chinese imports, as well as those on steel and aluminum, referring to them as "the wrong approach to address unfair trade practices."[43] At the same time, the association also called for more cooperation with "allies to apply pressure on China and use the tools provided by US trade and international laws that we helped create."[44] Jay Simmons, the president of the National Association of Manufacturers (the largest manufacturing association in the United States), also called for a return to the rules-based trading system and warned of economic consequences, at the expense of manufacturing workers in particular.[45]

American unions have a somewhat different position, being much more skeptical in general about free trade. The president of the largest union in the United States, the American Federation of Labor and Congress of Industrial Organizations (AFL-CIO), Richard Trumka, supports the president's trade policy, emphasizing, "I think he's going in the right direction on trade."[46] At the same time, he warns that the administration's tariff policies needed to work in favor of working families.[47] In a tweet, he said that Congress and the president needed to work together "for smart tariff & trade policies that put working families first." While he warns that tariffs might have gone too far regarding key allies of the United States – such as Canada – the AFL-CIO supports a tough stance on China.

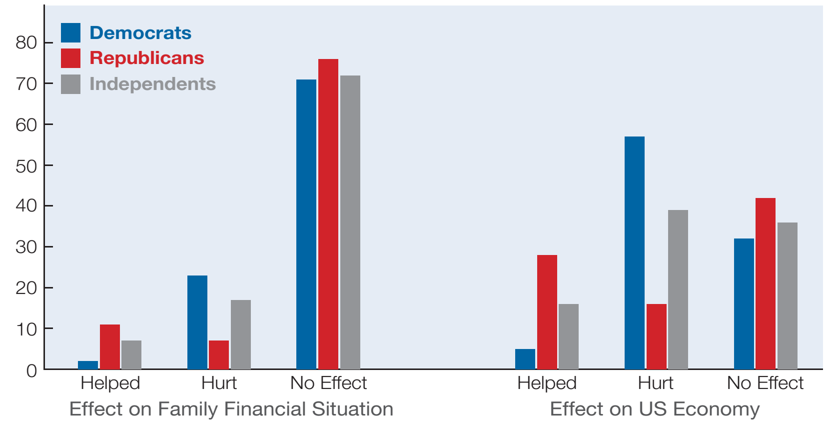
Since China is ranked as the second-most important export market for US agricultural products, farmers have been severely impacted by the imposition of additional tariffs. The average farm income has fallen to a near 15-year low under President Trump, and farm debt is nearing the high levels of the 1980s. As such, the number of farm bankruptcies is rising quickly. The American Farm Bureau Federation (AFBF, one of the oldest and biggest associations of farmers) has therefore been critical of Trump's trade measures. In its statement to the Senate Agriculture Committee, the AFBF specified that 90 percent of US agricultural exports to China had already been subject to retaliatory measures. The organization thus urged US trade officials to "engage in discussions with our trade partners to resolve trade concerns before resorting to tariffs."[48] In early February 2019, hundreds of farmers came to Washington to speak out in opposition to the trade conflict.[49] Farmers were also highly

Figure 18: American Partisan Differences (% Who Found __ to Be a "very serious problem for the US"), 2018



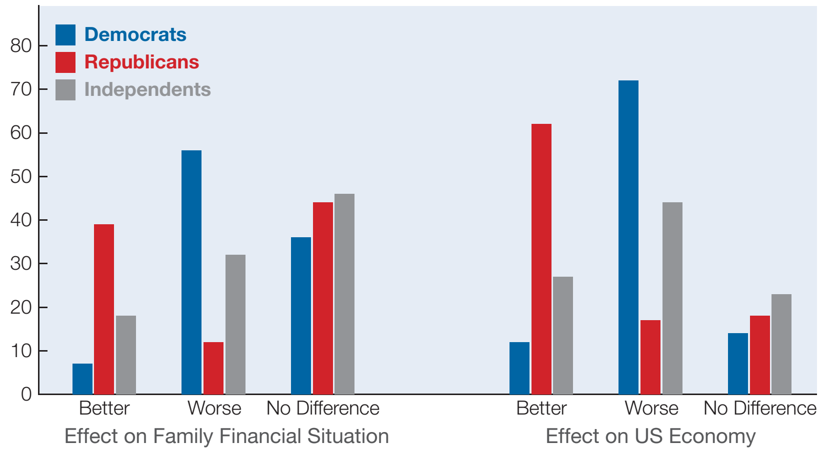
Source: Pew Research Center, <http://www.pewglobal.org/wp-content/uploads/sites/2/2018/08/Pew-Research-Center_U.S.-Views-of-China_Report_2018-08-28.pdf> (accessed January 9, 2019).

Figure 19: American Opinion Poll (Gallup, 2018)
Effect thus far of Tariffs on China, by Political Party Identification



Source: Gallup Poll, <https://news.gallup.com/poll/238013/americans-say-china-tariffs-harmful-helpful.aspx> (accessed January 8, 2019).

Figure 20: American Opinion Poll (Gallup, 2018)
Long-Term Impact of Tariffs on China, by Political Party Identification



Source: Gallup Poll, <https://news.gallup.com/poll/238013/americans-say-china-tariffs-harmful-helpful.aspx> (accessed January 8, 2019).

critical of Trump's most recent tariff hike. The President attempted to appease the agricultural sector by promising financial aid – but farmers emphasised that they rather have export markets than government assistance.

The risks of Trump's trade policy are significant. However, has this led to a change in voting behavior in the last midterm elections, which took place in November 2018? The Brookings Institution identified the following sectors most at risk to job losses above 100,000 jobs due to retaliatory measures abroad: plastics manufacturing, aircraft manufacturing, pharmaceutical manufacturing, fruit and nut tree farming, animal slaughtering (excepting poultry), and automobile manufacturing. Other sectors at risk for substantial job losses included wineries, breweries, corn farming, pork producers, tobacco manufacturing, and soybean farming. This analysis highlighted the geographical effects, with substantial potential job losses across rural and Midwestern states – particularly in Michigan, Indiana, Ohio, Illinois, and Pennsylvania – affecting the traditional manufacturing base of automobile production, as well as production hubs for corn and soybeans. The (potential) losses of employment were divided almost equally between states that Donald Trump won in 2016 and those won by Hillary Clinton. On a county level, the numbers suggests more counties won by Trump to be affected (82 percent) than those won by Clinton (18 percent).

Out of the ten states most affected by retaliatory measures, the Democrats won only one back in the 2018 midterms: Minnesota, with 41,122 affected jobs. In Pennsylvania (78,721 affected jobs according to Brookings) and Michigan (100,929 affected jobs), the Republicans defended the Senate and House, but the Democrats were able to reduce the margin. Thus, despite its risks to the national economy, Trump's trade policy seems not to have had a major impact on the voting behavior in the most recent midterm elections.

To sum this up, many Americans view China as a threat – economically and politically. As such, President Trump has a strong basis for his aggressive behavior toward China. While many sectors (business and farmers) already feel the negative consequences of protectionism, so far, pressure has not been high enough to induce a policy change. But does Trump also have the support of Congress?

4.2 US Congress: How Republicans and Democrats View China

In Congress, views on China are fairly consistent across party lines. That Congress is critical of China is nothing new (there have been repeated attempts to classify China as currency manipulator in the past). However, bipartisan support for a more aggressive policy towards the country has increased considerably of late.

Many prominent Democrats agree with Trump regarding China's unfair trade practices. Ahead of the G20 Summit late 2018, Democratic Senate Minority Leader Chuck Schumer (D-NY), Senator Ron Wyden (D-OR), and Senator Sherrod Brown (D-OH) criticized China's "predatory" practices and urged the president to continue to act aggressively against Chinese "efforts to steal and extort US intellectual property."[50] According to Schumer, "China is our real trade enemy, and their theft of intellectual property and their refusal to let our companies compete fairly threatens millions of future American jobs."[51] Democratic Speaker of the House Nancy Pelosi (D-CA) called the tariffs a "leverage point," stating that the United States "must take strong, smart, and strategic action against China's brazenly unfair trade policies." She also spoke out against human rights violations in China,[52] as did Senator Elizabeth Warren (D-MA), who criticized Chinese currency manipulation, economic "weaponization," and rising power, saying that the country is "using economic might to bludgeon its way onto the world stage."[53] Another Democratic presidential hopeful, Kamala Harris (D-CA), introduced a new Senate bill in December 2018 to broaden American prosecutors' ability to fight Chinese intellectual property theft and hacking.[54] Finally, former presidential candidate and Independent Bernie Sanders (I-VT), who usually votes with the Democrats, has bemoaned the loss of American manufacturing jobs due to the trade deficit with China, advocating a hardline position to reduce Chinese dumping and government subsidization.[55] However, there are also some critical Democratic voices, including the new Democratic Chairman of the House Ways and Means Committee, Richard Neal (D-MS), who criticized the seemingly erratic imposition of tariffs on Chinese goods by the Trump administration. Similarly, the new chairman of the Ways and Means Committee's subcommittee for trade, Earl Blumenauer (D-OR), has also questioned the rationale of additional tariffs, saying, "Tariffs are not just magically imposed on somebody else; it's a cost of doing business, it affects what happens with American manufacturers, and in retail, and they are ultimately paid by the consumer."[56]

Many Republicans also share Trump's views on China, with House Republicans, in particular, seeming to be in line with the president, while Republican Senators appear to be a bit more nuanced in their opinion.[57] Senate Majority Leader Mitch McConnell (R-KY) and Chuck Grassley (R-IA), Chairman of the Senate Finance Committee, for example, have argued that the United States must act aggressively towards China. Grassley, in particular, released a statement calling China an "existential threat" and alleging that the country "poses a threat to our economies, our innovation, our businesses and our very standing in the world."[58] At the same time, Grassley represents one of the United States' largest agricultural states. China and other countries have targeted US farmers with tariffs in retaliation for Trump's trade policies. "The United States should take action to defend its interests when any foreign nation isn't playing by the rules or refuses to police itself. But farmers and ranchers shouldn't be expected to bear the brunt of retaliation for the entire country. It's not fair, and it doesn't make economic sense," Grassley criticized.[59] Senators Mitt Romney (R-UT), Bob Corker (R-TN), and Orrin Hatch (R-UT) have all voiced opinions in opposition to the tariffs.[60] However, going against Trump will not be easy for Republicans, particularly as the next elections are coming closer. Trump is likely to frame any congressional opposition to his trade agenda as favoring China over America – a narrative no Senator or Representative up for election can afford. He already uses patriotism to justify the current hardship for farmers, calling them "our great patriot farmers".

Two 2018 legislative reforms on investment screening and export control, both passed within the National Defense Authorization Act (NDAA), underline the bipartisan support for a strong stance on China.[61] The law was voted in favor of by 220 Republican and 131 Democrat House Representatives (including Speaker of the House Nancy Pelosi), while seven Republicans and 59 Democrats voted nay.[62] In the Senate, the NDAA was voted in favor of by 87 Senators and against by 10 Senators. Trump signed the law in August 2018.

Foreign investment has been subject to screening by the government since 1975 in the United States for national security reasons. The audits are carried out by the Committee on Foreign Investment in the United States (CFIUS), a collaboration of various departments and authorities, chaired by the US Treasury Department. If CFIUS concludes that an investment could jeopardize national security, the panel can submit the case to the president for a decision. The decision of the president is legally binding. Under the old legislation, investments by foreign companies could be audited if they led to control of the acquired company. With the Foreign Investment Risk Review Modernization Act (FIRRMA), Congress passed a reform package that significantly expands the powers of CFIUS. Covered transactions now include real estate acquisitions in sensitive areas and non-passive but non-controlling investments in US businesses involving sensitive personal data, critical infrastructure, or critical technology. In addition, investments that are designed to circumvent investment screening are subject to review. From 2008 to 2016, CFIUS audited 364 acquisitions, with only two of these investigations banning acquisitions. In 2017, CFIUS reviewed nearly 250 cases, an increase of 40 percent in relation to 2016 alone.[63] As of now, there are no official figures available for 2018, but the caseload seems to have remained high.

The reform of the US export control law was met with similar support. Congress had not renewed the Export Administration Act (EAA) of 1979 since it expired in 1994. President Clinton and his successors relied on the International Economic Emergency Powers Act (IEEPA) of 1977 to maintain US export control law in the absence of any legal basis. IEEPA allows the White House to impose a state of emergency because of an "unusual and extraordinary threat, which has its source in whole or substantial part outside the United States, to the national security, foreign policy, or economy of the United States."[64] The Export Controls Act (ECA) repeals most of the EAA, providing a new statutory basis for export controls. It explicitly requires the president to use export controls to maintain US economic leadership in science and engineering, industry, and basic research. Furthermore, the ECA transfers the competence for export control – for example, the listing of goods, the identification of persons perceived as a threat to US national security, the monitoring of the export of controlled goods, or the granting of exemptions – permanently to the president. The ECA instructs the administration to create a cross-departmental body under the direction of the DOC.[65] This panel is to identify technologies that are relevant to national security and that are not already covered by FIRRMA as sensitive technologies, meaning "emerging and foundational technologies that (1) are essential to the national security of the United States." Other innovations introduced by ECA include the establishment of a cross-ministerial review mechanism for existing export licenses in countries subject to arms embargoes, as well as a review by the DOC to estimate the negative effects of exports on defense-related industrial capacity.

That Congress is tough on China, however, does not mean that all members support the trade policy powers of the president – in particular, the application of Section 232 on tariffs. Under the 115th Congress, there were several attempts by Congress to curtail the president's policy space. In July 2018, Senators Bob Corker (R-TN) and Pat Toomey (R-PA) had introduced non-binding legislation that would "provide a role for Congress in making a determination under section 232." The resolution received 94 yeas and 5 nays, with broad support across party lines.[66] Before the midterm elections, a total of nine legislative initiatives related to Section 232 had been submitted to Congress to change the reach of Section 232 (exclusively or in conjunction with other trade policy initiatives). So far, none of the initiatives has led to further steps. In the current legislative period, Representative Mike Gallagher (R-WI) and Senator Pat Toomey (R-PA) have introduced similar legislation. The Bicameral Congressional Trade Authority Act of 2019 would require the president to submit any proposal that would reduce imports due to threats to national security under Section 232; it would furthermore transfer investigatory authority on national security from the Department of Commerce to the Department of Defense.[67] The president meanwhile aims to further expand his power. In late January 2019, Republican Representative Sean Duffy (R-WI) introduced the Reciprocal Trade Act, which would expand President Trump's ability to impose tariffs on another country if he believes its tariffs and non-tariff measures to be unfair or too restrictive. The bill would require Congress to be notified of tariffs before they are imposed, but lawmakers would not have the power to vote on them. The initiative has little chance of success, however.

Bipartisan initiatives have become a rarity in Congress for almost a decade now. On the other hand, Congress shows great unity when it comes to China. A large majority of Representatives and Senators of both parties supports a tough stance toward China. While support for the Trump tariffs is less decisive, it remains to be seen whether Congress will reel in the president. For Republicans, it will be difficult to go against the president in the run-up of the presidential elections in 2020. For Democrats, it will be difficult as one of their most important stakeholders – the unions – is still skeptical about free trade, although support for trade has increased in the voter base of the Democrats.

5. The United States, China, and the WTO

5.1 US-China Trade Disputes at the WTO

Between 2001 and 2018, the United States filed 63 dispute settlement cases before the WTO against 16 countries and the European Union, with the highest number (23) against China, followed by nine against the EU (Figure 21). In contrast, in the same time period, China has filed only 22 cases against three countries and the European Union, 15 of which were against the United States (Figure 22). Figure 23 shows the annual complaints by the United States and China respectively from 2008 to 2018.

Contrary to the rhetoric of the Trump administration, the United States was quite successful in the WTO dispute settlement proceedings involving China. The United States has won three out of six disputes that China initiated, despite the fact that the complainant usually has a very strong case (Figure 25). The United States also won seven out of eight disputes that it initiated against China (Figure 26).

Of the dispute settlement cases filed by the United States against China, ten (43 percent) involved violations of Article VI of the General Agreement on Tariffs and Trade (GATT, 1994), the article that deals with anti-dumping remedies, and of the Agreement of Subsidies and Countervailing Measures (otherwise known as the SCM Agreement), which covers illegal subsidies and countervailing. Most of the cases filed by the United States covered the aluminum, automobile, wind power, and steel industries. The other 13 cases filed by the United States against China primarily cited violations of the GATT (1994) and the General Agreement on Trade in Services (GATS), the Accession Protocol, and the Agreement on Trade-Related Aspects of Intellectual Property Rights (TRIPS). The GATT violations dealt primarily with the agricultural and aircraft sectors, as well as raw materials; the GATS violations covered electronic payment and financial services; and all TRIPS violations were filed in reference to intellectual property rights and protections.

More than half of the cases filed by China against the United States – eight cases (53 percent) – cited violations of Article VI of GATT, also addressing the methodologies, such as zeroing, used by the United States in anti-dumping proceedings against China. To determine the dumping margin, the foreign domestic price (FDP) of the product is compared with its US import price (USIP) adjusted for transportation and handling costs. If FDP minus USIP is less than zero, the United States sets the negative difference at zero – called zeroing. This can inflate the actual dumping margin and subsequently the applied anti-dumping duties.

The United States has been the respondent in 16 WTO disputes related to this issue.[68] In 2013, for example, China initiated a dispute against the United States (with third parties including Canada, the European Union, India, Brazil, Japan, Korea, Norway, Russia, Saudi Arabia, Ukraine, Vietnam, Turkey, and Taiwan) complaining of zeroing in three anti-dumping investigations against Chinese exporters. The WTO panel ultimately agreed with China in 2016. The United States did agree to implement the Dispute Settlement Body's recommendations in a way compliant with WTO obligations, and in arbitration, the reasonable time period to do so was fixed at 15 months, expiring at the end of August 2018. In September 2018, China requested Dispute Settlement Body authorization to "suspend concessions or other obligations pursuant to 22.2 of the Dispute Settlement Understanding (DSU) on the grounds that the United States had failed to comply with the DSB's recommendations and ruling within the reasonable period of time," to which the United States objected. The matter has been referred to arbitration as of September 2018.[69] For years, the WTO's ruling on US anti-dumping tariffs has been one of the central reasons for US frustration with the organization. However, in April 2019, a WTO panel finally accepted the US practice of zeroing in a case concerning Canadian softwood lumber – despite

Figure 21: WTO Dispute Settlement Cases, Initiated by and Initiated against the United States (2001-2018)

US as Complainant	Number of Cases	Percentage of Total Cases Initiated by the US	United States as Respondent	Number of Cases	Percentage of Total Cases Initiated against the US
1. China	23	36%	1. Canada	16	15%
2. EU	9	14%	2. China	15	14%
3. Canada	5	8%	3. EU	13	12%
4. India	4	6%	4. Korea 5. Mexico	9	9%
5. Mexico 6. Indonesia	3	5%	6. Brazil	8	8%

Source: WTO, <https://www.wto.org/english/tratop_e/dispu_e/dispu_status_e.htm> (accessed January 22, 2019).

Figure 22: WTO Dispute Settlement Cases, Initiated by and Initiated against China (2001-2018)

China as Complainant	Number of Cases	Percentage of Total Cases Initiated by China	China as Respondent	Number of Cases	Percentage of Total Cases Initiated against China
1. United States	15	68%	1. United States	23	53%
2. EU	5	23%	2. EU	9	21%
3. Greece	1	5%	3. Mexico	4	9%
4. Italy	1	5%	4. Canada	3	7%
N.A.	N.A.	N.A.	5. Japan	2	5%

Source: WTO, <https://www.wto.org/english/tratop_e/dispu_e/dispu_status_e.htm> (accessed January 22, 2019).

Figure 23: WTO Complaints of the United States and China; 2001 - 2018

Source: WTO, <https://www.wto.org/english/tratop_e/dispu_e/dispu_status_e.htm> (accessed January 22, 2019).

Figure 24: Statistical Evaluation of Disputes (Absolute and Percentages of total Bilateral Disputes Initiated by China): China against the United States; 2001-2018

Disputes Won by China	Disputes Won by the United States	Disputes without a Clear Winner	Disputes Resolved by Mutual Agreement	Disputes in Consulta-tion
3	3	2	0	7
20 %	20 %	13 %	0 %	47 %

Source: WTO, <https://www.wto.org/english/tratop_e/dispu_e/dispu_status_e.htm> (accessed January 22, 2019).

Figure 25: Statistical Evaluation of Disputes (Absolute and Percentages of total Bilateral Disputes Initiated by the United States): The Unites States against China; 2001-2018

Disputes Won by the United States	Disputes Won by China	Disputes without a Clear Winner	Disputes Resolved by Mutual Agreement	Disputes in Consulta-tion
7	1	1	4	10
30 %	4 %	4 %	17 %	43 %

Source: WTO, <https://www.wto.org/english/tratop_e/dispu_e/dispu_status_e.htm> (accessed January 22, 2019).

previous Appellate Body rulings. But it is unlikely, that this changes the basic US attitude towards the WTO.[70] Figure 26 provides an overview of the annual anti-dumping and countervailing cases involving the United States and China from 2005 to 2018.

Another conflictual issue between the United States and China is the country's status as a (non-) market economy. The United States has treated China as a non-market economy (NME) for trade remedy investigations since 1981, meaning that the DOC does not believe it "operates on market principles of cost or pricing structures, so that sales of merchandise in such country do not reflect the fair value of the merchandise."[71] When China joined the WTO in 2001, the country was deemed a non-market economy. The country's Accession Protocol thus granted other WTO members the right to continue to use an alternative (surrogate country) methodology for assessing prices and costs of products. As prices are not market-based in a non-market economy, it is difficult to determine the dumping margin. In this case, a surrogate country can be used to construct a product's "normal value." China is of the opinion that its Accession Protocol required all WTO members to terminate their use of this alternative methodology by December 11, 2016. The United States does not agree with this interpretation.

In December 2016, China initiated WTO dispute settlement cases against the United States and the EU for classifying the country as a non-market economy in anti-dumping proceedings. China claimed the measures to be in violation of Articles 2.1, 2.2, 9.2, 18.1, and 18.4 of the Anti-Dumping Agreement, Articles I:1, VI:1, and VI:2 of the GATT, and Article XVI:4 of the Marrakesh Agreement (against the United States)[72] and in the case of the EU, with Articles 2.1 and 2.2 of the Anti-Dumping Agreement and Articles I:1 and VI:1 of the GATT.[73] A panel was established as of July 2017 in the EU case, but not yet in the US case. Moreover, the United States signed on as a third party in opposition to the WTO case against the European Union.[74] In this submission, the USTR explained that Article VI of the GATT allowed countries to reject prices or costs in anti-dumping investigations if the data had not been collected under market economy conditions.[75] USTR Lighthizer warned that a decision against the United States on that matter would be "cataclysmic for the WTO."[76] The Trump administration did not stop there. In order to constrain China's influence, the United States included a "non-market economy" clause into the USMCA, meaning if any party to the agreement enters into a free trade agreement with a non-market economy, the others would be able to terminate the agreement and opt for a bilateral one instead.[77]

In 2018 alone, China filed as many complaints as never before against the United States. The most prominent cases are the dispute over US steel and aluminum tariffs and US 301 duties. Shortly after the announcement of US steel and aluminum tariffs, China requested consultations with the WTO on April 5, 2018, with 28 third parties including Brazil, Canada, Egypt, the European Union, Hong Kong, India, Indonesia, Japan, Mexico, Russia, South Africa, and Switzerland. The complaint noted the measures' inconsistency with Articles I:1, II:1(a), II:1(b), X:3(a), XIX:1(a), and XIX:2 of the GATT, as well as Articles 2.1, 2.2, 4.1, 4.2, 5.1, 7, 11.1(a), 12.1, 12.2, and 12.3 of the

Agreement on Safeguards. A panel was established on January 25, 2019.[78]

In March 2018, President Trump signed the Memorandum on Actions by the United States Related to the Section 301 Investigation, focusing on Chinese "economic aggression" in technology licensing and technology and intellectual property transfers.[79] The United States launched a respective case at the WTO later that month, because – according to the United States – Chinese licensing practices were inconsistent with Articles 3, 28.1(a), 28.1(b), and 28.2 of the TRIPS Agreement. As of January 2019, the WTO established a panel. Australia, Brazil, Canada, Egypt, the EU, India, Japan, Kazakhstan, Korea, New Zealand, Norway, Russia, Singapore, Switzerland, Taiwan, Turkey, and Ukraine are third parties in the case.[80]

China quickly retaliated, initiating its own dispute settlement case in early April 2018 against the United States, focusing on the 25 percent tariff increase on imports from China.[81] China asserts that these tariffs are inconsistent with Articles I:1, II:1(a), and II:1(b) of the GATT and Article 23 of the DSU Agreement. After several rounds of additional consultations requested by China and several communications circulated by the United States noting disagreement regarding WTO compatibility, a panel was established in late-January 2019. Brazil, Canada, the EU, India, Indonesia, Japan, Kazakhstan, Korea, New Zealand, Norway, Russia, Singapore, Taiwan, and Ukraine joined as third parties.[82] Moreover, China initiated additional WTO proceedings against the United States in late-August 2018 regarding the second round of US tariffs, citing the violation of the same articles.[83]

These cases show that the United States and China have a long history of WTO disputes, which precede the current trade tensions. They also show that the United States was quite successful in dealing with specific concerns regarding China's economic and trade policy in the framework of the WTO system – contrary to President Trump's claims. Lastly, the cases show that many of the US concerns with Chinese behavior, as well as with the WTO itself, go back for years.

5.2 The United States, China, and WTO Reform

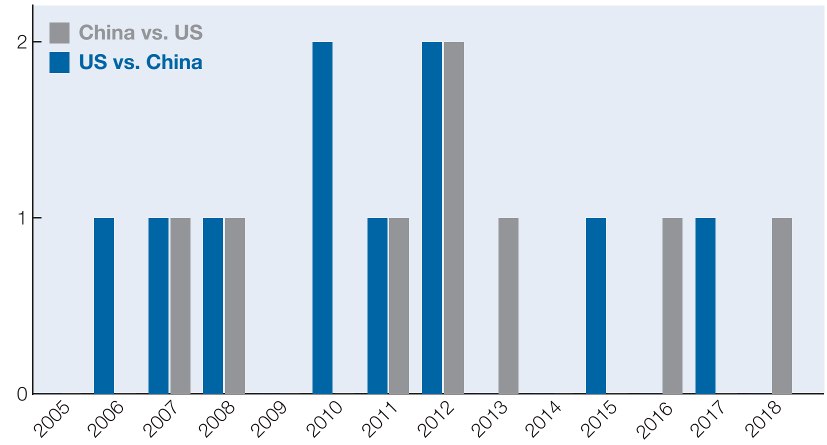
Much of the Trump administration's criticism of the WTO comes back to the role of China in the organization. In the 2017 Report to Congress on China's WTO Compliance, the USTR boldly comments that China's membership in the WTO was a mistake, stating "China largely remains a state-led economy today, and the United States and other trading partners continue to encounter serious problems with China's trade regime. Meanwhile, China has used the imprimatur of WTO membership to become a dominant player in international trade. Given these facts, it seems clear that the United States erred in supporting China's entry into the WTO on terms that have proven to be ineffective in securing China's embrace of an open, market-oriented trade regime."[84]

The Trump administration has four points of contention with the organization.[85] First, it is very dissatisfied with the dispute settlement system of the organization, in particular, the Appellate Body. The dispute settlement function is one of the crown jewels of the WTO. The concerns of the United States, as listed in the 2018 Trade Policy Agenda, relate to the disregard for the 90-day deadline for appeals (Art. 17.5), continued service by persons who are no longer Appellate Body members (Rule 15), the issuing of advisory opinions on issues that are not necessary for the solution of the dispute, and the claim that the Appellate Body reports are entitled to be treated as precedents (judicial overreach).[86]

As described above, the United States is also irritated with the rulings of the Appellate Body regarding US anti-dumping measures and the method of zeroing. This was reinforced in mid-February 2019 when a WTO panel authorized Korea to retaliate against the United States. Korea had won a WTO case against the United States in 2016, with the Appellate Body ruling that zeroing was a violation of WTO rules. Korea was authorized to retaliate on 84.5 million US dollars' worth of trade. Furthermore, the ruling also included a sanctions formula, which Korea can use for retaliation if the United States uses this methodology in future anti-dumping investigations.[87] However, the recent WTO panel ruling from April 2019 could reverse this trend by accepting the US method of calculating anti-dumping margins. This might not be enough to change the US attitude towards the DSB, but it might be one step towards a more constructive dialogue on this issue.

In September 2018, the EU proposed concrete measures on how to address US criticism related to faster appeal proceedings, an increase of members on the Appellate Body from seven to nine to increase efficiency, transitional rules for an outgoing member, and the narrowing of the scope of rulings.[88] The EU was successful in gaining support from other WTO members for its proposals. The EU proposal is now officially sponsored by eleven other countries, including China, Canada, India, Australia, South Korea, Singapore, and Mexico. So far, the United States has objected to the reform proposals – as such, the conflict about the Appellate Body remains unsolved. The

Figure 26: WTO Dispute Settlement Cases Involving Anti-Dumping or Countervailing
2005 - 2018



Source: WTO (2018), <https://www.wto.org/english/tratop_e/dispu_e/dispu_status_e.htm> (accessed January 8, 2019).

United States seems – in the end – to oppose an international body, which supposedly hampers its ability to fight dumping and hidden subsidies of non-market economies such as China. If the United States continues to block the appointment of members to the Appellate Body, there will be fewer than three members left in December 2019, which is the minimum required for an appeal. Without a functioning Appellate Body, any party to a dispute may attempt to block the adoption of panel rulings by appealing them. As such, the whole WTO dispute settlement process is undermined.

Second, the Trump administration complains that the WTO is not adequately equipped to deal with the fundamental economic challenges posed by China, foremost its trade-distorting subsidies and SOEs. This frustration has been exacerbated by the rulings of the Appellate Body. In its March 2011 ruling on Chinese SOEs and the use of anti-dumping and countervailing measures, the Appellate Body issued a very narrow definition of what constitutes a "public body." Contrary to US reasoning, the ruling states that a "public body" needs to "posses, exercise, or be vested with governmental authority." This does not cover SOEs, although they are controlled by the Chinese government. The United States claims that this very restrictive definition reduces the scope of the WTO Agreement on Subsidies and Countervailing Measures (SCM) and puts an additional burden on the country that wants to implement countervailing duties to provide adequate data.[89]

The EU and Japan share the concerns regarding China's trade-distortive practices. In response, the three partners founded a Trilateral Initiative at the WTO Ministerial Conference in Buenos Aires, in December 2017.[90] On January 9, 2019, EU Trade Commissioner Cecilia Malmström, USTR Robert Lighthizer, and Japanese Minister of Commerce and Trade Hiroshige Seko met once again in Washington, agreeing to deepen cooperation in the areas of industrial subsidies, third-country non-market-compliant practices, forced technology transfer, e-commerce/digitized trade, and WTO reform. The three partners are, however, yet to table a joint proposal how to deal with subsidies and SOEs.

Third, the United States is disappointed with the negotiating pillar of the WTO, namely the Doha Development Agenda (DDA). Apart from the Trade Facilitation Agreement, WTO members have failed to agree on any kind of multilateral liberalization agreement for more than 17 years. The United States has since lost interest in the multilateral negotiation round, as large emerging market economies such as China and India failed to offer any ambitious concessions in areas of economic interest to the United States. As a result, the DDA dealt mainly with developing issues. The Ministerial Conference in Buenos Aires in December 2017 was therefore a breakthrough, because members such as the United States and others broke with the concept of the single undertaking of the DDA and opened the way for plurilateral agreements in the areas of e-commerce, investment facilitation, and Micro, Small and Medium-Sized Enterprises (MSMEs). The United States welcomed this decision. USTR Lighthizer said, "MC11 will be remembered as the moment when the impasse at the WTO was broken. Many members recognized that the WTO must pursue a fresh start in key areas so that like-minded WTO Members and their constituents are not held back by the few Members that are not ready to act."[91] The plurilateral agreements are one way forward to keep the United States engaged and to negotiate modern trade rules that better reflect today's trade realities. But even the plurilateral way does not guarantee success. While the United States is part of the e-commerce talks (at the end of January, a group of members announced that negotiations would be launched soon), it has yet to join the initiative on MSMEs and investment facilitation. Furthermore, the e-commerce negotiations promise to be difficult. The United States repeatedly warned that it would only sign up to an ambitious deal, which might prove hard to achieve given members' different preferences regarding data protection and data flows.

A related aspect is the definition of developing countries. The WTO has no criteria differentiating between developing and industrialized countries. Rather, members self-determine their development status. As a consequence, large emerging economies such as China (but also Brazil, Argentina, India, Russia, and many others) are still treated as developing countries and, thus, benefit from special and differential treatment. This means, for example, longer periods to phase in obligations and more lenient obligations. In September 2018, the United States, together with the EU and Japan, advocated that advanced WTO members "undertake full commitments in ongoing and future WTO negotiations."[92]

In January 2019, the United States criticized special and differential treatment as "simplistic and clearly outdated" in a communication sent to WTO members. The communication noted China's Human Development Index score as above the global average and highlighted China's significant GDP growth over the past two decades.[93] As a follow-up, on February 15th, the United States proposed four criteria to determine whether WTO members should receive special and differential treatment within a draft General Council decision. WTO members who are also members of the OECD or the G20, classified as "high income" by the World Bank, or account for "no less than 0.5 per cent of global merchandise trade (imports and exports)" should not qualify as developing countries under the proposal. Accordingly, many WTO members would no longer receive special treatment, including China, India, South Korea, South Africa, Singapore, Israel, Mexico, Indonesia, and Chile. According to the United States, the proposal would serve to "strengthen the negotiating function of the WTO to produce high-standard, reciprocal and mutually advantageous arrangements directed to the substantial reduction of tariffs and other barriers to trade."[94] The majority of countries perceive the US proposal as very confrontational. It is therefore unlikely to gather consensus at the WTO.

In May 2019, China also issued a proposal on WTO reforms. However, although the country stresses that it supports the necessary reforms to strengthen the authority and effectiveness of the WTO, it opposes any changes to its status as a developing country. In the proposal China focuses on agricultural subsidies by developed countries (such as the US) while at the same time objecting to any restrictive regulations against SOEs.[95]

A fourth point of contention for the United States is the unwillingness of WTO members – and again, China is at the top of the list – to comply with the notification requirements. The United States, together with the EU and Japan, has warned that the present lack of transparency regarding subsidies has undermined the ability of the WTO committees to properly fulfill their monitoring function. Therefore, the US introduced a transparency and notification proposal at the WTO Council on Trade in Goods, which is co-sponsored by the EU, Japan, Argentina, Australia, Costa Rica and Taiwan. Canada and New Zealand are the latest members joining the initiative.[96] This is a first step to improve the monitoring function. However, in the end, the WTO members must update the Agreement on Subsidies and Countervailing Measures.

The WTO has three functions: reduction of trade barriers through trade negotiations (negotiation function), setting rules for global trade (rules-setting function), and monitoring and enforcement (enforcement function). The United States has highlighted severe deficiencies in all three of them. It has been a long time since WTO members have agreed on more market access, and the rules of the organization do not sufficiently reflect the realities of 21st century trade. The most pressing issue is the reform of the dispute settlement procedure. The EU agrees with many of the US criticisms. However, it pursues a more cooperative approach. The United States, on the other hand, has yet to present meaningful and realistic reform proposals.

6. The (un)holy Triangle: The United States, China, and the European Union

High-ranking members of the Trump administration have repeatedly hinted that the EU's behavior toward China is a test for the usefulness of the transatlantic alliance.

The Trump administration has repeatedly called on the EU and its members to penalize China's trade distorting policies more forcefully. Both USTR Lighthizer and his predecessor, Michael Froman, criticized the EU for reforming its anti-dumping legislation, which – in the view of the United States – indirectly accepted China's market economy status in the WTO. The Trump administration would like the EU to more actively use anti-dumping and countervailing measures against China and advocates that the EU implements more stringent investment screening. Most recently, the United States has also put pressure on the EU not to allow Huawei to invest in 5G. The United States warns that China could use the company as a backdoor into telecom and computer networks, increasing the risk of cyberattacks and espionage. "We want to keep critical infrastructure in the Western world out of Chinese malign influence," the US ambassador to the EU, Gordon Sonderland, argued.[97] US Secretary of

State Mike Pompeo made the same point during his European tour in mid-February 2019, such as cautioning allies in Hungary against deploying equipment from Huawei, saying it would make it more difficult for Washington to "partner alongside them."[98] In his speech at the 2019 Munich Security Conference, Vice President Mike Pence reiterated this warning, "The United States has also been very clear with our security partners on the threat posed by Huawei and other Chinese telecom companies, as Chinese law requires them to provide Beijing's vast security apparatus with access to any data that touches their network or equipment. We must protect our critical telecom infrastructure, and America is calling on all our security partners to be vigilant and to reject any enterprise that would compromise the integrity of our communications technology or our national security systems."[99]

The EU shares many of the US concerns vis-à-vis China, such as subsidies and forced technology transfers. This is also one of the reasons why the EU is working together with the United States and Japan in the context of the Trilateral Initiative. As mentioned above, the EU has tabled a WTO reform proposal that closely pays regard to the interests of the United States. For instance, the EU proposed a more realistic differentiation between WTO members according to their development stage. The EU also cosponsored the above-mentioned far-reaching proposal on notification enforcement with the United States, which features strong enforcement and sanction mechanisms – a considerable break from the EU's traditional cooperative approach.

Moreover, the discourse in the EU regarding China is undergoing considerable change from China as a partner to China as an economic competitor and economic rival. Only a few years back, hopes were still high that China would eventually open up and become a market economy. "The Council sees major opportunities for cooperation with China, in particular contributing to creating jobs and growth in the European Union, engaging China in its reform process in a way which ensures openness, a level playing field, and genuine mutual benefits," the Council of the European Union concluded in 2016.[100] These hopes have been disappointed. All recent trends show that China is moving in the opposite direction in many regards.[101] In March 2019, the European Commission thus presented a strategic outlook on the EU-China relationship with a much harsher tone, calling China "an economic competitor in the pursuit of technological leadership, and a systemic rival promoting alternative models of governance."[102] The strategy was endorsed by the European Council on March 21-22, 2019. The Commission aims to restore an economic level playing field with China and to address the country's trade-distorting measures. [103] The EU-China summit early-April 2019 built on this strategy. China agreed to work on WTO reform, on new rules for industrial subsidies, and to achieve fair competition in the bilateral economic relationship. This is an important step forward but concrete steps and dates for implementation are missing. The EU therefore needs keep up pressure on China.

Another expression of the changing outlook on China is the EU's new strategy to improve connectivity between Europe and Asia through transport links, energy, and human and digital networks, presented in September 2018 – without doubt a reaction to China's OBOR.[104] The same month, the European Parliament passed a resolution on China. While it emphasizes the cooperative nature of the bilateral relationship, its tone is more critical and assertive. For example, it calls on EU members that are participating in the 16+1 format to ensure that their participation does not prevent the EU from having one voice in its relationship with China. 16+1 is an initiative by China to intensify and expand cooperation with 11 EU Member States and 5 Balkan countries (Albania, Bosnia and Herzegovina, Bulgaria, Croatia, the Czech Republic, Estonia, Hungary, Latvia, Lithuania, Macedonia, Montenegro, Poland, Romania, Serbia, Slovakia, and Slovenia) in the fields of investments, transport, finance, science, education, and culture. The Parliament also calls on these countries "to carry out sound analysis and scrutiny of suggested infrastructure projects involving all the stakeholders and to ensure no compromising of national and European interests for short-term financial support and long-term commitments to Chinese involvement in strategic infrastructure projects and potentially greater political influence, which would undermine the EU's common positions on China."[105] The EU has many concerns regarding transparency, respect of rules, labor rights, and human rights.

The question of how much access EU members should grant Chinese companies when it comes to critical infrastructure also concerns information networks such as 5G. EU members have not imposed outright bans against Huawei as the United States has. The European approach to Chinese tech companies is a mixture of small and large restrictions, which include some partial network security measures, but not a complete ban.[106] French President Emmanuel Macron stressed that France – in contrast to the US – did not want to start a trade or tech war. However, Italy has updated its trade defense laws to make a ban against Huawei possible. This is the strongest European response so far. The debate is undoubtedly heating up. Many EU member states – including Germany, Poland, and others – want a European solution on how to coordinate the security of 5G networks. In late-March 2019, the European Commission presented a timeline for EU countries to improve security procedures: EU countries are to conduct national risk assessments until June 30th and submit them by mid-July 2019. The EU is also conducting its own risk assessment to be finished by October 2019. By the end of the year, the Commission hopes that EU-wide measures to mitigate risks could be agreed upon.[107] In addition, European Justice Commissioner, Věra Jourová, also proposed in April that the EU and the United States (possibly together with Japan) should regulate artificial intelligence, 5G security, and privacy together in order to keep control of the rules of the internet.[108]

The EU's framework for screening of foreign direct investments on grounds of security or public order also has to be viewed in the context of the new China discourse. While EU members remain responsible for making decisions regarding foreign investments, the new framework sets up a cooperation mechanism through which EU members and the Commission will be able to exchange information and raise concerns related to specific investments. In addition, it allows the Commission to issue opinions when an investment threatens the security or public order of more than one EU member. Last but not least, it sets certain requirements for EU members for investment screening at the national level. The regulation was published on March 21, 2019; EU members and the Commission have 18 months to put the necessary arrangements in place.[109]

A further expression of the new China discourse is the revived debate on reciprocity in government procurement. While the EU's public procurement markets are very open to competitors from third countries, other countries – not least China – are reluctant to open up to procurement bids from EU companies. Thus, in late-March 2019, the European Council called for resuming discussions on the EU's International Procurement Instrument (IPI). The Commission had first tabled the IPI in 2012, differentiating between government procurement covered by the EU's international commitments and so-called non-covered procurement. A new procedure was to be put in place that would allow the EU to restrict access to the EU procurement market whenever public procurement in the originating country was substantially less open. Not having found the necessary support among EU members, the Commission presented a revised – and slightly weaker – proposal in early 2016. Accordingly, the Commission could initiate a public investigation whenever a third country discriminated against EU companies. If it found such discrimination, and consultations did not resolve the issue, the Commission could – as a last resort – apply a price penalty to bids from the respective country.[110] Commission President Jean-Claude Juncker emphasized, "China is competitor, partner and rival. We need more reciprocity in our trade relationship. EU public procurement market is one of the largest and most accessible in the world but [the] Chinese market is not sufficiently open to Europe companies. We must change this."[111]

The changes on the European level mirror a greater threat perception in core EU member states, foremost Germany, which had been a long-standing supporter of China. In December 2018, the German federal government had lowered the threshold for investment screening and prohibiting investments from third countries in the area of critical infrastructure from 25 percent to 10 percent. In February 2019, Peter Altmaier, Minister of Economic Affairs and Energy, proposed a new industrial plan, called "Industrial Strategy 2030 – Strategic Guidelines for German and European Industrial Policy," to boost the competitiveness of the economy but also to more forcefully react to market-distortive behavior. Altmaier also proposed that EU members and the EU should review competition and merger and acquisition law at the national and European level and make necessary changes.[112] Subsequently (February 2019), France and Germany proposed a joint plan for industrial policy in Europe, with the goal of supporting local companies in competing with foreign rivals and to better protect key technologies from overseas takeovers. The two countries proposed – among many policies to strengthen competitiveness – "taking into greater consideration the state-control of and subsidies for undertakings within the framework of merger control."[113] The debate is also intensifying in Germany as to whether or not access to the European government procurement market should be conditioned on the openness – reciprocity – of other countries. While Germany had strongly opposed this idea in the past, there seems to be a change of heart among key decision-makers.

The change in discourse and policies brings the EU and the United States closer together. But there are also clear limitations to the EU cooperating with the United States on China.

First, the EU has its own unresolved conflicts with the United States. US-EU trade relations have become severely strained. President Trump repeatedly called the EU a "foe." Since June 2018, steel and aluminum imports from the EU have been subject to tariffs. Trump justifies these with national security considerations but also links the tariffs to China. Thus, representatives of the Trump administration repeatedly claimed that cheap steel entering the EU also distorted competition of US businesses. In late-July 2018, President Trump and European Commission President Juncker agreed on a transatlantic trade agenda, including not only the reduction of transatlantic trade barriers, but also the plan to work together on WTO reform. The United States and the EU also committed to work more closely together on China. Nonetheless, the Trump administration continues to threaten the EU with tariffs on cars and car parts. In early-February 2019, the DOC presented President Trump with a report that analyzed whether imports of cars and car parts threaten the security of the United States (the report has to this date – mid-May – not been made public). One day before the end of the deadline for presenting the report, on May 17, 2019, the White House issued a proclamation from the President announcing a 180-day delay in the decision to impose imminent import restrictions in the automotive sector.

According to the proclamation, the unpublished 232 report concluded that (a) investment in research and development by US-owned automakers was critical to national security; b) the decline in market share of US-owned carmakers threatened the necessary level of R & D investment; c) the decline in market share of US-owned car companies was due to imports and because protected foreign markets such as the European Union and Japan, which hampered exports.

Based on the report, US Secretary of Commerce Wilbur Ross has recommended that measures be taken to adjust imports so that they no longer pose a threat to national security. One possible measure would be negotiations that, if successful, would allow US-owned carmakers to achieve long-term viability and increase R & D expenditures. The President instructed the USTR, in consultation with other members of the administration, to enter into negotiations with the EU, Japan and other countries to avert the threat to national security. What exactly this means remains uncertain.

In addition, the US wants to retaliate against the EU in the WTO dispute over Airbus subsidies. USTR Lighthizer has already put together a list of EU products on which tariffs would be applied, adding up to a value of 11 billion US dollars.

The two trading partners are also still miles away from launching official negotiations on a trade agreement. The European Commission had proposed two narrow negotiation mandates for removing tariffs on industrial goods (including cars) and regulatory cooperation (mutual recognition of conformity assessment). Mid-April 2019, the Council finally gave the Commission a green light – on the basis of a majority vote. France objected to the mandates, demanding to link all EU trade negotiations to the Paris Climate Accord. Without a doubt, the French position has to be viewed in the context of the elections for the European Parliament, which French President Emmanuel Macron viewed as a litmus test for his party. Mentioning the Paris Climate Accord is a no-starter for the United States, which withdrew from the Accord in 2017. The French vote does not bode well for the negotiations. Another bad sign is that the European Parliament had voted against the two mandates in mid-March 2019. While the Parliament does not have to consent to the start of negotiations (it has to vote on the agreement during the ratification process), its opposition is an indicator for the frail consensus in the EU regarding further economic integration of the transatlantic partners. The negotiation goals of the United States, presented in January 2019, are much broader, covering many topics that are excluded from the EU agenda. Foremost, both the administration and Congress want to include agriculture in the talks – which, given the current political landscape, is hard to do for the EU. The transatlantic partners met in Washington D.C. in early May 2019 to commence talks on the mutual recognition of conformity assessment. Regarding industrial tariffs, on the other hand, negotitions thus remain rather uncertain.

Second, some EU members are highly dependent on the Chinese market. In terms of both trade (exports) and foreign direct investment (outgoing), the United States and the European Union are dependent to a fairly similar extent on China. In 2017, US exports of goods and services to China accounted for approximately 8 percent of total exports of goods and services from the United States.[114] In the same year, EU exports of goods to China comprised of approximately 10.5 percent of total extra-EU trade in goods.[115] FDI flows from the EU to China were around 8 billion euros in 2017,[116] out of a total of 362 billion euros of outward flows,[117] equating to 2.2 percent. FDI flows from the United States to China accounted for about 3.3 percent of total US FDI outward flows.[118] Regarding stocks, FDI stocks from the EU-28 in China in 2017 made up 2.4 percent of all FDI outward stocks, or 176 billion euros out of 7 trillion euros. But some EU countries are much more dependent: FDI stocks from Germany in China in 2017 accounted for 13.9 percent of all German outward FDI stocks, or 73 billion euros out of 523 billion euros.[119] FDI stocks from the United States to China equaled 1.8

percent of all FDI outward stocks in 2017, or 108 billion US dollars out of 6 trillion US dollars.[120]

Third, the EU is far away from having a unified China policy. EU member states, for the most part, follow their own national interests when dealing with China. This is underlined by the above-mentioned 16+1 format. Another example is Italy's new stance toward Chinese investment. This was not only manifested in the country's new critical view on an EU investment-screening framework. At the end of March 2019, the Italian government became the first G7 country to sign up to OBOR. In addition, Italy and China signed agreements on e-commerce and tech startups. This drew heavy criticism from the Trump administration. However, Italy also introduced the hardest law against Huawei in Europe, which is closer to the US position.

Fourth, there are distinct differences between President Trump's and Europe's approaches. The EU places a greater emphasis on dialogue formats and multilateral institutions. For example, the EU has a bilateral dialogue in place with China on WTO reform. The EU has always stressed that there is no alternative to solving trade conflicts though the WTO, condemning the unilateral approach of the United States. The EU also has its own interests in mind – as it should have. As such, the European Commission has repeatedly stressed that it would not side with any country involved in the ongoing trade frictions. Thus, President Trump will likely remain frustrated with the EU and its China policy.

In the end, as the United States and China are amidst increasing trade tensions, the EU is on the sidelines and does not have much leverage to influence the direction of the talks of a possible bilateral trade deal. A bilateral deal could exclude the EU (with regard to market access and other concessions), leaving the EU as the actual loser of the triangle.

7. Bad – Ugly – Really Ugly? Can the Conflict be Solved?

Trump's China policies are rightly controversial. But will the president change his course? This is anything but certain. Not only Trump but also his key economic advisors perceive China as an adversary. Congress supports a tough stance toward the country. While polls show that a majority of Americans objects to Trump's tariff escalations, this has not led to a major change in voting behavior in the last midterm elections. The United States has experienced dynamic economic growth in 2018, and employment is strong. Many analysts expect a slowdown in 2019 with increasing risks towards the end of the year and 2020. Stock markets have already become skittish. The disapproval rating for the President had reached one of its highpoints in late-January 2019, with 57 percent of those polled disapproving, according to FiveThirtyEight (an initiative that focuses on opinion poll analysis), due to the recent government shutdown. Only 39.3 percent of those polled approved of the president. In late March, the approval ratings improved a bit, with 52.9 percent disapproving and 42.1 percent approving of the president. This could be a result of the completion of Robert Mueller's investigation into Russian interference in the 2016 election. According to an initial summary, the so-called Mueller report did not find a collusion between the Trump campaign and Russia. The approval rating is anything but great – but not so much worse than President Obama's rating at that time in his Presidency (46.6 percent approval rating).[121]

Trump might ease his stance on China – or he might not. The president is good at shaping narratives. He might try to blame the economic situation on US trading partners to distract from domestic problems. Moreover, the relationship with China is much more than just economics. China has become an economic and political superpower that threatens the United States and its role not just in the world economy. In addition, there are security concerns regarding China, which also involve the threat of cyberattacks. The conflict is thus far from over. Which scenarios are possible?

Scenario 1: Best Case, but highly unlikely – the dispute will be solved and the multilateral trading system will be advanced

The United States and China manage to solve the current trade dispute and agree on an ambitious trade deal with a strong enforcement mechanism.

Within this deal, China commits to deep structural reforms that address the basic concerns of the United States and agrees to a concrete timetable to implement them. Beijing pledges to provide more transparency in its dealings with state-owned enterprises, promises to more rigorously notify its subsidies at the WTO, and it announces it will tackle overcapacities, such as in steel production. In addition, Beijing agrees to more market access for agriculture and services, the abolition of non-tariff barriers, the end to currency manipulation, a strong protection for intellectual property rights, an end to forced technology transfers, and a strong deal on cyber security.

Furthermore, China realizes how important the multilateral rules-based trading system is for the development of the country. In return, it is willing to accept some serious changes. First, China is open to negotiating new multilateral rules on subsidies and SOEs. Even though China is not willing to give up its developing country status, it is willing to have more flexible implementation rules on new agreements, including stricter deadlines and more concessions regarding market opening. The United States, consequently, gives up blocking the reform of the WTO dispute settlement procedure, which clears the way for further substantial WTO reform.

A deal that ends the US-China trade conflict and leads to structural reforms in China would be good for the EU and Germany, as well. It is paramount for the EU and Germany, however, that the reforms are not applied discriminatorily; in other words, that there is no preferential treatment of US companies. Furthermore, the reforms need to be lasting, legally binding, and enforceable.

Alas, such an ambitious agreement remains highly unlikely. The tariff escalation in May 2019 does not bode well for a deep and ambitious trade agreement.

Scenario 2: Pretty Bad, but better than nothing and still a possibility – a deal with a timeline will be agreed upon, but it comes with a lot of uncertainties

The United States and China agree on a bilateral deal and both declare victory. However, this does not entail substantial changes in the Chinese industrial strategy. The agreement includes, first and foremost, China's promise to buy more US agricultural and energy goods. The six agreements, which were mentioned above (on agriculture, services, non-tariff barriers, intellectual property rights, forced technology transfers, and cyber security) are finalized, but come without deep reforms and without a strong enforcement mechanism.

Many reform proposals for multilateral bodies fall by the wayside. China supports the EU with regard to Appellate Body reform but does not make many concessions on subsidies notification or its developing country status. Overall, the underlying problems in the US-China relationship are not solved.

This scenario is quite likely. The Federal Reserve has revised the 2019 growth estimate for the United States down from 2.5 percent to 2.3 percent, also partly because of the US-China trade conflict. Trump might want to declare any Chinese concessions a victory as soon as possible to calm markets. China also cannot afford to indefinitely prolong the trade conflict with the United States, because economic growth will fall under the magic 6.5-7 percent growth that is needed to sustain economic development and political stability.

On the plus side, such a deal would be better than a full-fledged trade war for both the two conflicting parties and the world economy. On the downside, the deal would come with many uncertainties about the implementation on all levels (federal, state, and local), and about the validity and enforcement of the agreement. Furthermore, it is likely that such a deal would be rather discriminatory in nature, benefitting US companies more than European ones. Last but not least, the conflict could ignite again at any point in time.

Scenario 3: Really Bad, less likely but a distinct possibility – escalation of tit-for-tat protectionism

With Trump's tariff increase in May 2019 and China's retaliation, the tit-for-tat tariff spiral has already worsened – and in this scenario it would spiral further out of control. Unlike in the previous scenario, this does not lead to an agreement but to a no-deal situation. China does not implement further meaningful structural reforms. WTO reforms are out of the question; the Appellate Body of the WTO ceases to work at the end of the year.

This worst-case scenario would be a disaster not only for the world economy but also for the United States. Stock markets would react strongly. Trade would decrease; a global recession could become a reality. A study released in February 2019 by the US-based "Tariffs Hurt the Heartland" initiative estimated that an increase of US tariffs to 25 percent, coupled with tariffs already in place and retaliation, would reduce US employment by over 934,000 jobs and cost the average family of four 767 US dollars.[122] Pressure from US farmers and other affected stakeholders is likely to increase. Trump, being sensitive to developments on the stock market, should want to avoid this scenario, in particular in the light of the upcoming elections. On the other hand, he might not. Thus he might use the US-China trade conflict to divert the attention away from his own personal scandals as well as dampening economic growth outlooks as the elections are coming closer.

8. Outlook and Recommendations: Go-It-Alone Is Bound to Fail

Without a doubt, China does not always play by the rules. This needs to change. The country needs to improve market access for foreign firms in both trade and investment. It needs to put an end to market-distorting industrial policies, fulfill its existing WTO commitments, and commit to new obligations.

Tit-for-tat protectionism and go-it-alone strategies are not the right way forward, however, as they do not address underlying problems. Decoupling from China will also not work. China is an important market and will remain so in the future. Additional tariffs will make the United States neither more competitive nor more secure. The Chinese market is critical to the global competitiveness of US companies, and US consumers benefit greatly from imports of lower-cost goods from China.

The trade conflict between the United States and China is a severe threat to the world economy. The IMF emphasized in its April 2019 World Economic Outlook that the risks for the global economy have increased. The WTO has already downgraded its outlook for 2018 trade growth to 3.9 percent (September 2018; down from an original estimate of 4.4 percent in April); growth is expected to further decrease to 3.7 percent in 2019.[123] Particularly, "activity softened amid an increase in trade tensions and tariff hikes between the United States and China, a decline in business confidence, a tightening of financial conditions, and higher policy uncertainty across many economies," according to the IMF.[124] In addition, in 2018, China's economic growth dropped to the lowest rate since 1990. One reason is that the trade conflict with the United States has led to lower consumer spending and lower investment.[125]

The Task Force on US-China Policy, a group of senior US-China specialists in the United States, recommended in its February 2019 report the initiation of a strategy of "smart competition," which includes focusing on American strength to compete effectively, while at the same time building international coalitions to put pressure on China.[126] This is not only the right way forward for the United States, the recommendation also holds true for the EU. In fact, there is a lot the United States and the EU could do together.

1. Building Economic Strength

The United States and the EU are rightly concerned about fair competition with China. However, both need to focus more on their own strengths to be able to compete successfully.

The loss of the manufacturing base in the United States has less to do with China's unfair trading practices than with a servicification of the economy, policies that gave preference to financial markets, as well as deficits in education and infrastructure. Thus, the United States needs to invest more in its ailing infrastructure, as well as in education, to address the existing skills gap. More research and development (R&D), more research on new technologies, and more focus on science are also needed.

The same holds true for the EU. According to a report by the European Commission (May 2018), EU companies spend less on innovation than their competitors do. While the EU has only 26 "Unicorn Startups" (startups valued at over 1 billion US dollars), the United States has 109 and China 59. In addition, the Commission criticizes that the overall amount of venture capital and the average size of funds in Europe is too small to allow its startups to become big companies.[127] The EU and its member states therefore need to improve their funding of research teams across Europe and to encourage private investments in R&D. Further investments in education and lifelong learning programs should complement these efforts. There is also a strong need to adapt European workers and SMEs to digitalization. According to the study, 40 percent of the workforce in Europe needs digital upskilling. At the same time, the completion of a comprehensive Common European Market – implementing the four fundamental freedoms (free movement of goods, capital, services, and labor) – is paramount to increase EU competitiveness. This is most notably the case in the services sector.

When Angela Merkel visited Trump in 2017, one of the topics for discussion was the German dual vocational training, a skills-based education system. Partnering between European and US counterparts and looking for best practices in the field of education would be a good way to enhance competitiveness on both sides of the Atlantic.

The EU and the United States should also strengthen transatlantic cooperation on research and development. The basis for this is the Agreement for Scientific and Technological Cooperation. Originally signed in 1998, it was renewed five times, the latest in October 2018. In 2017, the two partners conducted the EU-US Joint Consultative Group Meeting on Science and Technology Cooperation. This forum offers a great opportunity to exchange views on some of the most pressing issues such as digitalization, as well as to identify areas of mutual interests. The United States and the EU should not only take a defensive approach towards China, they should strengthen their own efforts at home and intensify their R&D cooperation.

2. Strengthening Alliances – Rebuilding the Transatlantic Relationship

Both the EU and the United States are economic powerhouses, but they are bound to fail in their efforts toward China if they try to go it alone. However, the transatlantic relationship is strained. Cooperation requires trust and understanding, and both need to be re-established in the transatlantic relationship. In a first step to revitalize the partnership, the United States should therefore phase out all tariffs implemented in the name of national security and abstain from erecting further barriers, including on trade in cars and car parts.

The EU also has some homework to do. Foremost, it needs to work on a coherent and unified China policy. The strategic outlook presented in March 2019 and the EU-China summit of April 2019 are a step in the right direction but much more needs to be done. In addition, the EU should try to channel shared US grievances with Chinese trade policies toward multilateral solutions whenever possible. The Trilateral Initiative is one way forward to engage the United States in a dialogue on meaningful China reforms. Within this forum, the EU and the United States could also work more closely together on advancing national policy instruments – such as competition law, investment screening, and government procurement – to address unfair trade policies. In addition, the three partners could also work on 5G security and tech regulations. However, they need to be careful not to open back doors for protectionism that will end up hurting the Unites States, the EU, and their close partners. Another important institution is the Global Forum on Steel Excess Capacity. Even though it has not yet lived up to US expectations, it is indispensable as there are few alternatives in which G20 countries can address steel overcapacities.

The EU and the United States should also intensify their discussions on a trade agreement, taking national constraints into account but not losing sight of the main goals for such agreements. A free trade agreement is meant to increase trade and to reduce costs in trading – not to balance bilateral current accounts as the US negotiation goals outline – in order to increase welfare and jobs for both partners. It is also to open up markets – not to incentivize relocation of production to one of the partners (in essence, rules of origin, RoO, should be liberal – unlike USMCA, which features very strict RoO). And it should not prevent the partners from concluding trade agreements with other countries (meaning it should not include a non-market economy clause such as USMCA). Ultimately, a trade agreement should set high standards also for new areas of trade. If a comprehensive agreement is not feasible right now, the two partners should take a step-by-step approach, first focusing on industrial goods tariffs and regulatory cooperation. Other issues should be left on the table for later stages of the negotiations.

3. Setting High Standards in Trade Agreements

Bilateral and regional trade agreements are great opportunities to create strong economic partnerships and ambitious trade rules. Thus, the United States would be well-advised to reconsider joining the CPTPP, which established – among other things – standards on state-owned enterprises and subsidies. CPTPP also provides a counterbalance to China's influence in the region. Signing a trade agreement with Japan, as the United States plans to do, would also be a step in the right direction.

The EU also plays an important role in rebalancing Chinese influence. As such, EU member states should quickly implement the recently concluded economic partnership agreement with Japan, the EU's second largest trading partner in Asia after China. This would help to achieve more opportunities for European businesses and consumers, while promoting European values with an important economic partner. The same holds true for the trade agreement with Singapore, which the European Parliament recently ratified; it should be implemented as quickly as possible. The next logical step would be the ratification of the trade agreement with Vietnam, which, unfortunately, is currently blocked in the Parliament. The EU should also push for fast progress in the trade negotiations with individual ASEAN countries, Australia, and New Zealand.

4. Reforming the WTO

Market-distorting practices – such as forced technology transfers, intellectual property rights violations, and state subsidies – need to be addressed within the WTO. The United States and the EU should keep up pressure on China. The country needs to abide by the rules of the WTO and fulfil the commitments it has made in its Accession Protocol. The United States and the EU should – where possible – join forces in WTO dispute settlement cases against China.

But this will not be enough. The organization, which for three decades has ensured predictable and open trade relations, is in dire need of reform. The United States has rightly pointed out many deficiencies of the system. This includes insufficient WTO rules, the deadlock of the Doha Round, inadequate monitoring, and the role of developing countries. But the US means for how to achieve these reforms – foremost blocking the appointment of Appellate Body members – are wrong.

The EU should thus continue in its efforts to work constructively not just with the Trump administration, but also to intensify its exchange with the US Congress.

The EU's reform proposals could serve as a good basis for this. The most pressing issue is the reform of the dispute settlement procedure. However, the rules of the organization also need to be updated. The EU should also use its bilateral dialogue with China (as mentioned during the EU China summit) to advance the reform discussions. As such, the EU can serve as moderator between the two conflicting parties, while at the same time pursing its own interests.

The United States, on the other hand, would be well advised to work closer with the EU and other countries (including China) to modernize WTO rules. Openness to dialogue – instead of unilateral pressure – is the way forward. As such, progress in the WTO could be possible, without putting the entire trading system in danger. This would also help to restore US global economic leadership in trade.

5. Work with China on Meaningful Trade and Investment Deals

For years, the United States and China had negotiated an investment treaty, covering both the protection of investments, as well as market access issues. This agreement would have been binding under international law. President Trump put these negotiations on ice. Instead, the United States and China are currently negotiating a bilateral trade deal, which is more transactional than binding in nature. The United States needs to be careful that the deal does not backfire by hurting the global trading order. Thus, the deal should focus on structural reforms in China. It should be transparent and encompass an enforcement mechanism that does not undermine the WTO. Last but not least, improved markets access should not be discriminatory.

The EU is negotiating its own bilateral investment agreement with China. In this regard, the EU-China summit, which set the year 2020 as the deadline for the negotiations, was a success. But the EU also needs to make sure that China implements the promised structural reforms and improves market access, as well as investment protection. Among other things, China should remove joint venture requirements and ownership caps, eliminate forced technology transfer, create and implement a limited negative list for the service sector (contrary to a positive list approach, a negative list approach requires market access and national treatment to be applied to all services while exceptions are listed), limit subsidies, and increase transparency in its policies on SOEs.

The EU and the United States should update each other regularly on progress within their negotiations.

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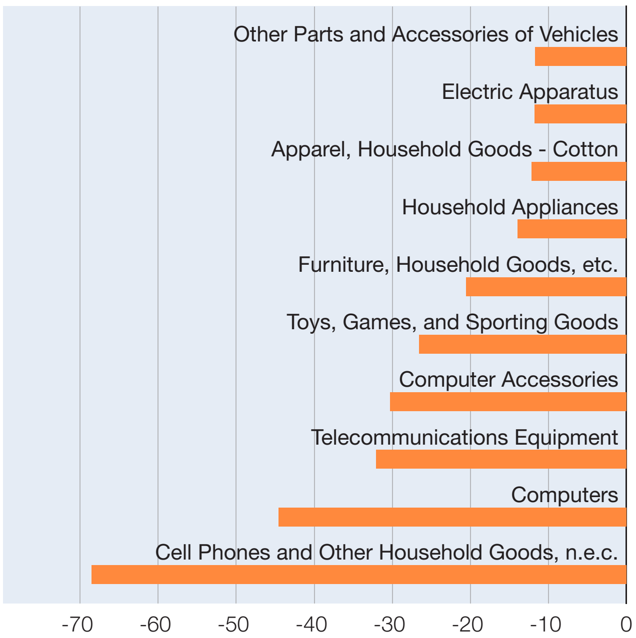
Annex A: Economic Data

Annex A1: Greatest US Trade Deficits with China, by Product 2017, Billions of US Dollars

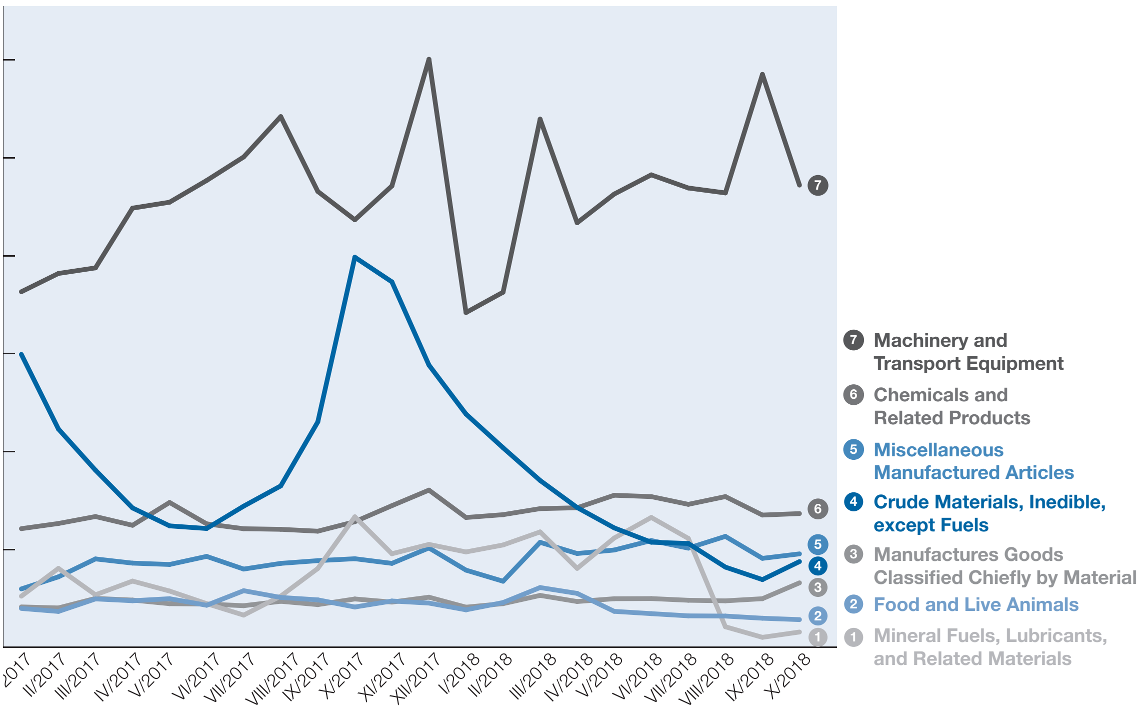


Source: US Census Bureau, <https://www.census.gov/foreign-trade/statistics/country/index.html> (accessed January 8, 2019).

Annex A2: Greatest US Trade Surpluses with China, by Product 2017, Billions of US Dollars

Source: US Census Bureau, <https://www.census.gov/foreign-trade/statistics/country/index.html> (accessed January 8, 2019).

Annex A3: US Greatest Trade Surpluses with China, by Product 2017, Billions of US Dollars



Source: US Census Bureau, <https://www.census.gov/foreign-trade/statistics/country/index.html> (accessed January 8, 2019).

Annex A4: US - Chinese Monthly Trade in Agricultural Products 2017-2018, in Millions of US Dollars

Source: USA Trade Online, <http://usatrade.census.gov/Perspective60> (accessed January 22, 2019).

Annex B: WTO Disputes

B1 WTO Disputes: United States vs. China

Year	Case Number	Description of Case	Third Parties	Decision
2004	DS309	Enterprises in China were entitled to a partial refund of the VAT on integrated circuits, resulting in a lower VAT rate on their products and subjecting imported ICs to higher taxes.	none	Request was withdrawn. Mutually agreed upon solution.
2006	DS340	Three legal instruments enacted by China, which impose a 25 percent "charge" on imported auto parts "characterized as complete motor vehicles" based on specified criteria and prescribe administrative procedures associated with the imposition of that charge.	Argentina, Australia, Brazil, Japan, Mexico, Taiwan, Thailand	United States claimed that the measures were inconsistent with WTO rules. The case was ruled in favor of the United States. China hence introduced regulation to implement the DSB recommendations.
2007	DS358	The United States requested consultations with China concerning measures granting refunds, reductions, or exemptions from taxes and other payments owed to the government by enterprises in China.	Argentina, Australia, Canada, Chile, Colombia, Egypt, European Union, Japan, Taiwan	Request was withdrawn. Mutually agreed upon solution by means of a memorandum of understanding.

Year	Case Number	Description of Case	Third Parties	Decision
2007	DS362	The four matters on which the United States requested consultations were: the thresholds that must be met in order for certain acts of trademark counterfeiting and copyright piracy to be subject to criminal procedures and penalties; goods that infringe on intellectual property rights that are confiscated by Chinese customs authorities, in particular, the disposal of such goods following removal of their infringing features; the scope of coverage of criminal procedures and penalties for unauthorized reproduction or unauthorized distribution of copyrighted works; and the denial of copyright and related rights protection and enforcement to creative works of authorship, sound recordings and performances that have not been authorized for publication or distribution within China.	Argentina, Australia, Brazil, Canada, European Union, India, Japan, Korea, Mexico, Taiwan, Thailand, Turkey	The Dispute Settlement Body (DSB) ruled in favor of the United States that China's practices do not correspond to the TRIPS agreement.
2007	DS363	The United States requested consultations with China concerning: certain measures that restrict trading rights with respect to imported films for theatrical release, audiovisual home entertainment products (e.g., video cassettes and DVDs), sound recordings and publications (e.g., books, magazines, newspapers, and electronic publications); and certain measures that restrict market access for, or discriminate against, foreign suppliers of distribution services for publications and foreign suppliers of audiovisual services (including distribution services) for audiovisual home entertainment products.	Australia, European Union, Japan, Korea, Taiwan	The DSB ruled in favor of the United States that these Chinese measures were inconsistent with China's Accession Protocol, the GATS, and the GATT 1994.
2008	DS373	The United States requested consultations regarding a number of Chinese measures affecting financial information services and foreign financial services suppliers in China. Such measures included no fewer than a dozen legal and administrative instruments that require foreign financial information suppliers to supply their services through an entity designated by Xinhua News Agency ("Xinhua").	none	Request was withdrawn. Mutually agreed upon solution by means of a memorandum of understanding.
2009	DS387	The United States requested consultations with China with regards to certain measures offering grants, loans, and other incentives to enterprises in China.	none	Consultations are ongoing.
2010	DS394	The United States requested consultations with China with respect to China's restraints on the export from China of various forms of raw materials (bauxite, coke, fluorspar, magnesium, manganese, silicon carbide, silicon metal, yellow phosphorus, and zinc).	Argentina, Brazil, Canada, Chile, Colombia, Ecuador, European Union, India, Japan, Korea, Mexico, Norway, Saudi Arabia, Taiwan, Turkey	The DSB ruled in favor of the United States that China's export restraints were not justified.
2010	DS413	The United States alleged that China permits only a Chinese entity (China UnionPay) to supply electronic payment services for payment card transactions denominated and paid in renminbi in China.	Australia, Ecuador, European Union, Guatemala, India, Japan, Korea	The DSB rejected the claims put forward by the United States on the basis of a lack of evidence.

Year	Case Number	Description of Case	Third Parties	Decision
2010	DS414	The United States requested consultations with China with respect to measures imposing countervailing duties and anti-dumping duties on grain oriented flat-rolled electrical steel ("GOES") from the United States as set forth by the Chinese Ministry of Commerce. China had deemed benefits under the "Buy America" provisions of the American Recovery and Reinvestment Act of 2009 and State government procurement laws as subsidies.	Argentina, European Union, Honduras, India, Japan, Korea, Russia, Saudi Arabia, Vietnam	The DSB ruled in favor of the United States that China acted inconsistent with its obligations under the Anti-Dumping and SCM Agreements.
2010	DS419	The United States requested consultations with China concerning certain measures providing grants, funds, or awards to enterprises manufacturing wind power equipment in China.	none	In consultations between the United States, China, and the European Union.
2011	DS427	The United States requested consultations with China concerning China's measures imposing anti-dumping and countervailing duties on broiler products from the United States.	Chile, European Union, Japan, Mexico, Norway, Saudi Arabia, Thailand	The DSB ruled in favor of the United States that China acted inconsistent with its obligations under the Anti-Dumping and SCM Agreements.
2012	DS431	The United States requested consultations with China with respect to China's restrictions on the export of various forms of rare earths, tungsten, and molybdenum.	Argentina, Australia, Brazil, Canada, Colombia, European Union, India, Indonesia, Japan, Korea, Norway, Oman, Peru, Russia, Saudi Arabia, Taiwan, Turkey, Vietnam	The DSB ruled in favor of the United States that China's export restrictions were not justified.
2012	DS440	The United States requested consultations with China with regard to imposing anti-dumping and countervailing duties on certain automobiles from the United States.	Colombia, European Union, India, Japan, Korea, Oman, Saudi Arabia, Turkey	The DSB ruled that certain aspects of the duties imposed are consistent with WTO rules, while some are not.
2012	DS450	The United States requested consultations with China concerning certain measures providing subsidies in the form of grants, loans, forgone government revenue, the provision of goods and services, and other incentives contingent upon export performance to automobile and automobile-parts enterprises in China.	none	In consultations between the United States, China, and the European Union.
2015	DS489	The United States requested consultations with China with regard to certain measures providing subsidies contingent upon export performance to enterprises in several industries in China.	Australia, Brazil, Canada, Colombia, Dominican Republic, European Union, India, Japan, Korea, Russia, Saudi Arabia, Singapore, Taiwan	China and the United States reached a mutual agreement by means of a memorandum of understanding.
2015	DS501	The United States requested consultations with China regarding tax measures in relation to the sale of certain domestically produced aircraft in China.	none	In consultations between the United States, Canada, the European Union, and China.
2016	DS508	The United States requested consultations with China regarding China's export duties on various forms of antimony, cobalt, copper, graphite, lead, magnesia, talc, tantalum, and tin.	Brazil, Canada, Chile, European Union, India, Indonesia, Japan, Kazakhstan, Korea, Mexico, Norway, Russia, Singapore, Taiwan, Vietnam	As of November 2016, a panel has been established.
2016	DS511	The United States requested consultations with China regarding certain measures through which China appears to provide domestic support in favor of agricultural producers, in particular those producing wheat, India rice, Japonica rice, and corn.	Australia, Brazil, Canada, Colombia, Ecuador, Egypt, El Salvador, European Union, Guatemala, India, Indonesia, Israel, Japan, Kazakhstan, Korea, Norway, Pakistan, Paraguay, Philippines, Russia, Saudi Arabia, Singapore, Taiwan, Thailand, Turkey, Ukraine, Vietnam	Consultations are ongoing.
2016	DS517	The United States requested consultations with China concerning China's administration of its tariff rate quotas, including those for wheat, short- and medium- grain rice, long-grain rice, and corn.	Australia, Brazil, Canada, Ecuador, European Union, Guatemala, India, Indonesia, Japan, Kazakhstan, Korea, Norway, Russia, Singapore, Taiwan, Ukraine, Vietnam	The panel is expected to issue its final report in the second quarter of 2019.

Annex B2: WTO Disputes: China vs. United States

Year	Case Number	Description of Case	Third Parties	Decision
2002	DS252	The European Communities (and China) requested consultations with the United States regarding the definitive safeguard measures imposed by the United States in the form of an increase in duties on imports of certain flat steel, hot-rolled bar, cold-finished bar, rebar, certain welded tubular products, carbon and alloy fittings, stainless steel bar, stainless steel rod, tin mill products, and stainless steel wire and in the form of a tariff rate quota on imports of slabs.	Brazil, Canada, Cuba, European Union, Japan, Korea, Mexico, New Zealand, Norway, Switzerland, Taiwan, Thailand, Turkey, Venezuela	The Dispute Settlement Body (DSB) ruled in favor of China that the US practice was inconsistent with WTO rules.
2007	DS368	China requested consultations with the United States on the preliminary anti-dumping and countervailing duty determinations made by the US Department of Commerce with respect to coated free sheet paper from China.	none	Consultations are ongoing.
2008	DS379	China requested consultations concerning the definitive anti-dumping and countervailing duties imposed by the United States pursuant to the final anti-dumping and countervailing duty determinations and orders issued by the US Department of Commerce in several investigations.	Argentina, Australia, Bahrain, Brazil, Canada, European Union, India, Japan, Kuwait, Mexico, Norway, Saudi Arabia, Taiwan, Turkey	The DSB ruled that, in certain regards, the United States acted both consistently and inconsistently with the WTO rules.
2009	DS392	China requested consultations with the United States concerning certain measures taken by the United States affecting the import of poultry products from China.	Brazil, European Union, Guatemala, Korea, Taiwan, Turkey	The DSB ruled in favor of the United States that it had acted consistently with WTO rules.
2009	DS399	China requested consultations with the United States concerning increased tariffs on certain passenger vehicle and light truck tires from China.	European Union, Japan, Taiwan, Turkey, Vietnam	The DSB ruled in favor of the United States that it had acted consistently with the WTO rules.
2011	DS422	China requested consultations with the United States regarding the latter's anti-dumping measures on certain frozen warmwater shrimp from China.	European Union, Honduras, Japan, Korea, Thailand, Vietnam	The DSB ruled that, in certain regards, the United States acted both consistently and inconsistently with the WTO rules.
2012	DS437	China requested consultations with the United States concerning the imposition of countervailing duty measures by the United States on certain products from China.	Australia, Brazil, Canada, European Union, India, Japan, Korea, Norway, Russia, Saudi Arabia, Turkey, Vietnam	The Dispute Settlement Body (DSB) ruled in favor of China that the US practice was inconsistent with the WTO rules.
2012	DS449	China requested consultations with the United States concerning the following measures: a new piece of legislation (Public Law 112-99) that explicitly allows for the application of countervailing measures to non-market economy countries; countervailing duty determinations or actions made or performed by US authorities between November 20, 2006, and March 13, 2012, with respect to Chinese products; anti-dumping measures associated with the concerned countervailing duty measures, as well as the combined effect of these anti-dumping measures and the parallel countervailing duty measures; and the United States' failure to provide the US Department of Commerce (USDOC) with the legal authority to identify and avoid the double remedies with respect to investigations or reviews initiated on or between November 20, 2006, and March 13, 2012.	Australia, Canada, European Union, India, Japan, Russia, Turkey, Vietnam	The Dispute Settlement Body (DSB) ruled in favor of China that the US practice was inconsistent with the WTO rules.

Year	Case Number	Description of Case	Third Parties	Decision
2013	DS471	China requested consultations with the United States regarding the use of certain methodologies in anti-dumping investigations involving Chinese products.	Brazil, Canada, European Union, India, Japan, Korea, Norway, Russia, Saudi Arabia, Taiwan, Turkey, Ukraine, Vietnam	The DSB ruled in favor of the United States that it has acted consistently with WTO rules, and the matter was referred to arbitration as of September 2018.
2016	DS515	China requested consultations with the United States concerning certain provisions of US law pertaining to the determination of normal value for "non-market economy" countries in anti-dumping proceedings involving products from China.	none	Consultations are ongoing.
2018	DS543	China requested consultations with the United States concerning certain tariff measures on Chinese goods, which would allegedly be implemented through Section 301-310 of the US Trade Act of 1974.	Brazil, Canada, European Union, India, Indonesia, Japan, Kazakhstan, Korea, New Zealand, Norway, Russia, Singapore, Taiwan, Ukraine	Consultations are ongoing, and a panel has been established as of January 2019.
2018	DS544	China requested consultations with the United States concerning certain duties that the United States has imposed on imports of steel and aluminum products.	Bahrain, Brazil, Canada, Colombia, Egypt, European Union, Guatemala, Hong Kong, Iceland, India, Indonesia, Japan, Kazakhstan, Malaysia, Mexico, New Zealand, Norway, Qatar, Russia, Saudi Arabia, Singapore, South Africa, Switzerland, Taiwan, Thailand, Turkey, Ukraine, Venezuela	Consultations are ongoing, and a panel has been established as of January 2019.
2018	DS562	China requested consultations with the United States concerning the definitive safeguard measure imposed by the United States on imports of certain crystalline silicon photovoltaic products.	none	Consultations are ongoing.
2018	DS563	China requested consultations with the United States concerning certain measures allegedly adopted and maintained by the governments of certain US states and municipalities in relation to alleged subsidies or alleged domestic content requirements in the energy sector.	None	Consultations are ongoing.
2018	DS565	China requested consultations with the United States concerning certain tariff measures allegedly imposed by the United States on certain goods from China.	None	Consultations are ongoing.

Source: WTO, <https://www.wto.org/english/tratop_e/dispu_e/dispu_status_e.htm> (accessed February 26, 2019)

Annex C: Overview: Prominent Members of US Congress and Their Views on Trump's Trade Policy

State of Play as of April 2019

Party/ State	Name	Function	Opinion on Trump's Trade Agenda	Opinion on US Tariffs on Imports from China	Opinion on a Free Trade Agreement with the EU	Voting Behavior on US Laws Promoting Trade
Leadership Senate						
R-KY	Mitch McConnell	Senate Majority Leader	In the middle; signaled a quick end to any legislation to increase congressional authority over presidential tariff increases[128] but spoke out against the spiraling of the steel and aluminum tariffs into a trade war.[129]	Initially supported, now urges end to the tariff war, citing detrimental effects on US economy[130]; calls tariffs "the wrong path for us" but cites no violation of trade policy.[131]	Position unknown.	In 2015, voted yes on Bill H.R. 2146, which re-authorized the Trade Promotion Authority.[132] In July 2018, voted yes on a non-binding resolution to allow Congress authority in Section 232 actions on national security grounds.[133]
R-SD	John Thune	Senate Majority Whip	Generally against; speaking in favor of "engaging in the global marketplace" and against withdrawing from TPP.[134]	Against; voiced concerns in a joint letter about the detrimental effects of agricultural tariffs on farmers in red states like South Dakota[135] and noted that "there are no winners in a trade war, particularly farmers and ranchers."[136]	Mixed; wrote an article about strengthening ties to the European Union in order to isolate Russia in the global community[137] but warned that Congress would not approve TTIP unless American farmers would be given "more certainty with regard to the approval process for biotechnology products."[138]	In 2015, voted yes on Bill H.R. 2146, which re-authorized the Trade Promotion Authority.[139] In July 2018, voted yes on a non-binding resolution to allow Congress authority in Section 232 actions on national security grounds.[140]
D-NY	Charles Schumer	Senate Minority Leader	Generally in favor; considers that Trump has identified China as an opponent. However, considers steel and aluminum tariffs to be "haphazard."[141]	In favor; supports aggressive approach toward China regarding government subsidies, inadequate access for US companies, dumping, technology transfer, and theft of US intellectual property.	Clashed with European Union over inclusion of agriculture in TTIP.[142]	In 2015, voted no on Bill H.R. 2146, which re-authorized the Trade Promotion Authority.[143] In July 2018, voted yes on a non-binding resolution to allow Congress authority in Section 232 actions on national security grounds.[144]
D-IL	Richard Durbin	Senate Minority Whip	Against; concerned about the effects of steel and aluminum tariffs and subsequent retaliation on US jobs, particularly Illinois producers of pork and soybeans.[145] [146]	Against; considers tariffs to be a gateway to an "all-out trade war" that will alienate US allies, whose support the United States needs in order to address steel dumping.[147]	Position unknown.	In 2015, voted no on Bill H.R. 2146, which re-authorized the Trade Promotion Authority.[148] In July 2018, voted yes on a non-binding resolution to allow Congress authority in Section 232 actions on national security grounds.[149]

Party/ State	Name	Function	Opinion on Trump's Trade Agenda	Opinion on US Tariffs on Imports from China	Opinion on a Free Trade Agreement with the EU	Voting Behavior on US Laws Promoting Trade
Leadership House						
D-CA	Nancy Pelosi	Speaker of the House	Generally in favor of steel and aluminum tariffs based on their confrontation of China's practices.[150] However, critical of USMCA being passed without major changes to protections with regards to labor and the environment.[151]	In favor (first round) as a "leverage point" to negotiate better trade of US products in China; supports "strong, smart and strategic action against China's brazenly unfair trade policies."	Position not clear.	In 2015, voted no on Bill H.R. 2146, which re-authorized the Trade Promotion Authority.[152]
D-MD	Steny Hoyer	Majority Leader	Generally against; released a statement in March 2019 that the massive goods trade deficit indicates that "the President has flunked the test he set for himself," and he should "acknowledge that his scattershot approach to trade policy is failing."[153] Not explicitly in favor of or against the new USMCA agreement.[154]	Mixed; notes that tariffs could be an "effective way to end the trade dispute" but cautions against "one-size-fits-all" approaches, saying that "we need to deal with China as China, not as part of dealing with Canada, dealing with Mexico, dealing with Europe."[155]	Position not clear, but likely in favor as a pro-trade Democrat.	In 2015, voted no on Bill H.R. 2146, which re-authorized the Trade Promotion Authority.[156]
D-SC	James Clyburn	Majority Whip	Generally against; noted that he was "concerned about the impact of all of Trump's economic policies on South Carolina jobs and our future economic growth and opportunities."[157]	Concrete position unknown, but given opposition to other Trump policies, likely against.	Position not clear, as he chose not to vote in favor of trade policy authority (which would have helped TTIP) and not strongly in favor of NAFTA.[158]	Did not vote on Bill H.R. 2146, which re-authorized the Trade Promotion Authority.[159]
R-CA	Kevin McCarthy	House Minority Leader	Supports tariffs on steel and aluminum, saying that "it's correct to have this challenge"[160] and denying that these tariffs would put the United States into a trade war.[161]	In favor; based on "standing up" for free trade.[162]	Likely in favor; pushed for a vote on the fast-track authority after it was defeated in the House in 2015, to assist Obama in passing TTIP.[163]	In 2015, voted yes on Bill H.R. 2146, which re-authorized the Trade Promotion Authority.[164]
R-LA	Steve Scalise	Minority Whip	In favor of renegotiation of USMCA as "a new trade deal that is better for American workers and consumers."[165]	In favor; sees the tariffs as "the president standing up for our country" and "saying we're not going to take this anymore."[166]	Likely in favor, spoke in favor of TPA to "pass critical American trade legislation."[167]	In 2015, voted yes on Bill H.R. 2146, which re-authorized the Trade Promotion Authority.[168]

Party/ State	Name	Function	Opinion on Trump's Trade Agenda	Opinion on US Tariffs on Imports from China	Opinion on a Free Trade Agreement with the EU	Voting Behavior on US Laws Promoting Trade
House of Representatives: Committees and Subcommittees *Selection of House Committees, Subcommittees, and Members. For the full list of relevant congressional committees on trade policy, consult the website of the Office of the United States Trade Representative <https://ustr.gov/about-us/policy-offices/congressional-affairs/congressional-committees>						
D-MA	Richard Neal	Chair of the House Ways and Means Committee	Generally against; wary of renegotiated NAFTA/USMCA[169] and warns against Trump's "impulsiveness."[170]	Against; notes that policy toward China must be "in the best interests" of the United States "today and for the future"; calls tariffs "easy, one-off transactions" in place of "real and lasting change"[171] and "tools in search of a plan" with inadequate explanation.[172]	In favor; co-chair of the TTIP Caucus in 2016.[173]	In 2015, voted no on Bill H.R. 2146, which re-authorized the Trade Promotion Authority.[174]
R-TX	Kevin Brady	Ranking Member and former Chair of the House Ways and Means Committee	Against tariffs on steel and aluminum, calling them "taxes [that] impede economic growth";[175] signatory on letter to Trump urging him to reconsider these tariffs.[176]	Wary; notes that tariffs should only be imposed in ways that do not punish Americans.[177]	In favor; published a letter in 2016 to then-USTR Michael Froman, urging the administration to continue to pursue an ambitious TTIP.[178] Skeptical concerning a negotiation in stages with the EU, as expressed in the negotiating objectives of the USTR from January 2019.[179]	In 2015, voted yes on Bill H.R. 2146, which re-authorized the Trade Promotion Authority.[180]
D-OR	Earl Blumenauer	Chair of the Trade Subcommittee of the House Ways and Means Committee	Against additional tariffs, as they increase costs for US manufacturers and consumers: "it's… a cost of doing business, it affects what happens with American manufacturers, and in retail, and they are ultimately paid by the consumer."[181]	Against additional tariffs in general, but voted yes on Bill H.R. 639, allowing for countervailing or anti-dumping duties against countries with undervalued currency.[182]	Not clear. Argued for a TPP agreement with significant human rights, environmental, and labor standards.[183]	In 2015, voted yes on Bill H.R. 2146, which re-authorized the Trade Promotion Authority.[184]
R-FL	Vern Buchanan	Ranking Member of the Trade Subcommittee of the House Ways and Means Committee	Skeptical of additional tariffs. Signed a letter to President Trump, together with 106 other Republican members of Congress, urging Trump to consider that broad tariffs have a negative impact on the US economy, competitiveness and workers.[185]	As in the letter of the 107 Republican members of Congress, Buchanan supports the resolve to address China's unfair practices but urges, at the same time, that the administration reconsider the idea of broad tariffs.	Position unknown.	In 2015, voted yes on Bill H.R. 2146, which re-authorized the Trade Promotion Authority.[186]

Party/ State	Name	Function	Opinion on Trump's Trade Agenda	Opinion on US Tariffs on Imports from China	Opinion on a Free Trade Agreement with the EU	Voting Behavior on US Laws Promoting Trade
D-MN	Collin Peterson	Chair of the Agriculture Committee	Against additional tariffs, as they have hurt farm exports and will not improve conditions for US farmers.[187]	Against additional tariffs. Has warned that additional aid for farmers and ranchers impacted by the tariffs will also be needed in 2019 or 2020.[188]	Position on a free trade agreement with the EU is unknown. After the USTR scheduled a public hearing in 2016 on the dispute with the EU on the safety of US beef products, Collin Peterson declared, "There is no doubt that American beef products are safe. The 20-year EU ban has been in effect far too long. It is not based on fact and should be lifted."[189]	In 2015, voted no on Bill H.R. 2146, which re-authorized the Trade Promotion Authority.[190]
R-TX	Michael Conaway	Ranking Member of the Agriculture Committee	In favor; says that Trump "defends America's trade policies, which means… going after folks who are violating."[191]	In favor of both tariffs and the corresponding aid package to help farmers hurt by the measures, saying, "our president stood up to a bully and now he is standing up for rural America so it's a good move forward."[192]	In favor of TTIP, noting that US farmers and ranchers would benefit tremendously from the expansion of US markets to Europe.[193]	In 2015, voted yes on Bill H.R. 2146, which re-authorized the Trade Promotion Authority.[194]
Senate: Committees and Subcommittees * Selection of Senate Committees, Subcommittees, and Members. For the full list of relevant congressional committees on trade policy, consult the website of the Office of the United States Trade Representative <https://ustr.gov/about-us/policy-offices/congressional-affairs/congressional-committees>						
R-IA	Charles Grassley	President Pro Tempore of the Senate and Chair of the Senate Finance Committee	In the middle; supports WTO and a rules-based trading system, which Trump continues to threaten; is against steel and aluminum tariffs on the basis that they will threaten US farmers; supports legislation to increase congressional authority over presidential tariff increases.[195] However, he supports Section 301 tariffs on China and the renegotiation of NAFTA.[196]	Against, on the grounds that this has "very detrimental" effects on US agriculture, particularly exports of soybeans and corn in Iowa.[197] [198]	Likely critical; clashed with then-Commission President Barroso in 2014, noting that EC's lack of completion for the regulatory process for biotechnology products pending "don't produce much confidence for the future" of TTIP.[199] Has expressed doubts whether an FTA with the European Union without agriculture products would pass through the United States Senate.[200]	In 2015, voted yes on Bill H.R. 2146, which re-authorized the Trade Promotion Authority.[201] In July 2018, voted yes on a non-binding resolution to allow Congress authority in Section 232 actions on national security grounds.[202]

Party/ State	Name	Function	Opinion on Trump's Trade Agenda	Opinion on US Tariffs on Imports from China	Opinion on a Free Trade Agreement with the EU	Voting Behavior on US Laws Promoting Trade
D-OR	Ron Wyden	Ranking Member of the Senate Finance Committee	Critical, noting that "the only thing that is consistent about the Trump trade policy is the chaos"; wary of retaliation on Oregon farmers[203] and critical of Trump's utilization of national security as a basis for steel and aluminum tariffs.[204]	Generally in favor; supports an aggressive approach toward China related to government subsidies, inadequate access for US companies, dumping, technology transfer, and theft of US intellectual property.	Skeptical; criticized a lack of transparency in TTIP negotiations[205] and had many reservations as to the conclusion of TTIP with regards to digital trade, labor and environmental protections, and fair access for US agricultural producers.[206]	In 2015, voted yes on Bill H.R. 2146, which re-authorized the Trade Promotion Authority.[207] In July 2018, voted yes on a non-binding resolution to allow Congress authority in Section 232 actions on national security grounds.[208]
R-TX	John Cornyn	Chair of the International Trade, Customs, and Global Competitiveness Subcommittee of the Senate Finance Committee	Generally in favor; supported Trump's imposition of steel and aluminum tariffs on allies (Canada, Mexico, EU), saying that the president's "unconventional style…seems to be working for him."[209]	Likely against; has warned that the tariff war could "escalate out of control"[210] and noted skepticism over the "uncertainty associated" with it.[211]	Opinion not directly known, but likely in favor; met with Commission Vice President Jyrki Katainen[212] and Commissioner for Trade Cecelia Malmström[213] in 2017 to discuss EU-US trade relations; spoke out in favor of American FTAs with Chile and Singapore.[214]	In 2015, voted yes on Bill H.R. 2146, which re-authorized the Trade Promotion Authority.[215] In July 2018, voted yes on a non-binding resolution to allow Congress authority in Section 232 actions on national security grounds.[216]
D-PA	Robert Casey	Ranking Member of the International Trade, Customs, and Global Competitiveness Subcommittee of the Senate Finance Committee	In favor of Section 232 tariffs, uncommon for the Democrats but in line with his red state constituency, noting that he was "happy to see action being taken" and wished to relieve steelmakers in Pennsylvania through the measures;[217] commended the Trump administration for taking action on steel overcapacity.[218]	In favor; supports addressing "trade cheaters" to protect jobs in Pennsylvania[219] and asserted that he was "happy" with the tariff war with China.[220]	Skeptical of TTIP; called on Obama administration to protect American meat producers from EU efforts to prohibit them from using common product names with geographical indicators; saying EU "used FTAs to persuade trading partners to impose barriers on US exports under the guise of protecting geographical indications."[221]	In 2015, voted no on Bill H.R. 2146, which re-authorized the Trade Promotion Authority.[222] In July 2018, voted yes on a non-binding resolution to allow Congress authority in Section 232 actions on national security grounds.[223]

Party/ State	Name	Function	Opinion on Trump's Trade Agenda	Opinion on US Tariffs on Imports from China	Opinion on a Free Trade Agreement with the EU	Voting Behavior on US Laws Promoting Trade
R-PA	Patrick Toomey	Member of the International Trade, Customs, and Global Competitiveness Subcommittee of the Senate Finance Committee	Critical of Section 232 tariffs, calling them a "huge mistake";[224] introduced bipartisan legislation with Bob Corker proposing to limit presidential authority to impose tariffs on the grounds of national security. This legislation would also apply, if adopted, retroactively to any tariffs imposed in the past four years, giving Congress a say over Trump's steel and aluminum tariffs.[225] [226]	Generally against; requested the exemption of several Pennsylvania manufacturers from the first round of tariffs from China, citing negative effects for American manufacturing.[227]	Skeptical of TTIP; spearheaded, with Senator Schumer, an effort to protect American dairy producers from EU efforts to prohibit them from using certain common cheese names within TTIP negotiations; noted that the EU used "free trade agreements to persuade its trading partners to impose barriers to US exports under the guise of protection for its geographical indications." [228]	In 2015, voted yes on Bill H.R. 2146, which re-authorized the Trade Promotion Authority.[229] In July 2018, voted yes on a non-binding resolution to allow Congress authority in Section 232 actions on national security grounds.[230]
R-OH	Rob Portman	Member of the International Trade, Customs, and Global Competitiveness Subcommittee of the Senate Finance Committee; was the United States Trade Representative from May 17, 2005, until May 29, 2006	Critical of Section 232 tariffs; introduced bipartisan legislation proposing to amend the Trade Expansion Act of 1962 to ensure that assessments of a "national security" basis for trade actions is made by the Secretary of Defense, rather than the Secretary of Commerce, under current law. It limits the Secretary of Commerce's involvement to consultancy. This bill would also expand the use of the existing disapproval resolution process regarding trade restrictions on petroleum to all types of products.[231] Supports the new USMCA agreement and more stringent rules of origin for automobiles.[232]	In favor of tariffs and a hard line policy against China; noted in a speech that "assertiveness with China is needed" considering that they have been "violating and circumventing our trade laws for decades," although he's also in support of "structural changes to the Chinese economy" and concerned about the "collateral damage" caused to American producers as result of the tariffs.[233]	In favor of an ambitious agreement, urging the US and EU not to "take things off the table" during TTIP negotiations,[234] but he also sent a bipartisan letter to USTR Michael Froman in 2014 speaking out against the EU restriction on the ability of American meat producers to use certain names with geographic indicators.[235]	In 2015, voted yes on Bill H.R. 2146, which re-authorized the Trade Promotion Authority.[236] In July 2018, voted yes on a non-binding resolution to allow Congress authority in Section 232 actions on national security grounds.[237]

Party/ State	Name	Function	Opinion on Trump's Trade Agenda	Opinion on US Tariffs on Imports from China	Opinion on a Free Trade Agreement with the EU	Voting Behavior on US Laws Promoting Trade
R-WY	Michael Enzi	Chairman of the Senate Budget Committee	Generally skeptical; spoke out against Trump administration anti-dumping tariffs on newsprint paper, citing detrimental effects to rural newspapers[238] and against the Trump administration claim that the trade deficit is inherently bad. Also, he included sunset provisions in NAFTA renegotiation.[239]	Concrete position unknown; given skepticism on other Trump trade policies, likely critical.	Unclear if in favor or not, but signatory on a letter to USTR Michael Froman noting that TTIP needed a strong framework for agriculture and warning against European geographic indicator restrictions.[240]	In 2015, voted yes on Bill H.R. 2146, which re-authorized the Trade Promotion Authority.[241] In July 2018, voted no on a non-binding resolution to allow Congress authority in Section 232 actions on national security grounds.[242]
I-VT	Bernie Sanders	Ranking Member of the Senate Budget Committee	Wary of steel and aluminum tariffs; asserted that measures should be taken specifically against China.[243]	Supports penalties being imposed on China in order to avoid dumping and government subsidization; his position is that the trade deficit with China has led to substantial loss of US manufacturing jobs.	Not clear; was very critical regarding TPP.	In 2015, voted no on Bill H.R. 2146, which re-authorized the Trade Promotion Authority.[244] In July 2018, voted yes on a non-binding resolution to allow Congress authority in Section 232 actions on national security grounds.[245]
R-FL	Marco Rubio	Chair of the Senate Small Business Committee	Critical, asserting that "the right trade policy for the United States is not a choice of unrestrained free trade or protectionism";[246] against steel and aluminum tariffs in favor of policies that increase research and development and skills training.[247]	Critical, noting that the United States needs "more than tariffs" to address Chinese unfair trade practices[248] and that consumers will be harmed by measures more so than China.[249]	In favor; spoke out in support of TTIP with "enormous economic promise."[250]	Did not vote in 2015 on Bill H.R. 2146, which re-authorized the Trade Promotion Authority.[251] In July 2018, voted yes on a non-binding resolution to allow Congress authority in Section 232 actions on national security grounds.[252]
D-MD	Ben Cardin	Ranking Member of the Senate Small Business Committee	Against, noting that most Republicans disagree with the Trump trade policy and that his "handling of the steel and aluminum tariffs" was "the wrong way to go."[253]	Against, having called the tariffs a "failure"[254] and noting that he could not find representatives of any other country who agreed with this course of action.[255]	Skeptical of TTIP; led a bipartisan effort against European attempts to restrict geographic indicators in dairy products[256] and championed an amendment to make the rejection of the Boycott, Divestment, and Sanctions movement against Israel a main trade negotiating objective in TTIP negotiations.[257]	In 2015, voted no on Bill H.R. 2146, which re-authorized the Trade Promotion Authority.[258] In July 2018, voted yes on a non-binding resolution to allow Congress authority in Section 232 actions on national security grounds.[259]

Party/ State	Name	Function	Opinion on Trump's Trade Agenda	Opinion on US Tariffs on Imports from China	Opinion on a Free Trade Agreement with the EU	Voting Behavior on US Laws Promoting Trade
R-SC	Lindsey Graham	Chair of Senate Judiciary Committee	Generally supports Trump but wary of his chosen instruments, noting that the best method to address Chinese unfair trade practices is through deals with US allies in EU.[260]	In favor, although he did admit that they could harm consumers.[261]	In favor; spoke about the benefits of a free trade agreement for automobile production in South Carolina in the future.[262]	In 2015, voted yes on Bill H.R. 2146, which re-authorized the Trade Promotion Authority.[263] In July 2018, voted no on a non-binding resolution to allow Congress authority in Section 232 actions on national security grounds.[264]
D-CA	Dianne Feinstein	Ranking Member of Senate Judiciary Committee	Against; supported a bipartisan Senate resolution against steel and aluminum tariffs.[265]	Against, on the grounds that the only results have been "fewer markets and higher costs for farmers and ranchers" with Californian agriculture workers as "pawns" in a trade war.[266]	Likely in favor, considering the positive statements she made on the TPA and TPP.	In 2015, voted yes on Bill H.R. 2146, which re-authorized the Trade Promotion Authority.[267] In July 2018, voted yes on a non-binding resolution to allow Congress authority in Section 232 actions on national security grounds.[268]
R-AL	Richard Shelby	Chair of the Senate Appropriations Committee	Against; supported a bipartisan Senate resolution against steel and aluminum tariffs[269] and asserted that "rather than imposing more tariffs, we should go back to the drawing board to renegotiate our trade agreements to make them fair and equitable to the American worker."[270]	Against, noting that "what we should do is promote trade in the world, not try to stifle it."[271]	Position unknown.	In 2015, voted no on Bill H.R. 2146, which re-authorized the Trade Promotion Authority.[272] In July 2018, voted yes on a non-binding resolution to allow Congress authority in Section 232 actions on national security grounds.[273]
D-VT	Patrick Leahy	Ranking Member of the Senate Appropriations Committee	Vehemently against steel and aluminum tariffs, noting that "retaliatory tariffs will erode demand for American exports" and "these actions are not a path to fair trade, they are a path to failed trade."[274]	Likely opposed, given opposition to steel tariffs.	Position unknown.	In 2015, voted no on Bill H.R. 2146, which re-authorized the Trade Promotion Authority.[275] In July 2018, voted yes on a non-binding resolution to allow Congress authority in Section 232 actions on national security grounds.[276]

Party/ State	Name	Function	Opinion on Trump's Trade Agenda	Opinion on US Tariffs on Imports from China	Opinion on a Free Trade Agreement with the EU	Voting Behavior on US Laws Promoting Trade
R-MS	Roger Wicker	Chair of the Senate Committee on Commerce, Science, and Transportation	Favorable, especially concerning an aggressive trade approach to China. Nonetheless, in 2015, Wicker called for trade agreements with countries in Asia, the Pacific, and Europe.[277]	Favorable; supports Trump's aggressive policy approach against China: "China has a long history of unfair trade practices […] President Trump is a tough negotiator who is not afraid of seeking the best deals for our country."[278]	Likely in favor, considering positive he statements made on an FTA with the EU in 2015. Wants to include provisions for GDPR/ EU Cyber Security Act in FTA negotiations with the EU.[279]	In 2015, voted yes on Bill H.R. 2146, which re-authorized the Trade Promotion Authority.[280] In July 2018, voted yes on a non-binding resolution to allow Congress authority in Section 232 actions on national security grounds.[281]
D-WA	Maria Cantwell	Ranking Member of the Senate Committee on Commerce, Science, and Transportation	Opposed to Trump administration tariffs and their negative effect on Washington's agriculture, seafood, and maritime industries, noting that "trade wars are not good. They're very damaging."[282]	Against, noting that she "wants a more sophisticated approach" to addressing the trade dispute with China.[283] She also bemoaned job losses for solar power companies in Washington.[284]	Wrote a bipartisan letter to USTR Michael Froman, calling for negotiations to expand market access for American apple and pear exports to Europe due to different varying standards.[285]	In 2015, voted yes on Bill H.R. 2146, which re-authorized the Trade Promotion Authority.[286] In July 2018, voted yes on a non-binding resolution to allow Congress authority in Section 232 actions on national security grounds.[287]
R-AK	Dan Sullivan	Chair of the Security Subcommittee of the Senate Committee on Commerce, Science, and Transportation	Against additional tariffs, especially concerning seafood/ Alaskan salmon (one of Alaska's biggest export sectors).	Against an additional 301 tariffs on Chinese products, since frozen fish produced in the United States is filleted in China, therefore threatening US jobs in the fishing sector.[288]	Position unknown.	In 2015, voted yes on Bill H.R. 2146, which re-authorized the Trade Promotion Authority.[289] In July 2018, voted yes on a non-binding resolution to allow Congress authority in Section 232 actions on national security grounds.[290]
D-MA	Edward Markey	Ranking Member of the Security Subcommittee of the Senate Committee on Commerce, Science, and Transportation	Harshly criticized the administration's decision to impose tariffs on imported solar panels and cells, "raising costs and attacking the growth of blue-collar jobs… the Trump tariff will hurt workers, hurt homeowners who want to save on their electricity bills, and hurt a future with cleaner air, cleaner water, and fewer impacts from climate change."[291]	Likely critical, given opposition to other Trump policies.	During TTIP negotiations, wrote to USTR Michael Froman asking him to better protect American oil and gas exports, as "an agreement that requires automatic and unrestricted approval of US oil and gas exports to the EU has the potential to harm American consumers, our national security, and our environment."[292]	In 2015, voted no on Bill H.R. 2146, which re-authorized the Trade Promotion Authority.[293] In July 2018, voted yes on a non-binding resolution to allow Congress authority in Section 232 actions on national security grounds.[294]

Party/ State	Name	Function	Opinion on Trump's Trade Agenda	Opinion on US Tariffs on Imports from China	Opinion on a Free Trade Agreement with the EU	Voting Behavior on US Laws Promoting Trade
R-KS	Pat Roberts	Chair of the Senate Agriculture, Nutrition, and Forestry Committee	Critical; argues that Trump's tariff strategy is damaging to farmers.	Critical, as agriculture is particularly suffering from retaliatory measures.[295]	Position unknown.	In 2015, voted yes on Bill H.R. 2146, which re-authorized the Trade Promotion Authority.[296] In July 2018, voted yes on a non-binding resolution to allow Congress authority in Section 232 actions on national security grounds.[297]
D-MI	Debbie Stabenow	Ranking Member of the Senate Agriculture, Nutrition, and Forestry Committee	In favor of proposed automobile tariffs based on avoiding outsourcing, saying, "we want to export our products, not our jobs."[298]	Agrees that the administration needs to concentrate on Chinese dumping, but that it "needs a more thoughtful, targeted approach to what they're doing."[299]	Signed a bipartisan letter to USTR Michael Froman calling for negotiations to expand market access for American apple and pear exports to Europe due to different varying standards.[300]	In 2015, voted no on Bill H.R. 2146, which re-authorized the Trade Promotion Authority.[301] In July 2018, voted yes on a non-binding resolution to allow Congress authority in Section 232 actions on national security grounds.[302]
R-ID	Michael Crapo	Chair of the Senate Committee on Banking, Housing, and Urban Affairs	Position generally unknown.	Likely skeptical, given that he was included in a meeting President Trump held with Senate Republicans concerned about investment restrictions on Chinese investments in the United States.[303]	Wrote a bipartisan letter to USTR Michael Froman calling for negotiations to expand market access for American apple and pear exports to Europe due to different varying standards.[304]	In 2015, voted yes on Bill H.R. 2146, which re-authorized the Trade Promotion Authority.[305] In July 2018, voted yes on a non-binding resolution to allow Congress authority in Section 232 actions on national security grounds.[306]
D-OH	Sherrod Brown	Ranking Member of Senate Committee on Banking, Housing, and Urban Affairs	Explicitly in favor of Trump's trade policies; supported the renegotiation of NAFTA and blocked bipartisan legislation to limit Trump's power to impose tariffs.[307]	In favor; supports an aggressive approach toward China related to government subsidies, inadequate access for US companies, dumping, technology transfer, and theft of US intellectual property.	Against the inclusion of an ISDS mechanism in TTIP, one of the most contentious points of the legislation.[308]	In 2015, voted no on Bill H.R. 2146, which re-authorized the Trade Promotion Authority.[309] In July 2018, voted yes on a non-binding resolution to allow Congress authority in Section 232 actions on national security grounds.[310]

Party/ State	Name	Function	Opinion on Trump's Trade Agenda	Opinion on US Tariffs on Imports from China	Opinion on a Free Trade Agreement with the EU	Voting Behavior on US Laws Promoting Trade
Caucuses **Selection of Members of Relevant Caucuses**						
D-NY	Gregory Meeks	Representative Co-Chair of the Congressional Caucus of the European Union Ranking Member of the Europe, Eurasia, and Emerging Threats Subcommittee of the House Foreign Affairs Committee	Skeptical of Trump's trade policies; wishes for "free and fair trade creating jobs throughout the cross-Atlantic dialogue."[311] Was co-sponsor of the bipartisan reform Bill H.R. 5760, the Trade Authority Protection Act, aiming to review tariffs arising from Section 301 of the Trade Expansion Act of 1962, of Section 232 of the Trade Act of 1974, and of Section 301 of the Trade Act of 1974. Under this proposal, tariffs would take effect only if Congress does not disapprove, thereby introducing the opportunity to veto presidential decisions on tariffs.[312]	Critical; issued a statement as the New Democrat Coalition Trade Task Force Co-Chair: "[…] we should not put our own industries and American jobs at risk for a half-baked, poorly thought through retaliatory action against the second largest economy in the world […] Instead of imposing higher tariffs on a broad range of consumer goods, the Trump administration should focus on efforts to enhance productivity in all sectors."[313]	Favorable of TTIP; "TTIP was tremendously important."[314] Tariffs on European goods "only help China."[315]	In 2015, voted yes on Bill H.R. 2146, which re-authorized the Trade Promotion Authority.[316]
R-SC	Joe Wilson	Representative Co-Chair of the Congressional Caucus of the European Union Ranking Member of the Middle East, North Africa, and International Terrorism Subcommittee of the House Foreign Affairs Committee	Approving of tariffs on aluminum and steel. Says tariffs are a "negotiating tactic […] In the district I represent, the steel industry […] ultimately it [the tariffs] will be beneficial for fair trade. […] To me, tariffs are taxes. But I see what the President is trying to do is to promote jobs in America and to reduce the level of imbalance we have in trade around the world."[317]	Approving of tariffs on aluminum and steel against China.[318]	Position unknown.	In 2015, voted yes on Bill H.R. 2146, which re-authorized the Trade Promotion Authority.[319]

Party/ State	Name	Function	Opinion on Trump's Trade Agenda	Opinion on US Tariffs on Imports from China	Opinion on a Free Trade Agreement with the EU	Voting Behavior on US Laws Promoting Trade
D-MA	Elizabeth Warren	Vice Chair of the Senate Democratic Caucus Contender for Democratic US President Candidacy	Critical; considers it to be "negotiated by a handful of executives from giant corporations"; advocates a new course of trade policy in the United States;[320] criticized exclusions on steel and aluminum tariffs based on inadequate access for US companies.[321]	Wary of the tariffs; considers them to be only one "tool in a toolbox."[322]	Not clear; was very critical regarding TPP.	In 2015, voted no on Bill H.R. 2146, which re-authorized the Trade Promotion Authority.[323] In July 2018, voted yes on a non-binding resolution to allow Congress authority in Section 232 actions on national security grounds.[324]
Others						
D-CA	Kamala Harris	Senator Contender for Democratic US President Candidacy	Critical; says, "actions by President Trump will only bring us close to a trade war that will hurt California jobs and our workforce";[325] supported a bipartisan Senate resolution against steel and aluminum tariffs.[326]	Against, citing the detrimental impact on California's economy.[327]	No opinion known; entered the Senate after TTIP was put on ice.	Was not in office in 2015 when Bill H.R. 2146, which re-authorized the Trade Promotion Authority, was voted on. In July 2018, voted yes on a non-binding resolution to allow Congress authority in Section 232 actions on national security grounds.[328]

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