



Statement of the U.S. Chamber of Commerce

**ON: “Administration Report on Significant Trade Deficits,”
docket number DOC 2017-0003**

**TO: The U.S. Department of Commerce
and the Office of the U.S. Trade Representative**

BY: U.S. Chamber of Commerce

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1615 H Street NW | Washington, DC | 20062

The Chamber’s mission is to advance human progress through an economic, political and social system based on individual freedom, incentive, initiative, opportunity and responsibility.

The U.S. Chamber of Commerce is the world's largest business federation representing the interests of more than 3 million businesses of all sizes, sectors, and regions, as well as state and local chambers and industry associations. The Chamber is dedicated to promoting, protecting, and defending America's free enterprise system.

More than 96% of Chamber member companies have fewer than 100 employees, and many of the nation's largest companies are also active members. We are therefore cognizant not only of the challenges facing smaller businesses, but also those facing the business community at large.

Besides representing a cross-section of the American business community with respect to the number of employees, major classifications of American business—e.g., manufacturing, retailing, services, construction, wholesalers, and finance—are represented. The Chamber has membership in all 50 states.

The Chamber's international reach is substantial as well. In addition to 117 American Chambers of Commerce abroad, an increasing number of our members engage in the export and import of both goods and services and have ongoing investment activities. The Chamber favors strengthened international competitiveness and opposes artificial U.S. and foreign barriers to international business.

The U.S. Chamber of Commerce appreciates the opportunity to present the following comments to the Department of Commerce and the Office of the U.S. Trade Representative as they prepare the “Omnibus Report on Significant Trade Deficits” pursuant to Executive Order 13786 of March 31, 2017. The Chamber is the world’s largest business federation, representing the interests of more than three million businesses of all sizes, sectors, and regions, as well as state and local chambers and industry associations, and it is dedicated to promoting, protecting, and defending America’s free enterprise system.

The Trade Deficit as a Gauge of Trade Policy

To begin, it is useful to distinguish between the macroeconomic dimensions of trade deficits and the costs of foreign trade barriers. The Chamber firmly agrees with the executive order’s statement that “unfair and discriminatory practices by our trading partners can deny Americans the benefits that would otherwise accrue from free and fair trade, unduly restrict the commerce of the United States, and put the commerce of the United States at a disadvantage compared to that of foreign countries.” As the Chamber has often argued, such barriers are costly to U.S. workers, farmers, and companies in a variety of ways, and they are a legitimate focus of U.S. policymakers. The concluding section of these comments points to some resources from the Chamber and elsewhere on foreign trade barriers.

However, the Chamber disagrees with the contention that the goods trade deficit is an appropriate gauge of whether a particular set of trade policies—or trade agreements—is delivering benefits to the American people more broadly. It would be mistake for the forthcoming report to assume a link between the U.S. trade deficit and U.S. employment.

The Chamber agrees with the vast majority of economists who argue that “foreign import barriers and exports subsidies are not the reason for the US trade deficit,” as Martin Feldstein, who chaired President Ronald Reagan’s Council of Economic Advisers from 1982 to 1984, recently wrote.¹ He summarizes:

The real reason is that Americans are spending more than they produce. The overall trade deficit is the result of the saving and investment decisions of US households and businesses. The policies of foreign governments affect only how that deficit is divided among America’s trading partners.

In balance of payments accounting, a country with a current account deficit (of which a trade deficit is usually the largest component) must by definition have a capital account surplus of identical value. The current account records trade in goods and services and net earnings on foreign investments. The capital account records international investments themselves (as opposed to earnings on them), both inbound and outbound, and a capital account surplus means the United States is a net importer of saving from abroad.

¹ Martin Feldstein, “Inconvenient Truths About the US Trade Deficit,” Project Syndicate, April 25, 2017: <https://www.project-syndicate.org/commentary/america-trade-deficit-inconvenient-truth-by-martin-feldstein-2017-04>.

By definition, the U.S. current account deficit results from Americans consuming more than they produce. The low U.S. private savings rate relative to the private investment rate and the federal government's large fiscal deficits together produce a savings gap, which is met by the federal government through the issuance of Treasury securities and by private companies through the issuance of stocks and bonds. In both instances, some of these securities are purchased by foreigners. In sum, the domestic savings gap is met by importing savings from abroad.

In this manner, the United States is able to finance ongoing consumption and capital spending above and beyond its current savings. Foreign capital inflows also help keep the cost of credit low, allowing the federal government to finance its deficits, American businesses to finance investment, and American families to finance mortgages and consumer loans all at less cost, and all of this enhances the U.S. standard of living.

In fact, a current account deficit is often a sign of economic good health, signaling that purchasing power is strong and consumers are optimistic enough to spend. Historically, the U.S. trade deficit has expanded when the U.S. economy has grown faster than those of our major trading partners, as in the expansions of the 1980s and 1990s. By contrast, the U.S. current account has moved in the direction of a surplus in recessions, as happened in the Great Depression and the 2007-2009 recession.

The U.S. trade deficit reflects broad macroeconomic factors, and, as Feldstein noted, it is not materially increased in the aggregate by foreign trade barriers. The *Wall Street Journal* recently previewed an upcoming book by Joseph Gagnon and Fred Bergsten of the Peterson Institute for International Economics which surveys the relationship between trade balances and trade barriers across 125 countries. The book reportedly finds that "between 2003 and 2014, those with higher tariffs generally had bigger current account deficits or smaller surpluses than others.... They couldn't find any statistically meaningful link between the two."²

Indeed, the countries with the highest trade barriers tend to have trade deficits. According to 2016 data from the Geneva-based International Trade Center, 21 of the 25 countries with the highest average applied tariffs have merchandise trade deficits. The United States is unlikely to find relevant lessons for its own economic policies from the four high-tariff countries on the list with trade surpluses (Kiribati, Equatorial Guinea, Chad, and Gabon).³

Conversely, the economies with the lowest tariffs and other trade barriers, such as Singapore and Hong Kong, are among the most prosperous in the world. The Heritage Foundation regularly ranks both of these geographically small, economically open economies at or near the top of its Index of Economic Freedom (though both have sizable deficits in their trade with the United States).

² Greg Ip, "Deficits Are a Flawed Guide to Unfair Trade," *Wall Street Journal*, March 15, 2017: <https://www.wsj.com/articles/deficits-are-a-flawed-guide-to-unfair-trade-1489594137>.

³ *Trade Map*, International Trade Center: http://trademap.org/Country_SelProduct.aspx?nvpm=1||||TOTAL|||2|1|1|1|1|1|2|1|1.

Statistical conventions also lend an arbitrary quality to the allocation of the U.S. trade deficit among different countries. To illustrate, a *maquiladora*-type plant in Mexico that assembles relatively sophisticated intermediate manufactured goods imported in part from the United States—with the final product shipped to the United States—adds to the U.S. bilateral trade deficit in a way that fails to take into account its “made in the USA” content. According to the OECD’s Trade in Value-Added (TiVA) dataset, an accounting of U.S.-Mexico trade that measures where manufacturers operate and add value indicates the U.S. merchandise trade deficit with Mexico is in fact 43% smaller than shown in traditional statistics. For some other countries, this dataset shows a larger deficit than traditional statistics; the total trade deficit is of course unchanged.

While administration officials have wisely stated they do not intend to raise import barriers, a focus on trade deficits inevitably leads some observers to suggest doing so. In this context, it is worth bearing in mind that nearly half of all U.S. imports are raw materials and intermediate goods used by American manufacturers. In many cases, these are inputs not available from domestic sources or available only in limited quantities at higher prices. Without those imports, costs would rise for U.S. manufacturers, who would then find it harder to compete in global markets.

Further, the United States tends to import many products American firms produce efficiently and even export in substantial quantities. Far from being redundant, this enhances consumer choice and competition in the marketplace, which in turn impels all businesses to make better products at lower prices.

As economists Kevin L. Kliesen and John A. Tatom wrote for the Federal Reserve Bank of St. Louis Review, “policies designed to restrict imports or artificially raise their costs would have adverse effects for U.S. manufacturers.... Surprisingly, we find that imports have played a critical positive role in boosting manufacturing output in the United States—much more so, in fact, than exports.”⁴ They observe:

Many industry, labor, and political leaders believe that boosting manufacturing growth will require limiting imports through favorable preferences for domestic purchasing and raw material and capital goods sourcing, perhaps through quotas, tariffs, domestic content legislation, or simply discriminatory preferences... Intermediate goods imports and capital goods imports are the lifeblood of U.S. output. Exports account for a much smaller share of manufacturing value added. While development of foreign markets offers an opportunity for outsized growth, the success of manufacturing has not been as critically dependent on new markets for sales as for new markets for materials and capital goods.

As an illustration of the pitfalls that accompany a focus on the trade balance, consider recent U.S. criticism of the Canadian trade barriers that shut out U.S. dairy products. It is widely recognized that Canada’s antiquated system of “supply management” for dairy products largely

⁴ Kevin L. Kliesen and John A. Tatom, “U.S. Manufacturing and the Importance of International Trade: It’s Not What You Think,” *Federal Reserve Bank of St. Louis Review*, January/February 2013, 95(1), pp. 27-49: <https://files.stlouisfed.org/files/htdocs/publications/review/13/01/Kliesen.pdf>.

shuts out foreign dairy products and imposes substantial costs on Canadian consumers. Improving American dairy farmers' access to the Canadian market is a worthy goal of U.S. trade policy as improved access could boost U.S. sales and support jobs and income at home.

However, the United States has a substantial *trade surplus* in dairy trade with Canada: U.S. dairy exports to Canada outpace imports by a factor of five-to-one. The explanations are complex: Protectionism has left Canada's dairy sector less competitive than that of the United States, while U.S. dairy producers have improved quality and cost by competing—with growing success—for global market share. The trade balance reveals none of this.

As with this specific sector, so it is more broadly: In services, to offer another example, the United States had a large global trade surplus of \$248 billion in 2016. This surplus has grown in recent years despite the fact that the United States has relatively few barriers to services imports, according to the OECD Services Trade Restrictiveness Index. Again, the trade balance reveals little about the global competitiveness of U.S. service providers.

Indeed, given that services industries account for approximately 80% of U.S. jobs and 34% of U.S. gross exports, the exclusion of services trade from the present discussion would be a mistake. According to the OECD, a value-added examination of U.S. trade reveals that services contribute nearly 60% of U.S. value-added exports, indicating that services are embedded in exported goods.

Many services can be exported, particularly those categorized broadly as professional and business services. This includes fields such as audiovisual, software, architecture, accounting, engineering and project management, banking, insurance, waste management, and advertising. The United States has become the world's largest exporter of such services: U.S. services exports reached \$750 billion in 2016. The Internet is making more business and professional services tradeable every day.

Professional and business services employ 20.6 million Americans, making this sector a larger employer than manufacturing (66% larger, in fact). These are good jobs: Wages in these fields are 18% higher on average than those in manufacturing (with hourly earnings average \$31 versus \$26).

Despite these big numbers, the potential for service industries to engage in international trade is almost untapped. One in four U.S. factories exports, but just one in every 20 providers of business services does so. Just 3% of U.S. services output is exported, according to the Peterson Institute for International Economics. Clearly, a trade agenda that focuses exclusively on manufacturing and agriculture would be a missed opportunity for growth and job creation.

Many economic forecasters believe the U.S. trade deficit will rise in the years ahead: Indeed, the boost in U.S. economic growth sought by the Administration, Congress, and the U.S. business community would likely create upward pressure on the trade deficit. As the Trump Administration proceeds with its laudable efforts to curtail the accumulated regulatory excesses of past administrations, reform the nation's sclerotic tax system, and invest in our nation's decaying infrastructure, most economic analysts expect economic growth to rise. The Chamber

strongly supports these efforts and is optimistic these policies will enhance growth and job creation.

One way these efforts will enhance U.S. economic growth is by making the United States a more attractive place for foreign companies to invest. These direct investments are made on the basis of expected returns and do not represent debt that must be repaid; rather, they serve to enhance the productive capabilities of the U.S. economy, generate employment opportunities, and make the U.S. economy more competitive. They help compensate for the low U.S. private savings rate and persistent government deficit spending.

In sum, neither the broad U.S. trade balance nor the U.S. trade balance with a specific trading partner offers useful guidance for trade policymakers. Suggesting that imports are somehow a problem to be solved or that services trade is less important than goods trade would be a mistake. Attempting to chart a course for trade policy on such a basis is likely to lead to the wrong priorities.

The Trade Deficit and Trade Agreements

The executive order cited above focuses the present examination of the U.S. trade deficit in part on the question of whether or not a bilateral or regional trade agreement is successful. It is important, therefore, to consider what constitutes a successful trade agreement. From the Chamber's perspective, a trade agreement is successful if it affords U.S. companies greater freedom to sell their goods and services in foreign markets; ensures access to needed inputs, materials, and other products for American companies and consumers; and encourages the expansion of trade flows reflecting the simple principle that manufacturers, farmers, and service providers should do more of what each does well. This observation and the analysis above explain why this linkage of trade deficit magnitudes and trade agreement success is broadly problematic.

Indeed, a trade agreement that seeks to impose a rigid reciprocity would be inimical to an economic system based on free enterprise and free markets. A bilateral trade pact cannot require that each party sell the other an equal number of widgets. Rather, U.S. elected officials and the trade negotiators they oversee have sought a balance of benefits in U.S. trade agreements. Beginning with the General Agreement on Tariffs and Trade in 1947, the United States has pursued trade agreements on this basis. Eight successful multilateral negotiating rounds have lowered trade barriers and helped increase world trade from \$58 billion in 1948 to \$20.7 trillion in 2015—a 40-fold increase in real terms. As one of the principal architects of this global, rules-based trading system, the United States has received substantial benefits from it: One recent study estimates that U.S. GDP per capita and GDP per household increased by \$7,000 and \$18,000, respectively, due to the substantial trade expansion of the past 70 years.⁵

Even so, it is worth examining the statistics relating to U.S. trade agreements themselves. A review of the aggregate U.S. trade balance under America's current 14 bilateral and regional

⁵ Gary Clyde Hufbauer and Zhiyao (Lucy) Lu, "The Payoff to America from Globalization: A Fresh Look with a Focus on Costs to Workers," Peterson Institute for International Economics, May 2017: <https://piie.com/system/files/documents/pb17-16.pdf>.

trade agreements (covering 20 countries) reveals a modest trade surplus of \$7.8 billion in 2015 (latest available; bilateral trade data for services for 2016 will not be released until late 2017).

U.S. Trade with Its Trade Agreement Partners

	2015	Merchandise		Services		Total		
		Exports	Imports	Exports	Imports	Exports	Imports	Balance
1 NAFTA		516,354	592,564	87,945	50,922	604,299	643,486	-39,187
2 CAFTA-DR		28,722	23,750	7,242	9,976	35,964	33,726	2,238
3 Chile		15,445	8,772	4,006	1,568	19,451	10,340	9,111
4 Colombia		16,287	14,075	6,470	3,216	22,757	17,291	5,466
5 Panama		7,664	408	1,640	1,283	9,304	1,691	7,613
6 Peru		8,726	5,053	3,879	2,888	12,605	7,941	4,664
7 Bahrain		1,271	902	321	1,080	1,592	1,982	-390
8 Israel		13,539	24,477	4,772	6,060	18,311	30,537	-12,226
9 Jordan		1,359	1,492	710	574	2,069	2,066	3
10 Morocco		1,625	1,012	657	585	2,282	1,597	685
11 Oman		2,355	907	434	328	2,789	1,235	1,554
12 Australia		25,036	10,894	22,264	7,008	47,300	17,902	29,398
13 Korea, Republic of		43,446	71,759	20,512	11,127	63,958	82,886	-18,928
14 Singapore		28,472	18,267	14,359	6,770	42,831	25,037	17,794
TOTAL		710,301	774,332	175,211	103,385	885,512	877,717	7,795

Merchandise data: U.S. Department of Commerce, Trade Stats Express - <http://tse.export.gov/tse/TSEHome.aspx>

Services data: U.S. Department of Commerce, Bureau of Economic Analysis - https://www.bea.gov/iTable/index_ita.cfm

Millions of U.S. dollars

Indeed, the United States had a modest *trade surplus* with its 20 trade agreement partners as a group throughout the 2012-2015 period.

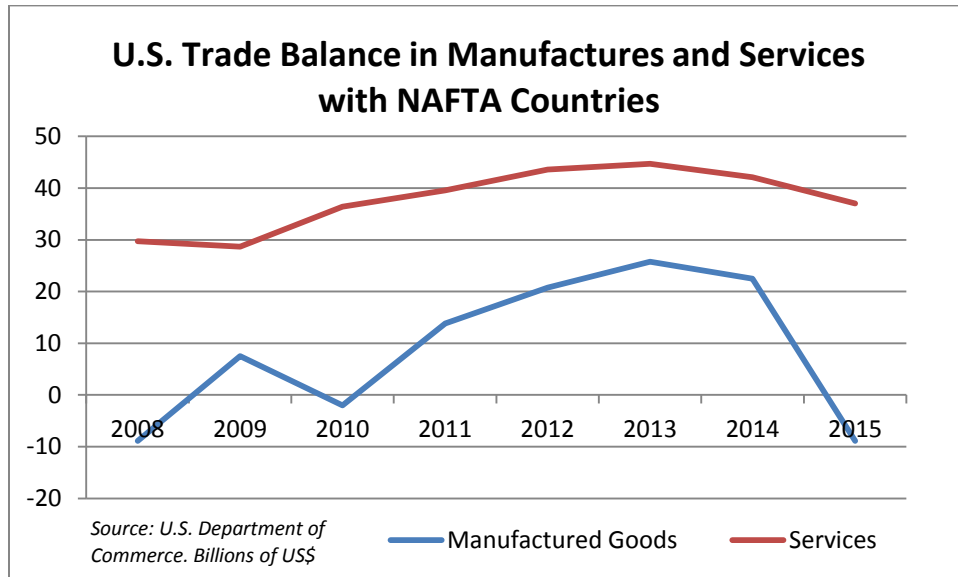
U.S. Trade Balance with its 20 Trade Agreement Partners (Billions of U.S. Dollars)

	2011	2012	2013	2014	2015	2016
Merchandise	-79.9	-70.8	-67.6	-66.9	-64.0	-72.2
Services	66.2	72.0	78.0	75.9	71.8	
TOTAL	-14	1.2	10.4	9.0	7.8	

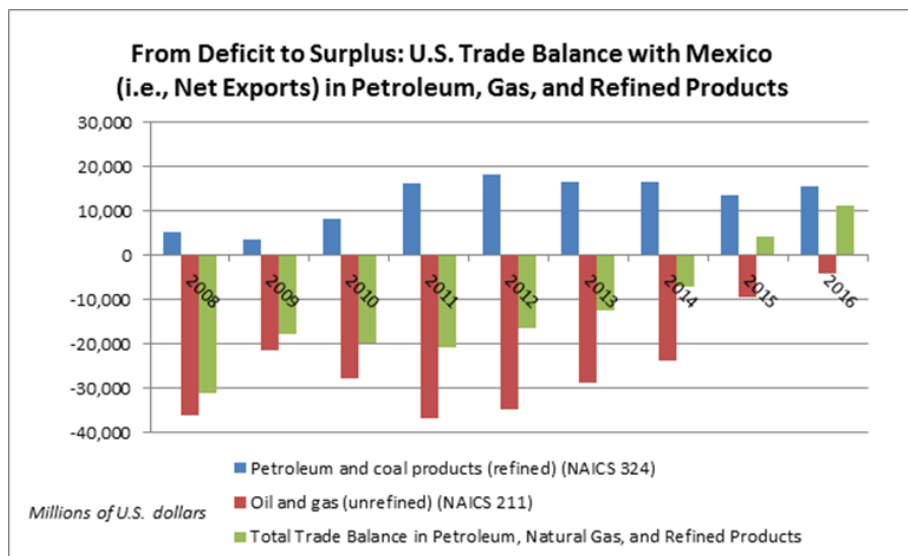
Much of today's trade debate focuses on trade in manufactured goods (which represent about 90% of goods trade), but here too the story is often misrepresented. Over the 2009-2015 period, the United States accumulated a manufactured goods trade surplus with its 20 trade agreement partners of \$271 billion, according to U.S. Department of Commerce data.

With regard to the trade agreement that has been a major focus of policymakers' attention in recent weeks—the North American Free Trade Agreement (NAFTA)—the public record also demands correction. In fact, the United States recorded a cumulative manufactured goods trade surplus with its NAFTA partners of \$79 billion in 2009-2015. The United States recorded a

cumulative services trade surplus with its NAFTA partners of \$272 billion in 2009-2015 (latest available).



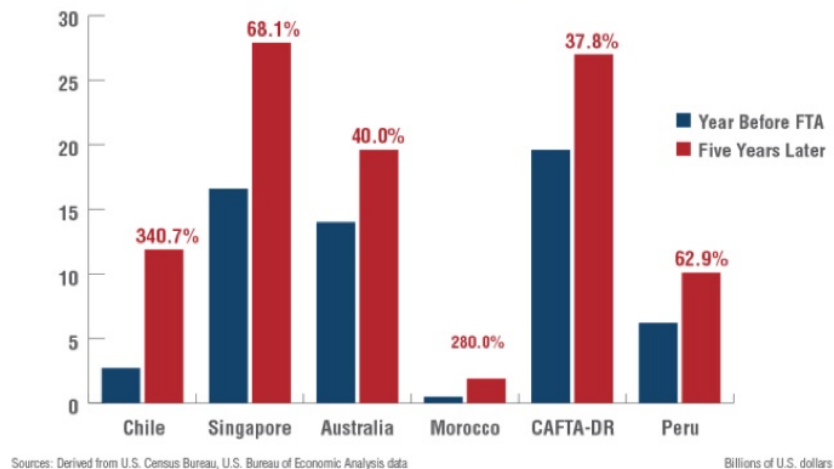
Meanwhile, the U.S. energy revolution has had profound trade implications. The United States has become less reliant on crude oil imported from Mexico (and other sources), though U.S. Gulf Coast refineries remain competitively situated to refine Mexico’s heavy oil. Meanwhile, U.S. exports to Mexico of refined products (gasoline and diesel) and natural gas are rising. The trend of a rising U.S. trade surplus in oil, gas, and refined products shown in the graph below is likely to continue, barring disruption to the terms of trade between the United States and Mexico. These developments result from technological breakthroughs in the industry that have been quickly and effectively applied in the United States. However, if the tenor of the executive order were applied by our trading partners, then they might wrongly conclude the sudden shift in petroleum product trade flows is the result of some new, improper, and unfair practice employed in the United States, demonstrating again and from a different perspective just how problematic it is to interpret a trade deficit as reflecting unfair trade practices.



Looking beyond the trade balance, it is worth noting that the 20 U.S. trade agreement partners in recent years have purchased nearly half of all U.S. exports even though they represent just 10% of the world’s economy outside the United States, according to data from the U.S. Department of Commerce. It should come as no surprise that eliminating tariffs and other trade barriers enables U.S. exports to expand—often turning small economies into major export markets. U.S. trade agreements have eliminated foreign duties on made-in-America products for more than 99% of all tariff lines (or even 100% in some cases, as with Mexico) as well as a host of non-tariff barriers.

U.S. exports to new trade agreement partner countries have grown roughly three times as rapidly on average in the five-year period following the agreement’s entry-into-force as the global rate of growth for U.S. exports. In some instances, the results are truly remarkable: U.S. exports to Chile and Morocco quadrupled in the five years after U.S. trade agreements with those countries entered into force. Additional factors certainly come into play: For example, an increase in the price of copper, Chile’s top export commodity, boosted purchasing power in that country and led to an import boom.

U.S. Merchandise Exports Boom



With regard to job creation, economists generally agree that trade’s principal effect on jobs—particularly in a period of low unemployment—is to alter gradually the mix of jobs available by creating more high-skill, high-wage jobs and fewer low-skill, low-wage jobs. The reason for this is intuitive: The United States has a strong comparative advantage in activities involving high-skilled workers, which is clearly a positive for U.S. economic prospects.

Indeed, there is abundant evidence that jobs tied to trade tend to pay better than those that are not. According to Commerce Department research, manufacturing jobs tied to exports pay wages that average 18% higher than those that are not. The same is true for business services (i.e., architecture, engineering, project management, software, and insurance), a sector that employs more than 20 million Americans and offers wages averaging 18% higher than those in manufacturing.

With regard to trade with U.S. trade agreement partners and American jobs, the Chamber commissioned a study entitled *Opening Markets, Creating Jobs: Estimated U.S. Employment Effects of Trade with FTA Partners*.⁶ The study examined U.S. trade agreements implemented with a total of 14 countries (the other 6 having been in force for a relatively limited period of time). It found the increased trade brought about by these trade agreements boosted U.S. output on net by more than \$300 billion and in turn supported 5.4 million U.S. jobs.

The Challenge Posed by Foreign Trade Barriers

While the trade balance should not be the North Star for U.S. trade policy, foreign trade barriers and unfair trade practices certainly merit high prioritization for other reasons. While there is a strong economic consensus that foreign trade barriers, subsidies, and other interventions do not materially add to the U.S. trade deficit in the aggregate, they can have a significant impact at the firm and industry levels, suppressing export sales and artificially elevating import sales and growth. Further, the U.S. Department of Commerce estimates that foreign tariffs reduce the earnings of American factory workers by as much as 12%.⁷

Other foreign commercial practices can have a similar, discriminatory effect. The impact of foreign non-tariff barriers are more difficult to assess than tariffs, but their negative impact is similar. Foreign subsidies that boost exports to the United States may actually benefit U.S. consumers, but they do so at the expense of U.S. companies and the workers they employ. In particular, certain foreign countries that support and protect domestic industries through state intervention over prolonged periods, with little regard for budget constraints and market forces, can have a particularly damaging impact on U.S. companies and their workers by fueling overcapacity globally and other market distortions.

The repercussions of inadequate protection and enforcement of intellectual property (IP) rights are also a grave concern for the U.S. business community. Not only are U.S. innovators, workers, companies, and shareholders deprived of the fruits of their labors, stolen IP can provide a cost-free competitive advantage to foreign firms (for instance, when a U.S. firm pays for business software but its overseas rivals do not).

Existing resources examining foreign trade barriers are extensive. At the fore is the National Trade Estimate on Foreign Trade Barriers (known as the NTE), a report prepared by the Office of the U.S. Trade Representative cataloging the trade barriers of other countries. Preparation of this annual report is required by statute. U.S. Chamber member companies and associations have long contributed extensively to the preparation of this report, which is and should be the default resource for the administration as it considers the next steps in its trade policy actions.

⁶ U.S. Chamber of Commerce, *Opening Markets, Creating Jobs: Estimated U.S. Employment Effects of Trade with FTA Partners*, May 2010: <https://www.uschamber.com/report/opening-markets-creating-jobs-estimated-us-employment-effects-trade-fta-partners>.

⁷ David Riker, "Do Jobs In Export Industries Still Pay More? And Why?" Manufacturing and Services Economics Brief, International Trade Administration, U.S. Department of Commerce, July 2010: http://trade.gov/mas/ian/build/groups/public/@tg_ian/documents/webcontent/tg_ian_003208.pdf.

Also required by statute is the annual “Special 301” Report, which reviews global developments relating to intellectual property. The Office of the U.S. Trade Representative also prepares this report identifying trading partners with harmful records on protection, enforcement, or market access for U.S. innovators and creators. The Chamber made an extensive submission this year.⁸

Since 2012, the U.S. Chamber’s Global Intellectual Property Center has published its International IP Index,⁹ which in the 2017 edition analyzes and rates 45 world economies on how they protect IP—patents, trademarks, copyright, trade secrets, enforcement, and international treaties—and how they enforce those protections. The economies benchmarked in the 2017 Index account for 90 percent of global gross domestic product. The Index has become an internationally recognized reference for governments, businesses, and international organizations.

The Chamber also has extensive programs relating to U.S. commercial ties to top commercial partners and has commented extensively on foreign trade barriers and related concerns in many of them. For instance, the U.S. Chamber of Commerce has issued a series of reports over the past years assessing Chinese barriers to U.S. exports and investments as well as industrial policies that are relevant as the administration examines foreign trade barriers:

- *Made in China 2025: Global Ambitions Built on Local Protections* (March 2017)¹⁰ examines China’s plan to become an advanced manufacturing leader in industries critical to economic growth and competitiveness. The report catalogues China’s policy efforts to use a number of tools, including subsidies, standards, procurement, financial policy, and government-backed investment funds, to reach ambitious domestic and international targets. By leveraging the power of the state to alter competitive dynamics in global markets, MIC 2025 risks sparking economic inefficiencies affecting China and overcapacity affecting the global economy.
- *Cultivating Opportunity: The Benefits of Increased U.S.-China Agricultural Trade* (November 2016)¹¹ reveals that reducing or eliminating relevant tariffs and other behind-the-border barriers between the United States and China could result in \$28.1 billion in additional cumulative gains in two-way agricultural sector trade over 2016-2025. The United States would realize gains of \$17.6 billion—a nearly 40% increase over baseline projections.

⁸ U.S. Chamber of Commerce, 2017 Special 301 Submission, <http://www.theglobalipcenter.com/wp-content/uploads/2013/01/USCC-2017-Special-301-Submission-Final.pdf>.

⁹ U.S. Chamber of Commerce, Global Intellectual Property Center, International IP Index: <http://www.theglobalipcenter.com/ipindex2017/>.

¹⁰ U.S. Chamber of Commerce China Center, *Made in China 2025: Global Ambitions Built on Local Protections*, March 2017: <https://www.uschamber.com/report/made-china-2025-global-ambitions-built-local-protections-0>.

¹¹ U.S. Chamber of Commerce China Center, *Cultivating Opportunity: The Benefits of Increased U.S.-China Agricultural Trade*, November 2016: <https://www.uschamber.com/report/cultivating-opportunity-the-benefits-increased-us-china-agricultural-trade>.

- *Preventing Deglobalization: An Economic and Security Argument for Free Trade and Investment in ICT* (September 2016)¹² examines threats to the global economy from emerging policies restricting open trade and investment in the information and communications technology (ICT) sector and attempts to quantify their impact. While the report is global in scope, Chinese industrial policies feature prominently.
- *Competing Interests in China's Competition Law Enforcement: China's Anti-Monopoly Law Application and the Role of Industrial Policy* (2014)¹³ examined China's use of its Anti-Monopoly Law to advance industrial policy and boost national champions.
- *China's Approval Process for Inbound Foreign Direct Investment: Impact on Market Access, National Treatment and Transparency* (2012)¹⁴ detailed China's inbound investment approval process and identified challenges for potential foreign investors.
- *China's Drive for 'Indigenous Innovation': A Web of Industrial Policies* (2010)¹⁵ highlighted China's efforts to use its powerful regulatory regime to decrease reliance on foreign technology and develop indigenous technologies.

The Trump Administration should make the removal of foreign trade barriers a high priority. Unfortunately, this goal has at times received only lackluster support in recent years. To illustrate, GAO's 2016 Trade Enforcement report found that about "80 percent of project funding was related to helping partner countries comply with labor or environmental commitments," with all other trade enforcement concerns—from sanitary and phytosanitary barriers and intellectual property concerns to technical barriers to trade—accounting for just 20% of total expenditures. The Chamber urges the Administration to redouble these efforts with a more equitable set of priorities.

Conclusion

The Chamber aligns itself with the consensus view of economists that the trade deficit is not an appropriate gauge of whether a particular set of trade policies—or trade agreements—is delivering benefits to the American people. While foreign trade barriers and discriminatory industrial policies do not fuel the U.S. trade deficit, they do deserve high prioritization for other reasons, as outlined above.

¹² U.S. Chamber of Commerce, *Preventing Deglobalization: An Economic and Security Argument for Free Trade and Investment in ICT*, September 2016:

https://www.uschamber.com/sites/default/files/documents/files/preventing_degloabalization_1.pdf.

¹³ U.S. Chamber of Commerce, *Competing Interests in China's Competition Law Enforcement: China's Anti-Monopoly Law Application and the Role of Industrial Policy*, September 2014:

https://www.uschamber.com/sites/default/files/aml_final_090814_final_locked.pdf

¹⁴ U.S. Chamber of Commerce, *China's Approval Process for Foreign Inbound Direct Investment: Impact on Market Access, National Treatment and Transparency*, October 2012:

https://www.uschamber.com/sites/default/files/documents/files/020021_China_InboundInvestment_Cvr.pdf.

¹⁵ U.S. Chamber of Commerce, *China's Drive for Indigenous Innovation: A Web of Industrial Policies*, June 2010: https://www.uschamber.com/sites/default/files/documents/files/100728chinareport_0_0.pdf.

Over the years, the Chamber has contributed extensively to regular reports compiled by the federal government and issued reports on our own that detail these trade barriers and offer context and insight on which deserve prioritization. On behalf of our member companies—businesses of every size, sector, and state—we would be pleased to continue to provide input and counsel on these issues as the Administration crafts its trade policies.

Contact: John Murphy
Senior Vice President for International Policy
U.S. Chamber of Commerce
jmurphy@uschamber.com
(202) 659-6000