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Unclear on U.S. Trade Policy?

President's Proposed Budget Has Clues

By Emily Benson

In a recent Senate Finance Committee hearing, Senator Wyden (D-OR), the ranking Democrat, called trade one of the “least known and biggest issues” facing the country. Amid United States Trade Representative (USTR) opaqueness and a lack of details in recent congressional testimony, the [Trump Administration's 2020 budget proposal](#), released in March, provides some indications about what to expect following two years of tumultuous American trade policy.¹ Reactions to the budget proposal have concentrated on its sweeping cuts, which include reductions of nearly a third to the Environmental Protection Agency (EPA) and a quarter to State Department and USAID budgets. On trade, however, the administration seeks increased funding, signaling a recalibration of certain policies after two years of an unorthodox trade agenda.

Lack of Clarity for Trading Partners

The proposed 2020 budget provides at least some level of reassurance to our allies. The budget indicates the administration does not plan to abandon the World Trade Organization (WTO) and the global system but rather to allocate increased funding for trade enforcement and existing multilateral commitments. Furthermore, Americans are coming together on trade. Historically one of the most polarized and partisan policy areas, trade policy during the Trump Administration has unintentionally turned trade into a rare area of bipartisan agreement, particularly among centrists of both parties. The parties' extremes, however, continue to hold back progress on trade and in some cases have even created strange bedfellows of bipartisan fringe. With increased Congressional unity comes increased ability for Congress to utilize its oversight authority vis-à-vis executive branch policy, from WTO appellate body appointments to intellectual property issues and longstanding agricultural disputes.

Lack of Clarity in Congress

USTR Ambassador Lighthizer, one of the administration officials most lauded for his outreach efforts to Congress, has increased his charm offensive as interest in the U.S.-Mexico-Canada-Agreement (USMCA) intensifies. However, his outreach has hardly clarified the administration's broader trade objectives or strategies for policymakers.

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In open Senate hearings as well as private discussions with coalitions such as the New Democrats, without which the USMCA cannot pass, Lighthizer provided scant specifics on trade. Congresswomen DelBene (D-WA), a New Democrat, and Walorski (R-IN), a staunch conservative, share similar skepticism regarding Trump's trade policy. Both representatives recently said they had been left in the dark regarding major trade details, such as whether or not the administration will remove the controversial Section 232 steel and aluminum tariffs prior to pushing forward with the USMCA and what the China deal contains.

On China, Lighthizer has provided essentially no details about where the negotiations stand, both in terms of ongoing issue areas and a potential timeline for conclusion. It is possible, for example, that the administration would loosen its stance on Chinese 5G technology in exchange for relief on steel duty circumvention and Chinese commitments to buy more American soybeans. In a Senate Finance Committee hearing in mid-March, Senator Grassley (R-IA), the committee chair, asked Ambassador Lighthizer if the administration would allow Congress to read, review, and evaluate a trade deal with China. Lighthizer deflected, saying that the deal would "eventually" be made public.

Proposed 2020 Budget Indicates Commitments to Rules-Based, Open Trade

The proposed budget for the U.S. Department of Commerce (DoC) is \$12.2 billion, representing a 7 percent increase from the 2019 estimate. For comparison, the budget proposes a 5 percent increase to the Department of Defense, for a total budget of \$718 billion. While over half of the DoC's funds will go to support the Decennial Census as the Constitution mandates, certain other DoC policy areas show promising budget increase requests that will facilitate free trade.

The International Trade Administration (ITA), part of the Commerce Department, would see a \$16 million budget increase to enhance the Commerce Department's ability to combat circumvention of anti-dumping and countervailing duties. The proposed budget also provides funding to support the Foreign Investment Risk Review Modernization Act (FIRRMA), passed in 2018, to evaluate the national security risks of foreign investments in the U.S., an area in which American policy previously lagged behind its European counterparts. FIRRMA, which codifies Committee on Foreign Investment in the United States (CFIUS) reform, largely aims at monitoring Chinese investment in the U.S., signaling an American desire to modernize its laws to match those of other developed countries.

Nestled within the USTR budget proposal is a request for funds from the [Trade Enforcement Trust Fund](#), an obscure account that provides funding for foreign trade obligations,

such as trade agreement implementation and compliance and WTO litigation costs.² This trust fund was authorized in 2015 but has yet to be used. In February 2018, the administration requested use of the funds in a "discretionary add" to enhance its enforcement capabilities. In the 2020 budget request, the administration seeks the maximum allowed by law, \$15 million, from the fund. Consecutive years demanding trust fund money to litigate at the WTO and to support existing trade commitments highlights a fundamental belief in the benefits of the rules-based trading system.

All Eyes on Commerce

For now, the Administration does not appear willing to enlighten Congress or the public about the penumbras of its trade agenda. While the 2020 budget is essentially dead on arrival since it will face intense scrutiny from both parties, it is nonetheless helpful in understanding Trump Administration priorities. The proposed budget underscores—if inadvertently—an ongoing commitment to a rules-based international trade system, one that arguably elevates international enforcement. Beefing up spending on enforcement, a key issue area in both USMCA and China negotiations, indicates an underlying conviction that trade laws themselves are worth preserving. As the Congressional budget battle begins, keeping a close eye on Commerce Department appropriations could provide valuable insight into one of the most essential areas of U.S. foreign policy.

Endnotes:

1 <https://www.whitehouse.gov/wp-content/uploads/2019/03/budget-fy2020.pdf>

2 <https://www.law.cornell.edu/uscode/text/19/4405>