The Daily Dish

Phase 1 and the End of Global Trade

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Eakinomics: Phase 1 and the End of Global Trade

AAF's Jacqueline Varas has a nice summary of the provisions in the so-called "Phase 1" trade deal between the United States and China. I'd like to focus on two key aspects of the state of play. First, the vast majority of U.S. tariffs on imports from China remain in place – hardly an open trade outcome. Second, the dispute-settlement provisions in the agreement practically guarantee that the tariffs are more likely to go up than to go down.

The deal is that a violation of the agreement by either party sets in motion ever-escalating negotiations: trade officers of both nations up to the U.S. Trade Representative and Chinese Vice Premier. If (when) that fails, the complainant could enact proportionate trade remedies, i.e. tariffs.

Now comes the amazing part. Under the agreement, there can be no retaliation if the tariffs were levied "in good faith." (We should use this agreement for divorce proceedings, too.) If the accused country does not view the other's remedies as "in good faith," it has the right to withdraw from the agreement (and levy its own retaliatory tariffs).

The enforcement mechanism should be named Building a Bigger Tariff Wall.

It is clear now that the long, postwar effort to open global trade has stalled and gone in reverse. I'm a bit nostalgic for those days filled with an optimistic view of man's future. So, with apologies to Don McLean, everybody join in:

A long long time ago
I can still remember how
Trade pacts used to make me smile
And I knew if I had my shot
I could make nations tie the knot
And maybe they'd be richer for a while

But China's cheating made us shiver
With every import they'd deliver
Fake IP on my doorstep
POTUS screaming about overstep
I remember starting to weep
When he said trade wars are cheap
But something touched me deep inside
The day global trade died

So bye, bye Miss Global Supply

Tried a bevy of the Chevy but the price was too high
Now tariffs on French reds; I’m drinking whiskey and rye
Singin’ this’ll be the day that I die
This’ll be the day that I die