



The Trump Administration's Trade Agenda

Rigged to Benefit Corporations at the Expense of Everyday Americans

By Daniella Zessoules August 29, 2019

The Trump administration's 2017 tax cuts are overwhelmingly benefiting corporations at the expense of working families.¹ They have resulted in large business investments overseas and virtually none at home. The apple doesn't fall far from the tree on trade policy: Business interests win, while farmers, workers, consumers, and the environment bear the costs. As is often the case, the Trump administration has created noise and chaos through conducting trade wars on Twitter but has accomplished virtually nothing in the way of restructuring the rules of trade to benefit working families and protect the environment.

The Trump administration's new North American trade agreement

NAFTA 2.0 looks a lot like NAFTA 1.0

- Despite calling the North American Free Trade Agreement (NAFTA) “the worst Trade Deal in the history of the U.S.A.,”² President Donald Trump is essentially reaffirming it under a new name.
- Among the few changes that exist in the new iteration of the agreement, the United States-Mexico-Canada-Agreement (USMCA), those that benefit big corporations are concrete and enforceable, while those that would supposedly benefit workers are just unenforceable words on paper.

Locks in higher drug prices by extending special protections for Big Pharma

- By making it impossible for the United States to reduce the exclusivity period for biologic drugs—a period of time during which large pharmaceutical companies are granted market and regulatory protection from other companies, including generic drug companies—below the 10-year level set in the agreement, the USMCA locks in high prices for already extraordinarily expensive drugs across all three signatory countries.³
- This will effectively make it easier for Big Pharma to raise the prices of life-saving medicines across most of the North American continent.⁴

Lacks strong, enforceable labor standards that would help level the playing field for U.S. workers

- The USMCA has failed to include strong and enforceable labor standards, reinforcing the Trump administration's demonstrated disregard for workers' interests.⁵
- As currently written, the USMCA allows Mexico a clear path to continue its low-wage policies that negatively affect workers in Mexico, who will continue to be paid subminimum wages by companies, have limited collective bargaining rights, and receive abysmal basic human rights protections, as well as those in the United States.⁶
- Large American and foreign businesses benefit from this yawning gap in enforcement; they will continue to have a convenient low-wage location in the North American market. The result will be continued downward pressure on the wages of American workers.⁷

Fails to address the environment and climate crisis

- Despite the strong risk of a climate change crisis as early as 2040,⁸ the USMCA entirely ignores the enormous threat that climate change poses to the economy and society.
- The deal fails to incorporate standards or enforcement on domestic environmental laws and key international agreements.⁹
- Even one of the agreement's only sensible components—dialing back investor-state dispute settlement, which gives foreign corporations the special right to challenge government actions in private forums instead of domestic courts—is incomplete, maintaining special giveaways to the oil and gas sectors, which have contracts with the Mexican government.¹⁰
- The USMCA's environmental failure isn't just bad for the climate; it's also bad for jobs and wages, as companies will continue to move jobs offshore to the lowest-standard venue.¹¹
- The trade agreement's lack of environmental and sustainability standards should come as no surprise alongside the Trump administration's damaging environmental agenda.¹²

The trade war with China

An expensive sacrifice for American families and businesses

- The Federal Reserve Bank of New York estimates that the China tariffs already in effect will cost the average household \$831 per year, thereby harming many American families.¹³ Retaliatory tariffs have also caused major disruptions to certain sectors in the U.S. economy, including farming.¹⁴
- The latest round of tariffs—part of which will go into effect September 1, with a second wave hitting in December—will perpetuate the compounding harms on consumers and working people. By imposing tariffs on the remaining \$300 billion of goods imported from China, the Trump administration is effectively adding taxes on goods such as laptops, smartphones, clothing, toys, footwear, and more.¹⁵

Nothing to show for the administration's pro-corporate strategy

- President Trump has nothing to show for his trade war policies, but they still manage to harm American workers and families.
- Though China does pose competitive and national security threats,¹⁶ Trump has shown that he doesn't have a real strategy to address them.
- The administration has shown that its real priorities in launching the trade war and negotiating with China are to protect corporate intellectual property interests, secure market access for Wall Street financial firms, and counter China's industrial policies. Some of these concerns pose serious economic and national security risks to the United States. However, by making purchase agreements a major focus, the administration appears willing to allow China to buy its way out rather than create fundamental policy change. Moreover, wins exclusively on these fronts—legitimate as some may be—fail to counter low-road labor and environmental strategies that undermine middle-class economic security.¹⁷

Nothing for American workers who need a level playing field

- The Trump administration has acknowledged that it is not considering low-wage competition or environmental standards in its China negotiating strategy.¹⁸ Yet China continues to permit a low-standard form of trade competition. Low-road forms of globalization boost corporate leverage to drive down wages and undermine workers' ability to be part of a middle class—in both the United States and China.¹⁹

The Trump administration's only legislative accomplishment is a large tax cut whose lasting beneficiaries were the largest multinational companies. Combined with the middle-class tariff tax resulting from the trade war with China, as well as the Big Pharma-friendly USMCA, these policies show just how upside-down the administration's economic policy priorities are.

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Endnotes

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