

America's Deindustrialization, Trade War, and Tariffs

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About ITIF

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 - Trade and globalization
 - Life sciences, agricultural biotech, and energy

Trying To Understand America's
Isolationism

Tariffs, Tariffs, Tariffs

What The Philippines Should Do

Other Relevant ITIF Work

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America's Deindustrialization

- ITIF's Hamilton Index 2023
- China is producing more than any other nation – and more than all other nations outside top 10 *combined*
- U.S. has significantly deindustrialized since 1995

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The Hamilton Index, 2023: China Is Running Away With Strategic Industries

ROBERT D. ATKINSON AND IAN TUFTS | DECEMBER 2023

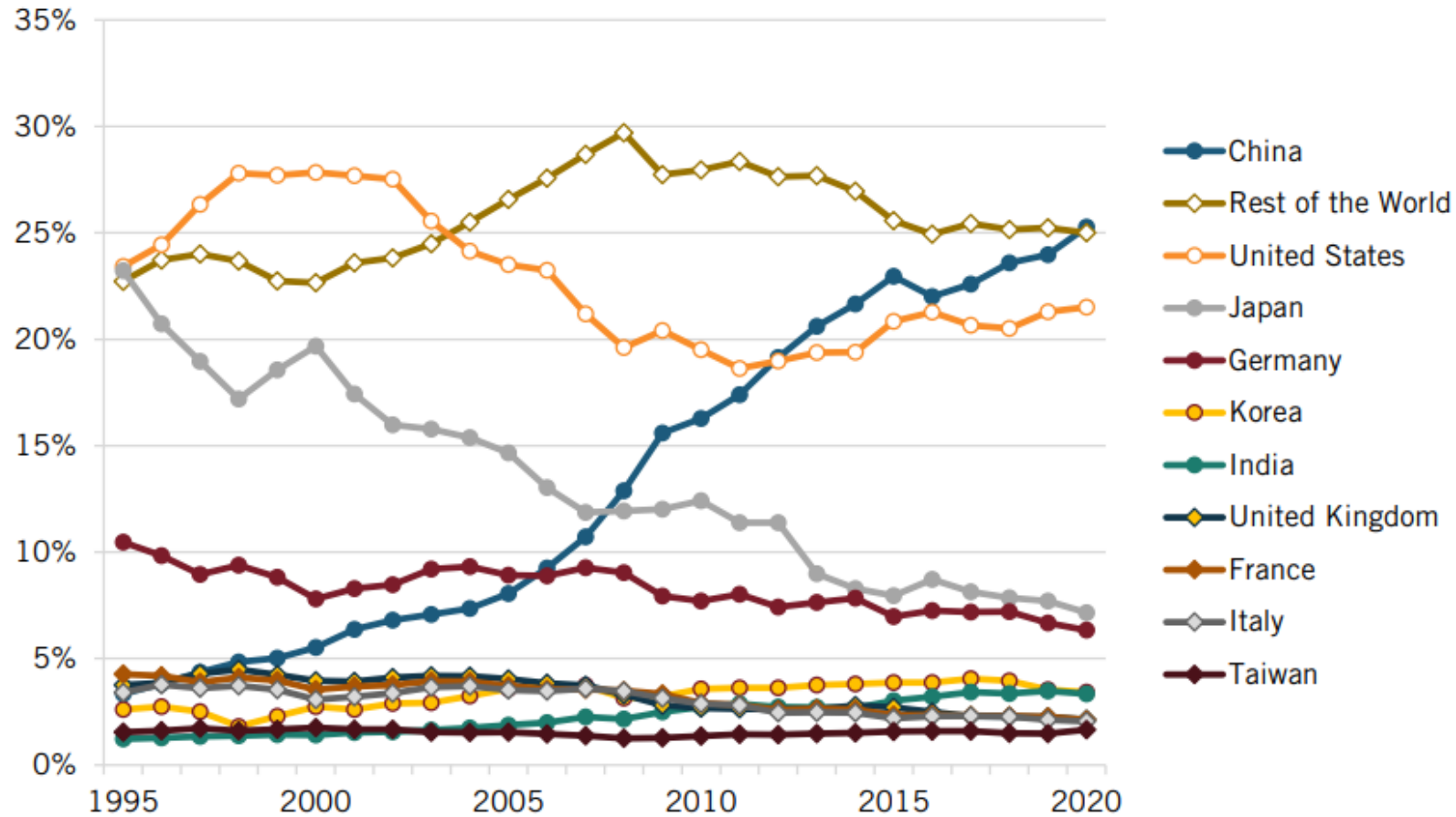
China now dominates the strategically important industries in ITIF's Hamilton Index, producing more than any other nation in absolute terms and more than all but a few others in relative terms. Its gains are coming at the expense of the United States and other G7 and OECD economies, and time is running short for policymakers to mount an industrial comeback.

KEY TAKEAWAYS

- As of 2020, China was the leading producer in seven of the ten strategically important industries in ITIF's Hamilton Index. Overall, China was producing more than any other nation—and more than all other nations outside of the top 10 *combined*.
- Hamilton Index industries accounted for approximately the same share of the global economy in 2020 (11.8 percent) as in 1995 (11.9 percent), underscoring how the race for global advantage in these industries is a zero-sum competition.
- China's gains have come at the expense of the United States and other G7 and OECD economies. From 1995 to 2020, China also captured more than 80 percent of non-OECD countries' gains.
- China is 70 percent more specialized than America in advanced industries. To match China's specialization, U.S. output would have to expand by \$1.5 trillion (69 percent), which would require doubling output from all Hamilton industries except IT services.
- Time is running short to turn around U.S. advanced industry fortunes. The 2020s are likely to be the decisive decade because once China captures sufficient global market share, U.S. and allied nations' production risks being permanently weakened.
- Congress should make closing this massive advanced-industry output gap its overarching economic policy goal, including through tax, trade, and other elements of a comprehensively focused national industry strategy.

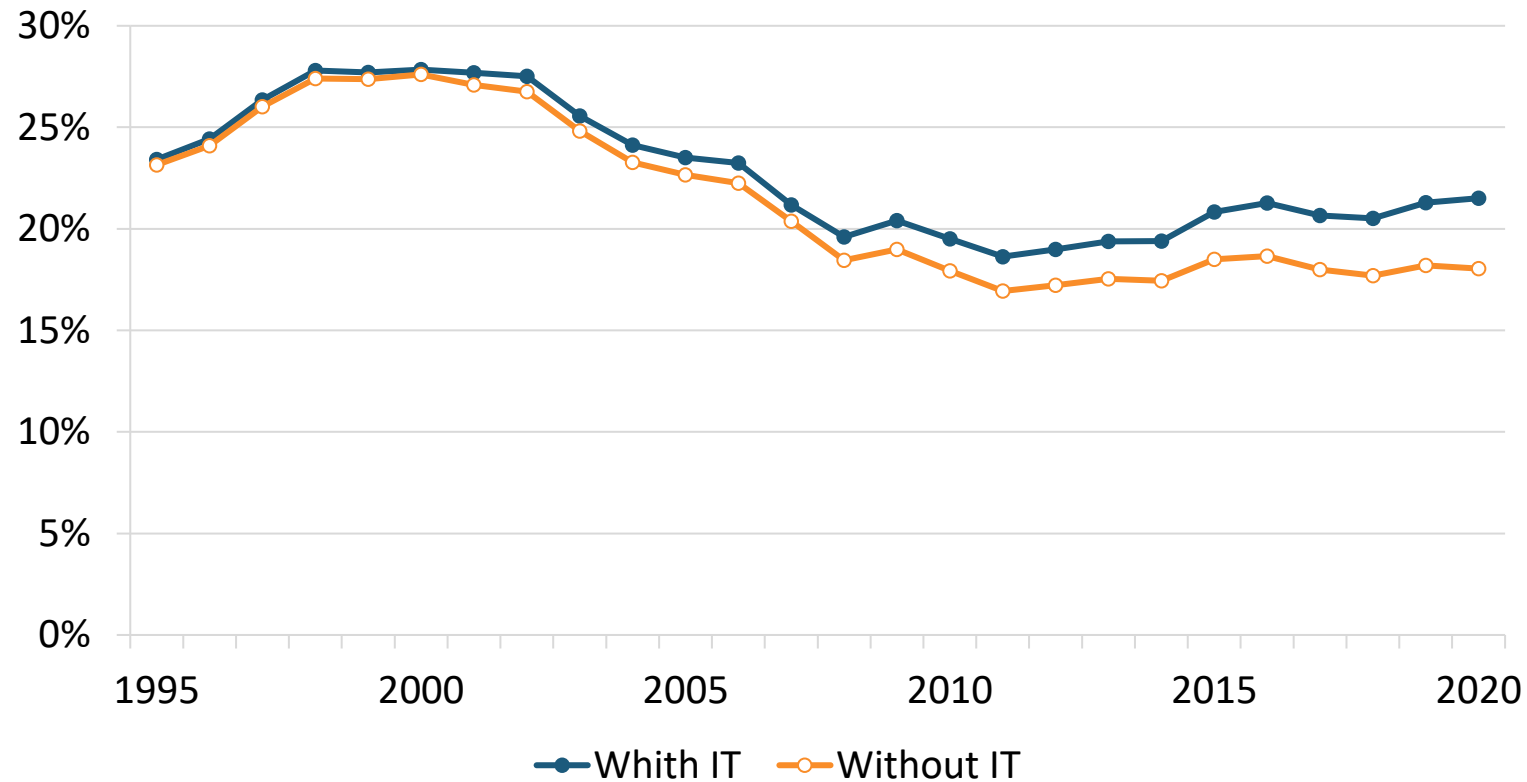
The Rise of China, the Hollowing Out of Western Manufacture

Hamilton Index industries' shares of the U.S. economy



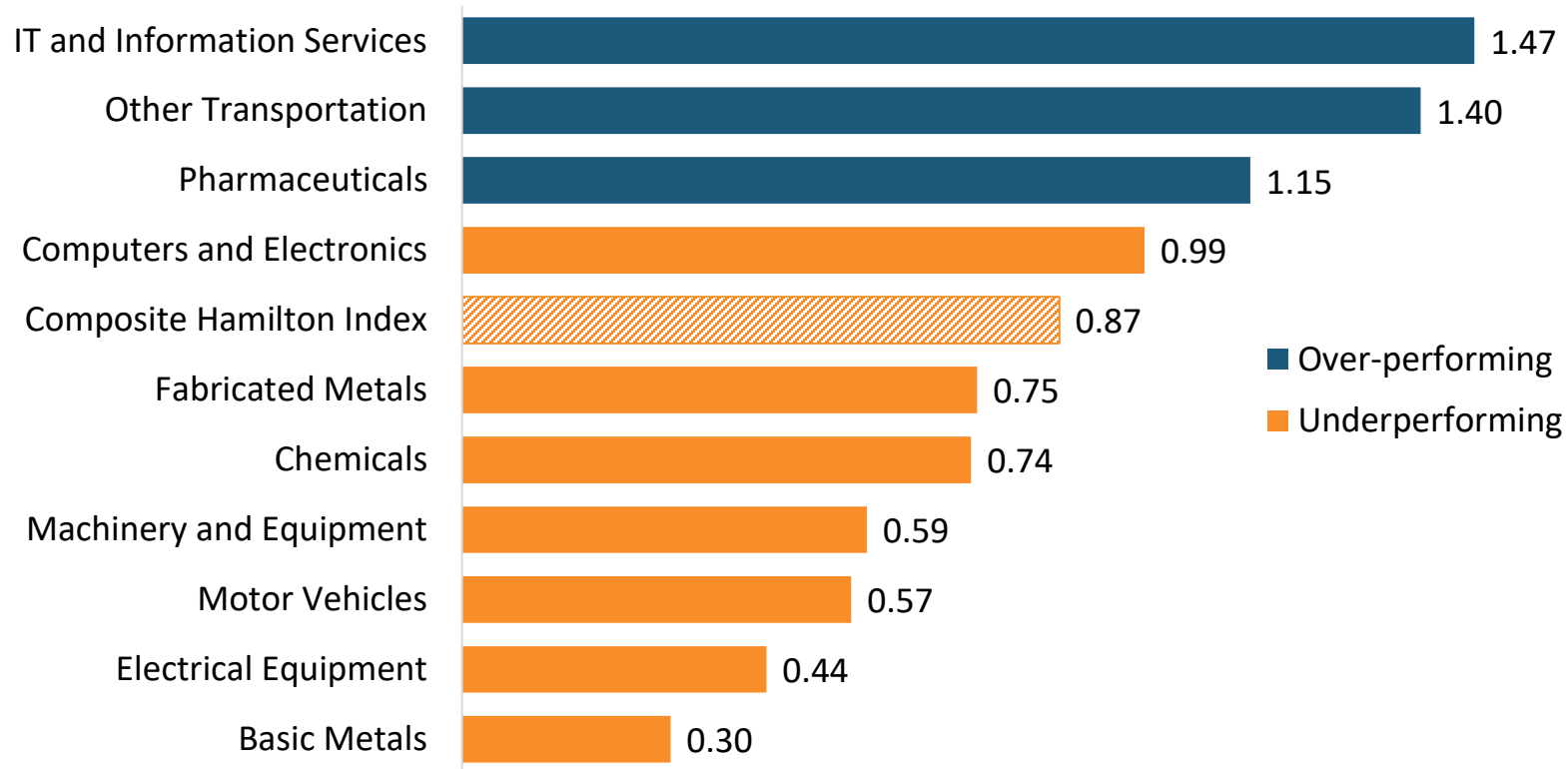
Without IT, U.S. Deindustrialization Would Have Been Even More Pronounced

U.S. share of Hamilton Index's industries with and without IT



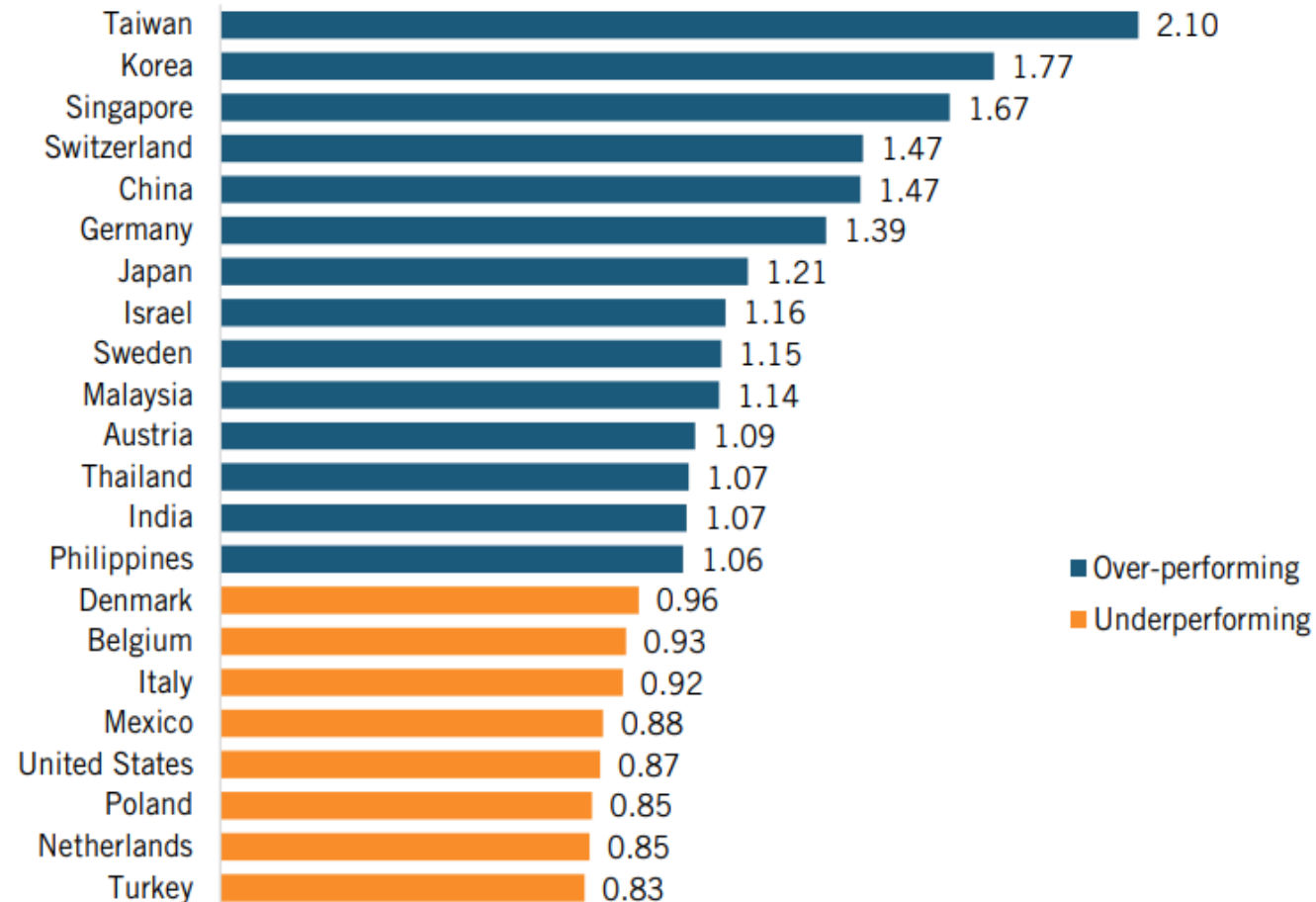
Today, the U.S. Only Has A Few “Champions”

United States' relative performance in Hamilton Index industries (2020 LQ)

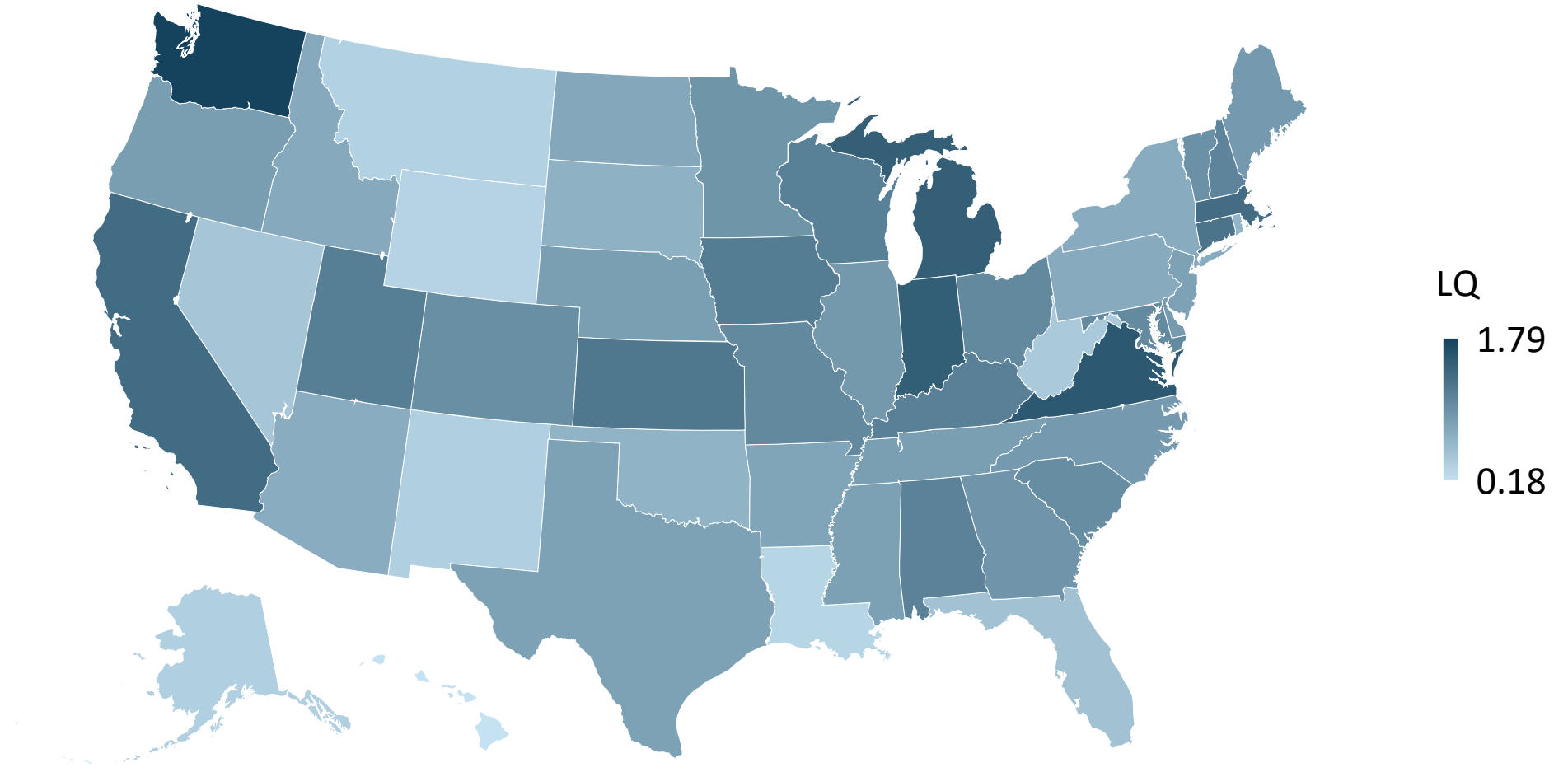


U.S. Underperforms, the Philippines Near the Average

Relative national performance in the composite Hamilton Index (2020 LQ)



Hamilton Index at State-Level, Overall Rankings



China's Authoritarian Mercantilism



Five Eyes intelligence chiefs warn on China's 'theft' of intellectual property

By Zeba Siddiqui

October 18, 2023 12:46 PM EDT · Updated 2 years ago



The New York Times

How China Transformed Into a Prime Cyber Threat to the U.S.

Over the past decade, China reorganized its hacking operations, turning into a sophisticated and mature adversary.

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16 January 2023

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Nicholas Yong
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Chinese hackers cast wide net for trade secrets in US, Europe and Asia, researchers say

By Sean Lyngaas, CNN

3 minute read · Published 12:14 AM EDT, Wed May 4, 2022

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CNBC The BOTTOM LINE

1 in 5 corporations say China has stolen their IP within the last year: CNBC CFO survey

Chinese WTO Commitment	Has China Lived up to the Commitment?
Embracing open, market-oriented policies	No
Embracing national treatment—treating foreign firms the same as domestic ones	No
SOEs shrinking as a share of the economy, especially in technology industries	No
SOEs making purchases based on commercial considerations	No
Curtailing extensive industrial subsidization	No
Providing timely and transparent notification of subsidies	No
Curtailing forced technology transfer, including through coerced joint ventures	No
IP theft and violations being significantly reduced	No
Technology standards developed transparently according to WTO Technical Barriers to Trade principles	No
Competition and antimonopoly policies applied on non-discriminatory terms	No
Joining the Government Procurement Agreement	No
Information and Communications Technology and telecommunications market opening to foreign producers	No
Foreign film distribution being liberalized	No
Foreign banks enjoying genuine national treatment and market access	No
Responsible and nonretaliatory use of trade remedies	No

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What We Know So Far

- Combating China's mercantilism is not the "top priority"
- Contradictions are a feature (e.g., tariffs as a revenue source and at the same time, onshore production)
- UK-US announcement should be a sign: the blanket 10% tariff will likely stay
- So far, no legal changes in the U.S. and no legislative agenda

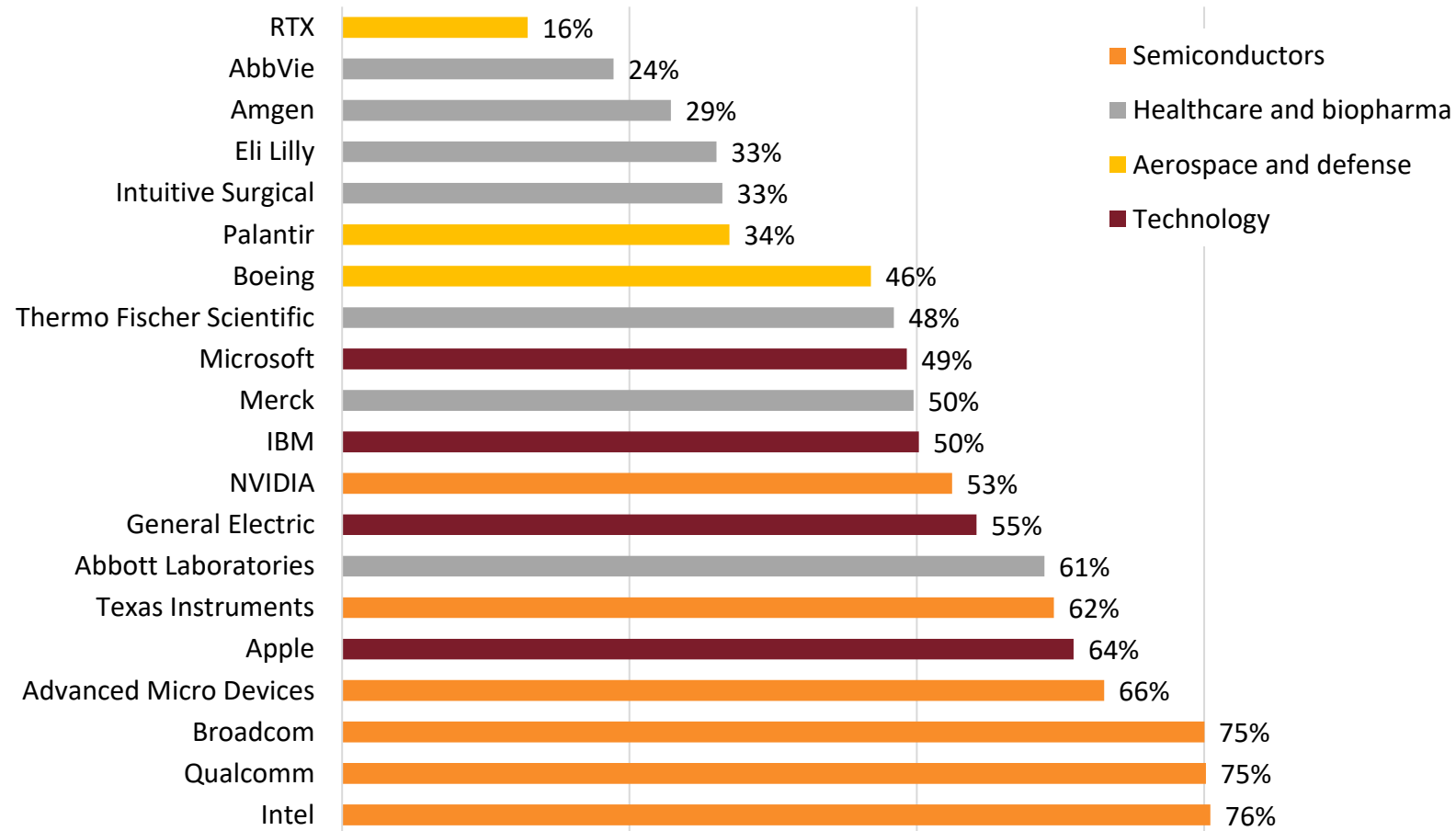


Not The Best Way to Reindustrialize America

What the Trump Administration Has Gotten Right	What the Trump Administration Has Gotten Wrong
<ul style="list-style-type: none">▪ Reindustrialization as a policy objective	<ul style="list-style-type: none">▪ Not focusing on strategic advanced industries
<ul style="list-style-type: none">▪ America's trade imbalances	<ul style="list-style-type: none">▪ Alienating allies
<ul style="list-style-type: none">▪ Treating China as an adversary	<ul style="list-style-type: none">▪ Tariffs are a tool, not an objective
<ul style="list-style-type: none">▪ Assessing that the WTO framework was insufficient	<ul style="list-style-type: none">▪ Incoherent and shifting rationales for tariffs

U.S. “Champions” Are Global Companies

Percentage of revenues outside the U.S. for selected American companies (2024)



U.S. Exports Are Also Endangered Due To Retaliation Against Tariffs

Projected reduction of U.S. ITA product exports due to retaliatory tariffs (\$ billions)

Source of Retaliation	Date of Announcement	China	Rest of World	Total
Liberation Day	April 2, 2025	\$16	\$66	\$82
90-day pause	April 9, 2025	\$35	\$35	\$70
Electronics exception	April 11, 2025	\$28	\$28	\$56

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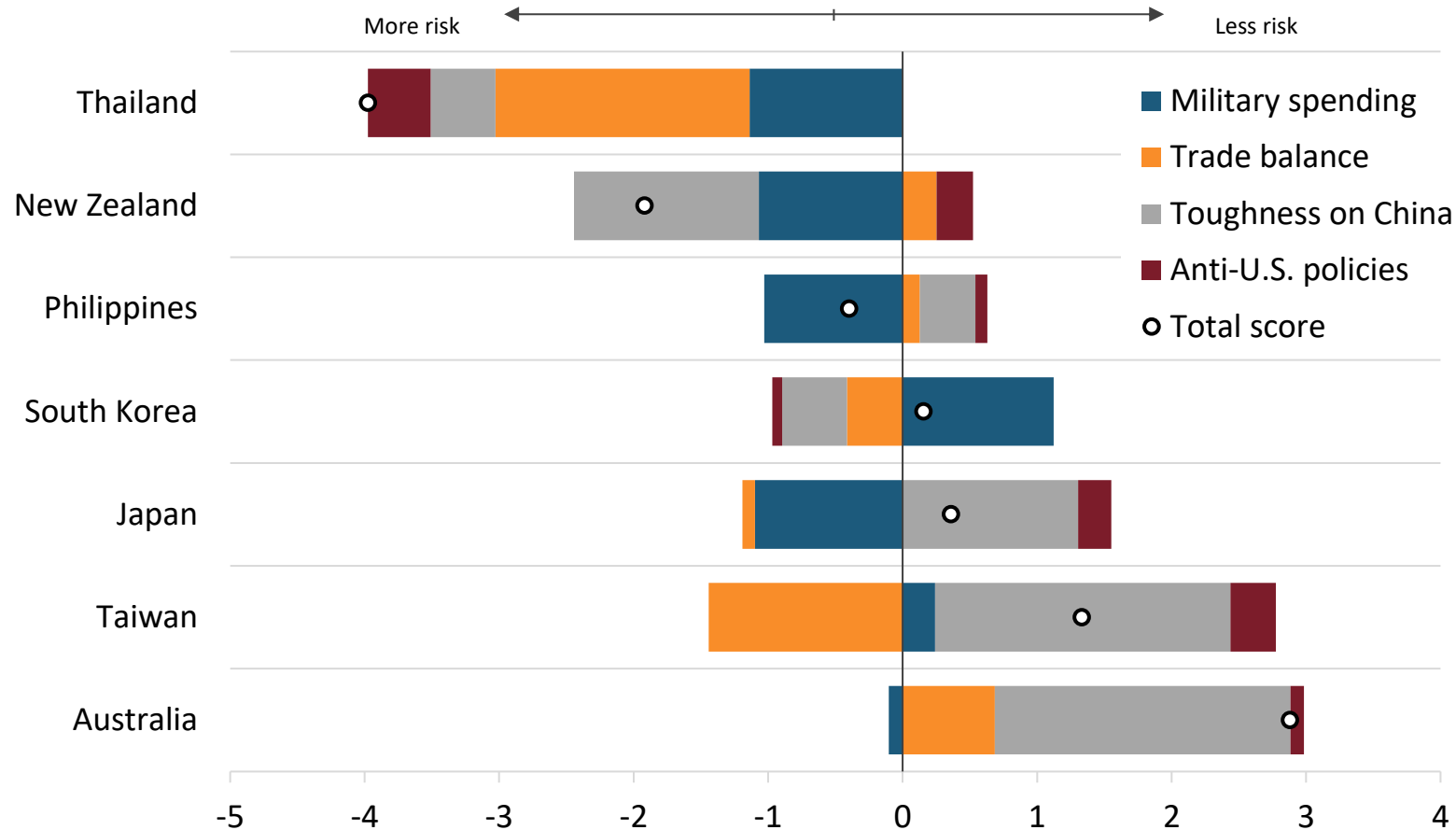
What We Know So Far

- The first step to reduce the “reciprocal tariff” is to start negotiations
- Symbols and announcements are important
- Be realistic: tariffs could be reduced, but not eliminated
- Trade policy is part of the geopolitical chessboard



ITIF's Trump Risk Index Among Indo-Pacific Allies

U.S. allies at highest and lowest risk of tariffs in ITIF's Trump Risk Index

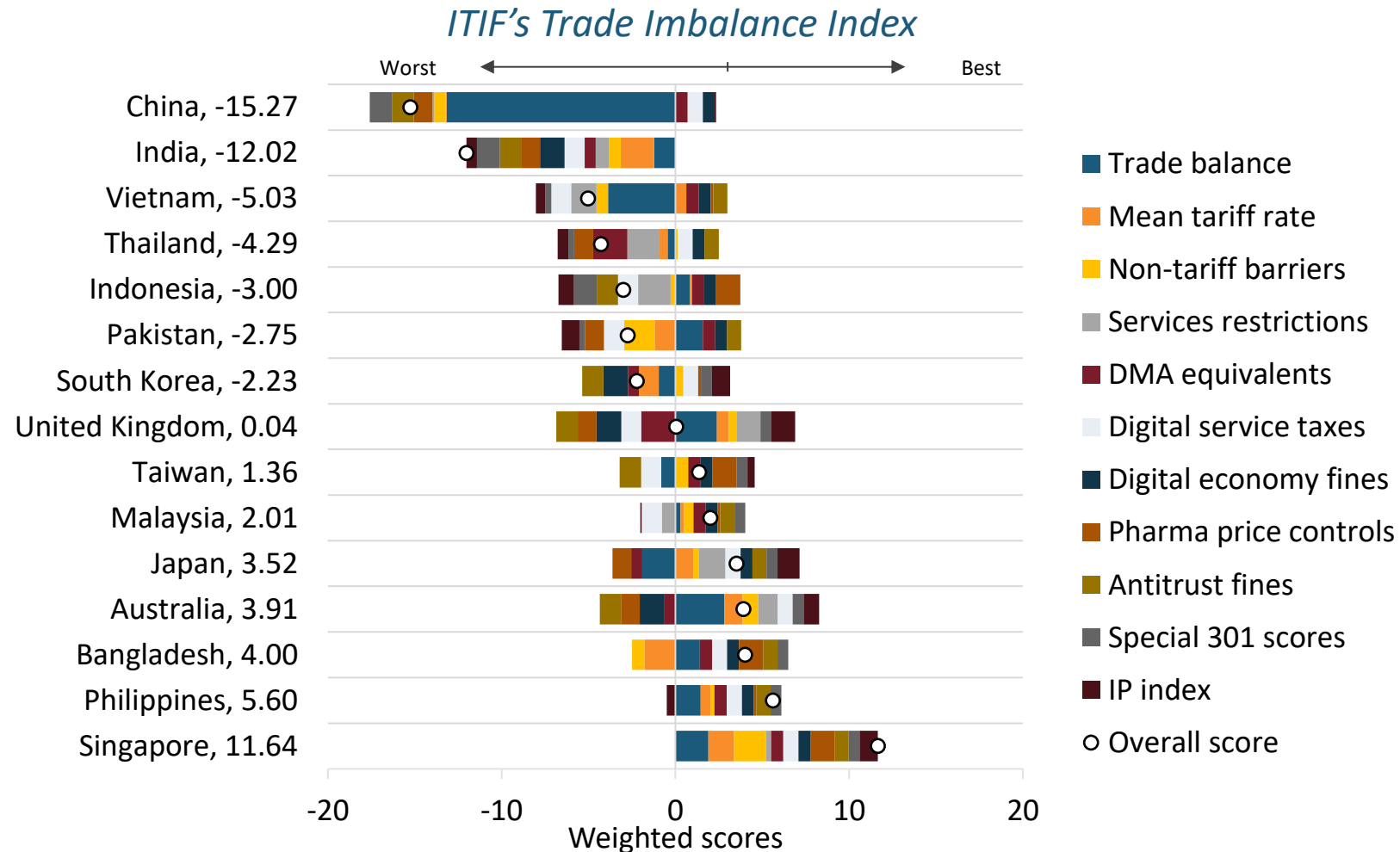


The Trump Risk Index Is a Clue About What The Philippines Should Prioritize

ITIF's Trump Risk Index – The Philippines

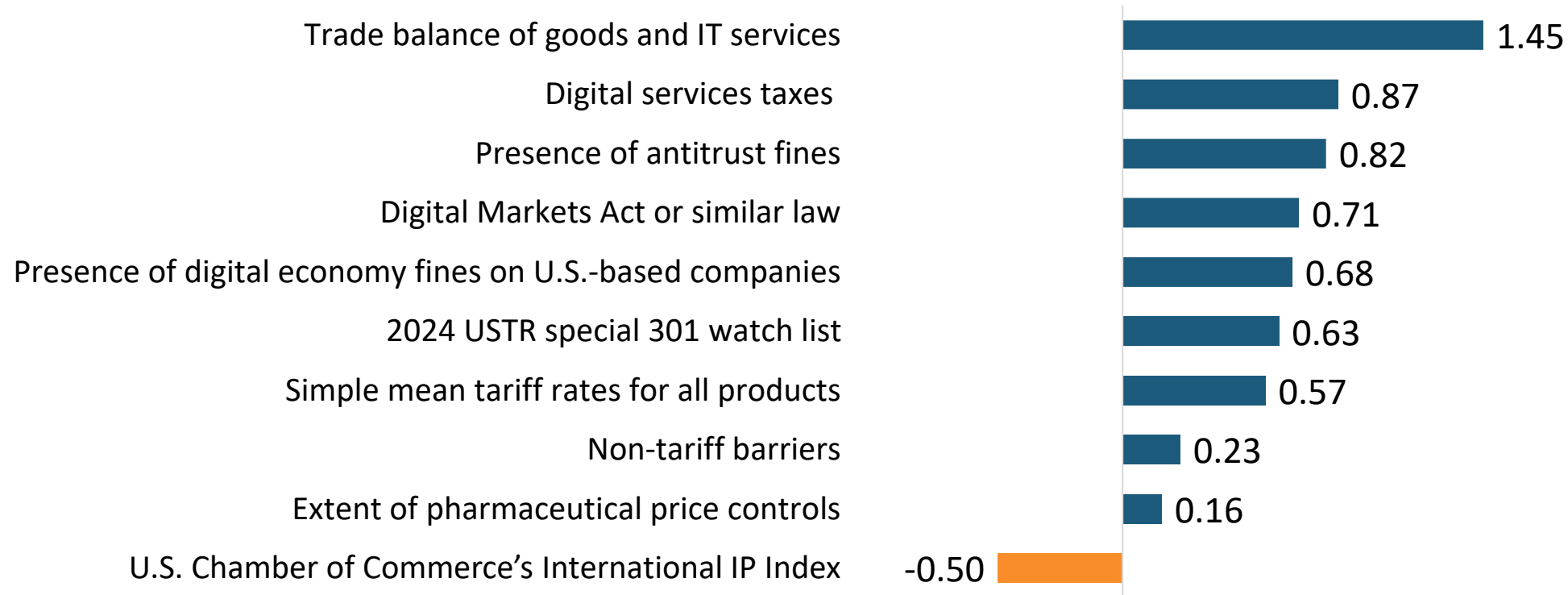


ITIF's Trade Imbalance Index Among Indo-Pacific Countries



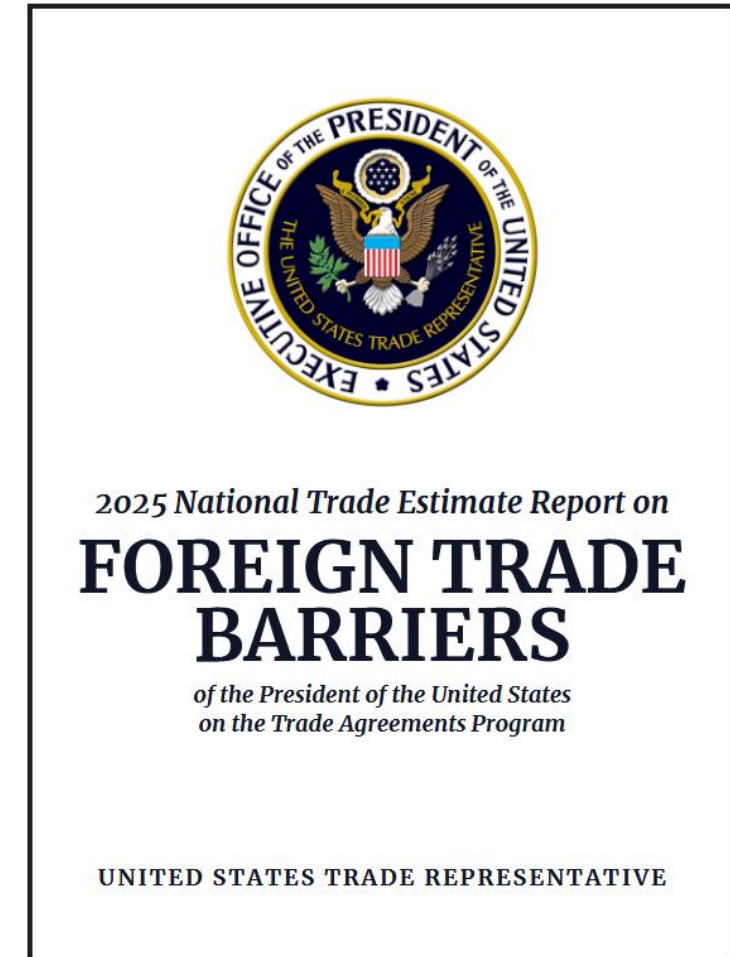
The Philippines Is Relatively Well Positioned

ITIF's Trade Imbalance Index for The Philippines



USTR's NTE Report

- This annual report establishes the main concerns for US negotiators
- Concerns on tariffs (including MFN status) and non-tariff barriers (e.g., lack of accountability in customs, increase in *de minimis*).
- Other concerns include a weak IP protection system, foreign ownership restrictions in several sectors, and technical and sanitary barriers to trade.



Friends of a Friend



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Toward Globalization 2.0

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Toward Globalization 2.0: A New Trade Policy Framework for Advanced-Industry Leadership and National Power

ROBERT D. ATKINSON AND STEPHEN EZELL | MARCH 2025

Globalization 1.0 has failed, but protectionist autarky cannot be its replacement. Instead, it is past time to craft a new kind of globalization that advances U.S. interests in key industries and prevents China from becoming the dominant techno-economic power.

KEY TAKEAWAYS

- The vision and hope for globalization has not worked out as expected, with the spread of “behind the border” trade restrictions, recalcitrance among many leading nations, and the rise of an aggressively mercantilist China.
- With the hollowing of U.S. manufacturing, the political economy of trade has shifted from utopian optimism to dystopian despair. Domestically, the unfortunate response has been a turn toward autarky and protectionism—“America first,” and America alone.
- But America can and should do better than simple reaction and rejection of Globalization 1.0. Autarky is an unproductive dead end that will weaken America in its existential competition with China.
- It is time to craft a framework for Globalization 2.0 that prioritizes U.S. interests, focusing on advanced industries, strategic alliances, strong trade enforcement, and more effective policies to support workers and communities left behind.
- Key principles for Globalization 2.0 should include recognizing China’s “power trade” tactics, adopting a national advanced-industry strategy, engaging in fair trade with allies, enforcing trade laws aggressively, and insisting on floatable currencies.
- Trade policy must be restructured to focus on securing global markets for U.S. advanced industries, preventing predatory foreign trade practices, and fostering economic alliances that enhance American competitiveness.

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Toward Globalization 2.0

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*Free Trade With Allies,
Pragmatic Trade With Others,
Strategic Trade With Our Adversaries*

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Thank You!

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