FAIR AND FREE TRADE ACTIONS IN THE PRESIDENT TRUMP’S ECONOMIC PROGRAM (TEP)

Abstract: This paper addresses various aspects of the US trade policies as one of the key elements of President Trump’s economic program (hereinafter: TEP). It assesses the logic of the program and its assumptions with special attention given to trade issues. The assessment involves an evaluation of the US and the World factors impacting TEP. The research indicates that TEP requires multidisciplinary and dynamic research approaches. Thoughts on various aspects of the TEP implementation are provided. The paper emphasized the importance of TEP for the development of new world economic order, the necessity to reevaluate some standard trade concepts, theories and practices, the needs for adjusting US trade schemes to the changing trade commodity structure. It defines basic relationships between international trade and the US economy. It was identified that the implementation will be impacted by economic and international circumstances, and the specifics of the US political system. Some examples of external factors impacting possibilities for smooth TEP implementation are provided. The TEP assumptions, if fully introduced, may create positive impacts for the US economy and its competitiveness. The authors reason that the implementation or lack of implementation of the program may have a significant influence on the new world trade and globalization patterns, and creation of fair and economically sound trade principles. A number of areas which should be addressed in consecutive research projects were identified. The research activities have been conducted based on the available literature, which is limited as far as economic evaluations are concerned. Major contribution is in identifying major strengths of the program and needs for furthering theoretical and empirical assessments of the current trade patterns.

Key words: Trade, Donald Trump, Free trade, Fair trade, Trade Policy

1 Prof. nadzw. dr hab. Wojciech Bieńkowski, Katedra Międzynarodowych Stosunków Gospodarczych, Uczelnia Łazarskiego (Łazarski University in Warsaw).
2 Prof. Adam K. Prokopowicz, Institute of Global Innovation, Economics and Logistics (IGIEL), USA.
1. Introduction and Methodology Notes

Mr. Donald J. Trump’s Presidency is extraordinary and unique because: a) his election was not expected and disrupted plans of many members of the US elite and liberal circles in the Democratic and Republican parties, b) the election confirmed that the ruling circles disconnected from the US society and continued to represent their own interests. The voters expressed their outrage with the bureaucratic and inefficient Washington D.C. web of elected officials and thousands of lobbyists influencing the US laws. The US wages are stagnant for more than 10 years, blue collar jobs are disappearing to the East so corporations can multiply their exorbitant profits, the US infrastructure worsened, the US health care system is in turmoil, public services are scarce and less accessible, and the gap between the wealthy and the poor is widening year after year. The newly elected President called this web the Swamp, and promised to drain it. President Trump is a real newcomer to the World of US politics. His attitude to governing is purely business-like with visible disdain to political games. So we witness a fascinating social, political and economic experiment – a daily tug of war between the legislative and executive branches of and his administration.

Why is all this important for this paper? It is not only important, it is critical. In the US constitutional system, including the mechanism of checks and balances, all branches of the government must find a compromise (hopefully, a smart compromise) in the areas critical for the country. Any analysis of the US economic or trade policies must take this under consideration, otherwise such assessments are only technical, shallow, and sometimes misleading. These analyses need to be multidisciplinary and consider logical connections between various economic, political, social and legal factors. It is not an easy task. This assessment should involve empirical and theoretical considerations. Plus, impacts of economic strategies are long-term and dynamic. In this particular case (the Trump economic policies in the era of creating a new World order), some traditional economic concepts will have to be reviewed and possibly amended. Finally, these developments are shaped and impacted by current events and processes from many disciplines such as economics.

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4 In 2016, the US Gini coefficient for household income was 0.48. This is an increase since 1990 of 0.5 points, indicating a significant increase of income inequality in the United States. See: Statista: The Statistics Portal, https://www.statista.com/statistics/219643/gini-coefficient-for-us-individuals-families-and-households/, (15.04.2018).

5 This is consistent with the professional assumptions of a scientific journal Miscellanea Oeconomicae as presented in introduction to issue 1/2017, http://miscellanea.ujk.edu.pl/archiwum_publicacji,2.html.

political science, finance, law. Empirical data on impacts of similar economic poli-
cies/programs, are scarce and usually available with delay. All the methodical and
systemic analyses must be based on these data. It is an ongoing process which in-
volves many constantly changing factors and the evolving of the new World eco-
nomic order. As it was said: one cannot step into the same river twice because we
are changing and the river is changing. The analysis of TEP is therefore, a complex,
long-term process which does not tolerate cut and paste approaches or conclusions.
The paper presents only a tip of the iceberg of needed analyses. It has been focused
on major elements of the Trump program, their mutual relationships, and factors
and developments that may impact the implementation activities, especially in the
trade policies area. It provides background for further assessments.

2. Considerations underlying the Trump Economic Program (TEP)

The TEP is very different from the agendas of his predecessors. The slogan “Make
America Great Again” is not only a catchy political statement but also a definition
of economic thinking and approach to the US and World problems. This program
reflects basically two major circumstances: a) the long-term positives and nega-
tives of globalization processes, b) social discontent of the vast majority of the US
society with the prolonged economic and quality of life stagnation resulting
(among others) from transferring significant US manufacturing potential to devel-
opning countries.

The assumptions for TEP articulate many flaws of the current international and
US economic situation (and occasionally their pluses). It has stimulated global dis-
cussions on economic issues related to the needs of the 21\textsuperscript{st} century. This discussion
has a tremendous impact on international economic relations since it touches basic
assumptions for the World division of labor, welfare, trade and investment. The
growing number of experts indicate that the unmanaged globalization could have
distorted economic mechanisms and principles of economic coexistence to the dis-
advantage of the developed countries (especially the US). The TEP responds to
many contradictory developments and interests in the today’s international market-
place. Some international institutions are out of steam and ineffective, for example
World Trade Organization (WTO). The World economic situation has changed sig-
ificantly compared to the 1960s. The globalization processes have their winners
and losers. The economic and social data indicate worrying and disturbing trends in

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\footnote{\textit{Manufacturing Industries}, Industry Week, http://www.industryweek.com/competitiveness/rise-us-
income-inequality-and-demise-manufacturing-industries, (15.04.2018).}
\footnote{Heraclitus, a Greek philosopher born in 544 b.c. said, “No man ever steps in the same river twice,
for it’s not the same river and he’s not the same man”.
\footnote{Papers and articles published at this initial stage of the Trump reforms, provide only very basic
evaluations, based on references to the past, for example the Reagan trickle-down economics, pol-
itics or usually purely theoretical econometric models. See: K. Amadeo, \textit{Supply-side economics,
does it work?}, The Balance, https://www.thebalance.com/supply-side-economics-does-it-work-
3305786. (15.04.2018); W. Niskanen, S. Moore. \textit{Supply-Side Tax Cuts and the Truth about the
Reagan Economic Record}, „Policy Analysis” 1996, No 261.}
\end{footnotesize}
the US quality of life, accompanied by growing income inequalities\(^9\). The beginning of the 21st century also witnesses changes in the approach to economics, trade, and international cooperation (this mainly concerns the creation of the World multipolar economic environment). For the last 30 years plus, many temporary solutions, fueled by liberal policies have been applied to fix the national and the World economic frameworks. These efforts have not been fully successful, for example in the international trade area. Now is the time for significant systemic changes, quick fixes do not work anymore. The new world order must reflect such elements as IT revolution, geopolitical changes, free and economically fair trade, global infrastructure expansion, and new energy policies.

An evaluation of general assumptions for this program indicates that the US is not seeking breaking of the World connections or nationalistic protectionism. A careful evaluation should lead researchers to a conclusion that TEP is an attempt to restructure international economic relationships to reflect the changes which have already occurred in the World. These changes must be addressed with the consideration of interests both developing and developed countries. It is understandable that that TEP reflects the demand of the voters to restore the economic strength of the United States and growth of the quality of life. This requires major (we may say revolutionary) changes in the economic and political environments domestically and internationally. The needs for these changes have been growing for many years. They were however neglected by previous US administrations. Now, the social pressure for changes is tremendous. Fixing the US international trade and investment patterns seems to be one of the most difficult and important tasks. The opponents of the changes, individuals, countries, institutions, who profit from the current situation, unleashed basically all possible measures to thwart these reforms. The time will show if they are successful. The effects of TEP (success or failure) will have a long-term impact on the economics in the World. Below, we attempted to peel off all the political disruptive rhetoric and hoopla, and address TEP’s trade policies in objective economic categories. The value of this analysis is in providing better understanding of the proposed strategies and assess the realism and chances for their success\(^10\).

3. An Overview of Economic Factors Impacting TEP

3.1. US Economy

In the period 1947 to 2001, the nominal US gross domestic product (GDP) grew at an annual, rate of 3.5% a year. From 2002, the average rate of growth has fallen

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to 1.9%. This loss of 1.6% real GDP growth points annually represents a 45% reduction of the US growth rate from its historic, pre-2002 standards. This decrease was interpreted in 2016 by Mr. Trump’s advisers as a significant and in a long-run, not acceptable trend. The US Presidents, before Donald Trump, claimed that this lower rate of GDP growth was caused by demographic shifts namely, a declining labor force participation rate and the movement of “baby boomers” into retirement. This ignores several issues, for example, the significant role which higher than in other countries corporate taxes and fast-growing regulation have played in inhibiting US economic growth since the turn of the 21st century as well as the US ability to permanently fix the economic problems.

3.2. US Trade Deficit
In 2015, the US exported $2.3 trillion worth of goods and services and imported $2.8 trillion for a total net exports deficit of $500 billion. The U.S. international trade deficit increased in 2016 according to the U.S. Bureau of Economic Analysis and the U.S. Census Bureau. The deficit increased from $500.4 billion in 2015 to $502.3 billion in 2016, as exports decreased more than imports. As a percentage of U.S. gross domestic product, the goods and services deficit was 2.7 percent in 2016, down from 2.8 percent in 2015. The goods deficit decreased from $762.6 billion in 2015 to $750.1 billion in 2016, and the services surplus decreased from $262.2 billion in 2015 to $247.8 billion in 2016. Exports of goods and services decreased $51.7 billion, or 2.3 percent, in 2016 to $2,209.4 billion. Exports of goods decreased $50.5 billion and exports of services decreased $1.3 billion. Imports of goods and services decreased $49.9 billion, or 1.8 percent, in 2016 to $2,711.7 billion. Imports of goods decreased $63.0 billion and imports of services increased $13.1 billion. It is clear that such trends are very dangerous for the US economy and should not be accepted in a long term. The above trends in exports and imports are to a large extent a result of radical changes in manufacturing and consumption patterns in the World and the US. They are related to a process of increased dependence of the US consumers on products manufactured overseas. These patterns require special attention both in theoretical and empirical terms.

3.3. Evolving World and United States
3.3.1. Multipolar World
The development patterns of the 1960s with the United States as a single World economic and political leader are long gone. Many countries have experienced fast

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11 P. Navarro, W. Ross, Scoring the Trump Economic Plan: Trade, Regulatory, & Energy Policy Impacts, Material published by the Trump Campaign, September 2016. They present data derived from US Department of Commerce, Bureau of Economic Analysis, GDP and Personal Income Data, and own sources. These data on the US economy and trade deficit have been officially used for TEP.
12 Such an analysis extends beyond the scope of this paper. It however one of the most important recommendation resulting from an overview of the World economic situation and TEP. An assessment of issues like welfare distribution, income inequality, economic growth and long-term manufacturing capacities, and quality of life related to changes in the World trade and investment patterns should be undertaken.
growth patterns in the last 30 years. There are now several states on their way to establish powerful economies with China being in the lead. From now on, the previously unipolar World will be multipolar. This notion has been made by a well-known Russian researcher who described the current situation in the World\textsuperscript{13}. He discovered that the world is in the midst of an epochal transition from uni-polarity to multi-polarity. International political and economic multi-polarity is expected to be a prevailing trend for the 21st century. TEP seems to be consistent with this assumption.

3.3.2. Free and Fair Trade/Capital Movements

Free trade is easily defined. It is based on a principle that governments allow cross-border transactions in goods and services to take place on the same terms and conditions as ordinary domestic trades without tariffs or quantitative restrictions on these goods and services flows. Fair trade is more difficult to define. In principle, it involves an assumption that access to markets is the same, and reciprocal for all partners. In the no-customs situation, this would be easy, no-customs for exports equals no customs for imports. But how to compare 5 percent on imported textiles with 4.8 percent customs on exported machinery. Is this fair and reciprocal?\textsuperscript{14}

The new schemes of international cooperation have not been sufficiently assessed. Research and analyses concentrate mainly on trade aspects with limited attention given to capital movements. In the current situation, eliminating this factor from assessments may lead to untrue conclusions. Theoretical reports on this issue are limited. This is a significant challenge for researchers, who should initiate multidimensional and multidisciplinary assessments of this issue (theoretical and empirical).

3.3.3. US Competitiveness

The United States for more than 40 years has been constantly losing its global competitiveness. This has two major reasons: a) a number of other countries have developed very fast (in many cases with financial support of the US), b) US economic and political systems require restructuring to meet the needs and challenges of the 21\textsuperscript{st} century and the new multipolar World economy. The competitive situation in the World has changed. Until about 1960’s there was the United States as an economic superpower, followed by a small number of aspiring Western European coun-


\textsuperscript{14} A discussion on principles of fair trade has been continued for some time. It addresses political, social and economic aspects of this issue. It would be desirable to focus these actions mainly on economic principles. It may be advantageous to concentrate on “economic fair trade”. This may help in differentiating fair trade from foreign aid or wealth distribution issues. See: J. Bhagwati, R. Hudec, \textit{Fair Trade and Harmonization}, The MIT Press, Cambridge, Massachusetts 1997; N. McCord, \textit{Free Trade, Theory and Practice from Adam Smith to Keynes}, David & Charles, Newton Abbot 1970.
tries and Japan, and other countries which could not figure out how to become successful. The United States economy was functioning close to autarky, and except of politics, did not truly care about the rest of the World. It also provided funding to many countries. The best example is the Marshall Plan which delivered about $110 billion in 2018 dollars to 16 European countries between 1948 and 1952. Thanks to this financial injection, Western Europe could relatively fast stand-up on their feet after tremendous devastation of World War II. Today the US still subsidizes NATO or pays disproportionately high UN dues. These costs have not always been associated with comparable benefits to the US (economic or political). In the current economic reality this should be changed. This is one of the ways to reduce US debt, and increase its competitiveness.

3.4. Selected Assumptions for TEP

A framework for the President Trump’s economic plan (hereinafter: TEP) was published on September 29, 2016. TEP assumes that the reforms will be revenue neutral. TEP involves: scheduled tax cuts; reduced regulation; lower energy costs; and eliminating the US chronic trade deficit (Figure 1). These tools should result in accomplishing three basic objectives: a) a significant increase of America’s real GDP growth rate, b) creation of new jobs, and c) providing additional income and tax revenues. TEP generates positive and substantial tax revenue offsets from its synergistic suite of trade, regulatory, and energy policy reforms. TEP assumed that significant additional federal tax revenues will be generated as a result of trade, regulatory, and energy policy reforms. In the period 2017-2026, trade policy reforms were expected to result in additional 1.74 trillion nominal dollars revenue, regulatory policies should produce 0.49 trillion, and energy policy reforms 0.15 trillion. In total, 2.37 trillion nominal dollars are expected to support the US federal budgets in the years 2017-2026. This positive revenue offset is almost the same as the forecasted cost of the proposed tax cuts.

TEP involves limiting and loosening regulatory barriers that thwart competition and growth. In several years we will be able to find out if the US will remain the capitalist free market superpower or follow the EU countries towards welfare state and socialized economies. For example, TEP assumes reduction of environmental

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Many US Presidents and other government officials have talked about that, very few decided to make changes.

The document titled Scoring the Trump Economic Plan: Trade, Regulatory, & Energy Policy Impacts was authored by two senior policy advisors to the Trump campaign, Prof. Peter Navarro of the University of California-Irvine, and Mr. Wilbur Ross, an international private equity investor, later nominated to the position of the Commerce Secretary.

This assumption may be challenged. In fact, it is furiously attacked by various left-wing economists, and the Democrats. This issue is addressed later in this paper.

considerations. However, an assessment of these actions must be realistic. The impact of environmental regulations should be compared not only with the most developed countries and optimistic assumptions of international treaties, but also with the realities of environment protection (and its costs) in the developing countries, which are significant exporters to the US.

3.5. Free Trade Agreements

The modern agreements go far beyond dealing with traditional trade issues namely tariffs and non-tariff barriers to include non-traditional issues such as investment dispute, IP rights, and internet governance. However, these agreements continue to be referred to and legitimized (or critiqued) as „free trade agreements”. As a result, for example, the legal and economic effects of the stronger IP rights, which are actually a form of protectionism, are not sufficiently regulated\(^\text{19}\).

![Diagram of the World Economic System](image)

**Figure 1. Elements of Trump Economic Program**


Recent negotiations of trade agreements such as TPP, CEFTA, TTIP may have relatively little to do with traditional trade issues. The fight to liberalize the global trading regime has been decisively won. Import tariffs and other restrictions have

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been reduced to the lowest levels in history\textsuperscript{20}. Between 1986 and 2010, the average most-favored nation applied tariff rates fell from 26.4 percent to 8.1 percent. In high-income OECD countries, the rate was a miniscule 2.8 percent. Dani Rodrik argues that eliminating all remaining tariffs everywhere would raise world economic activity by only one-third of one percent\textsuperscript{21}.

3.6. Assumptions for Trump’s Trade Reforms

The GDP equation shows the importance of trade deficit to national economies\textsuperscript{22}. The US economy has been characterized (and its growth impeded) by significant and growing trade deficits for years. TEP is based on addressing two issues: a) how much growth might be gained from reducing trade deficit, and b) how a balanced trade policy contributes to a balanced budget through additional income and tax revenues? An assessment of the impact of trade deficit on the GDP should be scrupulously conducted. For years many analysts focused on impressive growth of US exports. As stated earlier, exports in goods have rapidly risen from $59.7 billion in 1970 to $1.5 trillion by the end of 2015 (in nominal dollars). The growing export volumes have contributed to job creation, and generated additional income and wealth. This is however only a half-truth. The US imports in goods have risen even faster, from $40.9 billion in 1970 to $2.3 trillion in 2015 (Figure 2). This trend in goods importing reduces GDP growth. The situation is to some extent improved by the long-term positive contribution of services to the trade balance. In sum, the United States GDP growth is impeded by negative trade balance. But the major economic problem for the US is not trade of goods and services but US manufacturing which moves overseas, predominantly to the countries who violate international rules of cooperation.

TEP assumes increasing the US trade with the World. This may be accomplished by renegotiating and negotiating trade agreements with trade partners. The current multilateral and bilateral agreements often are not fully advantageous and reciprocal for the US. Frequently foreign exporters have much easier access to the US market, than US exporters have to foreign markets. This involves not only significantly higher tariffs (for the same products) in foreign countries, but also many non-tariff barriers (NTBs). It seems that the US was for years too generous, and provided easy access to its market, gaining very little access to foreign markets. Many older trade agreements do not provide sufficient protection of intellectual property (IP), and it is difficult to negotiate special dispute resolution systems. Today, a large portion of the US exports involves advanced technology. The US must than have insurance and tools to secure IP trade.

\begin{itemize}
\item[Ibidem.]
\item[GDP=C+G+I+(X-M), where C is Household Consumption, G refers to Government Spending, I is gross private investment, and (X-M) is the net exports.]
\end{itemize}
3.7. Impact of Reducing Trade Deficit

US trade deficit amounts to $500 billion and represents 78% of the net gain in nominal GDP relative to the 2014 period. This comparison suggests that trade deficits matter a great deal when it comes to the GDP growth. TEP assumes that the US will eliminate this deficit by increasing exports and decreasing imports. The full trade deficit reduction would result in a onetime gain of 3.38 real GDP points and a real GDP growth rate for that year almost 6%. This is a very enthusiastic statement, although it may be slightly optimistic and theoretical.

3.8. Key Trade Strategies

TEP trade objectives are defined as follows: a) Ensure that U.S. workers and businesses have a fair opportunity to compete for business in the domestic and international markets, b) Break down unfair international trade barriers, c) Maintain a balanced trade policy for the benefit of all segments of the U.S. economy, d) Ensure that U.S. intellectual property rights will be fully obeyed internationally, e) Strictly enforcing U.S. trade laws to prevent dumping and/or subsidized imports to the US, f) Enforce labor provisions in trade agreements and enforce the prohibition against trading with goods made by forced labor, g) Resist attempts of other countries or international organizations (the World Trade Organization (WTO)) to advance interpretations that would weaken the rights and benefits of, or increase the obligations under various trade agreements, h) Update current trade agreements to reflect new trade patterns and market conditions, i) Ensure that trade policy contributes to the economic strength of its manufacturing base necessary to maintain and improve US national security, j) Strongly advocate for all U.S. employees to assure the fairest possible treatment of their interests domestically and internationally.  

To achieve these objectives four major priorities have been identified: (1) defend U.S. national sovereignty over trade policy; (2) strictly enforce U.S. trade laws; (3) use all possible sources of leverage to encourage other countries to open their markets to U.S. to trade and provide adequate protection and enforcement of U.S. intellectual property rights; and (4) negotiate new and better trade deals with countries in key markets around the world. All of the above should result in: a) increased US World competitiveness, b) improved quality of life of US citizens. The demand for imported goods will be managed by application of special incentives to reduce dependence on imports. TEP is not specific about these measures.

4. Assessing Revenues from Trade Reforms

4.1. Scoring Trade Effects

TEP assumes that trade reform federal tax revenues constitute 73 percent of total revenues forecasted to be achieved from all reforms. Assuming that the US trade deficit is $500 billion with labor content of 44 percent. If so, $220 billion in additional wages would be created. As in the US law, these created wages (income) would be taxed at an effective rate of 28 (21 plus 7) percent (including trust taxes), and consequently, yield additional federal tax revenues of $61.6 billion, and 158.4 billion post tax income, minus 8 percent savings rate ($12.7 billion) to amount to $145.7 billion for consumption. Businesses would earn at least a 15% profit margin on the $500 billion of incremental revenues, and this translates into pretax profits of $75 billion. Applying Trump’s 15% corporate tax rate, this results in an additional $11.25 billion of taxes. This leaves businesses with $63.75 billion of additional net profit which must be distributed between dividends and retained earnings. If businesses pay out one third of this additional profit as dividends and these $21.25 billion worth of dividends are taxed at a rate of 18%, this yields another $3.8 billion of taxes, after which there remains $17.45 billion of net income. Together, these tax revenues from wage, corporate, and dividend income total $76.68 billion per year and over the standard ten-year budget window, this recurring contribution to the economy cumulates to $766.8 billion dollars of additional tax revenue.

4.2. Possible Barriers to Implementation of Trade Policies

4.2.1. Moving production overseas

This issue can be explained based on an example of an imaginary company. Let’s name it Bibi Inc. They move their US shoe factories to China. In China, workers make miserable wages but this factory pays them enough to survive on a slightly higher than average level\textsuperscript{24}. By moving to China, Bibi Inc. made additional profit, but also eliminated jobs in the US. This transaction is costly for the US since it must expand additional social and unemployment funds to assist the fired workers.

\textsuperscript{24} Similar investments pulled out many Chinese of starvation and contributed to the unprecedented GDP growth.
This case reminds us of the Gresham’s Law (and Copernicus), which says that „bad money drives out good”\(^{25}\). Don’t we have a similar situation in our case? The worse economy drives better out, meaning the economy with lower standards of living, drives out the economy with higher standards. This is an unexpected result of the unmanaged globalization. It is not covered by the Heckscher-Ohlin and other trade theories. By moving production to China, Bibi Inc. did a commendable thing for China, but at the same time they deprived US workers of jobs. The capitalist greed (profit maximization) motivates Bibi Inc. The company continues to serve the US market from the China’s factory. Unfortunately, since some Americans lost their jobs, they cannot afford Bibi Inc. shoes anymore. Instead, they have to buy cheap shoes made in other Chinese factory. So, as a result of the Bibi’s Inc. capital movement: a) highly paid jobs in the US have been eliminated, b) low paid jobs in China have been created, c) Bibi Inc. increased its profit (reducing labor costs), d) The quality of life for the US laid off workers has decreased, e) China gets many low paid jobs from two sources: at Bibi Inc. in China, and additional jobs in Chinese factories to meet additional demand for cheap shoes from US and China, f) the quality of life for additional Chinese workers has increased, g) The increase of quality of life in China is lower than the lost quality of life in the US, so the overall quality of life in the World has decreased, h) the US increased its trade deficit, i) the US decreased its capacity to manufacture shoes.

4.2.2. Capital Movements and Economic Growth

American firms create and operate their plants overseas to obtain cheaper parts and labor. That is true, but what if these competitive advantages are artificially created by protectionism, subsidizing, or other unfair measures of US partners? Trade transactions are business deals, and should be based on undistorted economic reality. Otherwise some of these transactions are made at the expense of native countries. For a variety of protectionist reasons, many nations try to prop up exports with subsidies and drive down imports with tariffs or quantitative restrictions. But, there is no reason for the US to subsidize its trade partners (businesses outsourcing their manufacturing overseas). There are two basic approaches to address this situation. The first is a passive response. It involves adopting a strict policy of non-retaliation that seeks to lift tariff barriers overseas without raising tariffs at home. The second is the active approach which involves making US tariffs more realistic and reciprocal. This may however, result in a trade war. It is a very complicated issue, since the fairness of trade has not been fully addressed by the US administrations for years. It may be easy to prove that many tariffs and trade do not have anything in common with economic realities. Unfortunately, they were allowed to impact the World and US economies for years, both domestically and internationally. This is a fait accompli which the current US government must consider in its strategies. The demand, supply and welfare growth gradually adjusted to this situation. It also impacted domestic economic structures. For example, the US workers currently earn less and

\(^{25}\) The Gresham’s Law is known in some countries as the Copernicus-Gresham Law.
must buy cheaper goods. This is not improving the overall quality and standards of life, and in a long term is difficult to digest for the society. The US administrations accepted the fact that the subsidies which foreign governments confer upon their export industries rebound in part to US consumers. They argued that in turn they increase levels of consumption, or reduce the costs of the goods. This cursory analytical approach does not consider all the necessary factors. Since the US let its partners to get used to this situation, today the US must undertake aggressive actions based on economic principles. The question is if the US objectives can be accomplished without applying the active approach including reactive taxes and subsidies. This is a practical issue, and a serious challenge for the government and researchers.

4.2.3. US Democracy, Business, Balances and Checks, and Economic Plans

The Congress and judicial system may significantly defuse any Presidential economic program or at least complicate its implementation objectives and schedules. It does not take a lot to distort the logic and concept of economic reforms. In the case of TEP, all elements of the program are interrelated and connected. Consequently, the changes to one element may complicate accomplishing other objectives. The US democratic system allows for legislative and judicial branches of government to make decisions which impact the content of the programs developed by the executive branch. Sometimes it can be disruptive. Paradoxically, the officials of many developing and less democratic countries do not have this problem, for example China. This may result in more coherent, stable and effective economic measures. For example, TEP assumed the corporate tax rate of 15 percent, the Congress agreed on 21 percent. This may significantly reduce the impact of the TEP tax cuts. According to the US Internal Revenue Service, the effective corporate tax rate amounted in 2016 to about 18 percent (at 35 nominal tax rate)\(^\text{26}\). Various tax loopholes allowed that\(^\text{27}\). TEP assumes that many of these loopholes will be eliminated. We assume that at the nominal rate of 21 percent, corporations will be capable of legally paying only about the 15 percent effective tax rate. We are not sure if the decrease of the effective corporate rate by roughly 3 percent point will provide sufficient incentive for corporations to grow. At the TEP 15 percent nominal rate, we would be more convinced.

5. Conclusions, Findings, and Comments

The assessment indicated that trade issues constitute one of the most important items of TEP. It is estimated that changes in the US trade arrangements will bring more than 70 percent of revenues forecasted to be achieved from TEP. The current US trade deficit exceeds $500 billion. It must be reduced to stimulate the continued economic growth of the US economy. The actions scheduled by TEP such as renegotiating trade agreements and usage of tariffs and non-tariff measures may be

\(^{26}\) No state taxes were considered for these calculations.

\(^{27}\) A tax loophole is a legal way of avoiding the payment of tax, or part of a tax bill, due to a gap in tax legislation.
difficult to fully implement. On the other hand, the US has to base its trade of economic fairness and adjust various aspects of international cooperation to its needs and interests. The shortcomings of the US previous trade strategies and policies contributed to the current critical situation in its trade balance. The existing situation has significant negative implications for domestic economic situation and trends. The wages are stagnant and the quality of life is not increasing. In a long-term this may impede the US economic growth rate, put a stress on its financial systems and lead to the next economic crisis. The major trade dilemma is rooted in the unlimited and unmanaged globalization processes. It is urgently necessary to develop new approaches to the World trade and investments to insure that the needs and objectives of not only developing but also developed countries are met. This creates significant challenges for politicians, economists and researchers. Practically implementable and efficient solutions must be developed. This may be difficult in the multipolar World which substitutes for the US led world economy. The assessment of trade policies should be a continued effort which is based mainly on economic principles.

A complex worldwide dialogue on new solutions should be intensified. The history of the mankind indicates that trade which is disconnected from economic principles leads to the development economic and social disproportions and turbulences.

The analysis resulted in several detailed conclusions. There are significant needs for advancing theoretical and empirical research on trade. These actions should be oriented on the development of practical measures and solutions. In this process, trade theories should be reevaluated to identify if they need adjustment to the current state of the World affairs. The countries like the US, will have to address significant outflows of manufacturing capacities and develop effective policies to limit this phenomenon. It is critically important since it has significant negative impact on domestic economy. The reforms of the US trade policies and financial relations with other countries are necessary for regaining international competitiveness. These actions must include economic fairness and adjustment to the multipolar character of the modern World economy. The TEP assumptions are complex and logical. It is however uncertain if the volatile political environment will provide sufficient conditions for their full implementation. It especially difficult to achieve since many trade patterns which are disconnected from economic fairness and principles were used for a long time. They have become kind of standards for trade relations. The reversal of these patterns may be difficult. TEP is significantly dependent on trade reforms. This adds some uncertainty with the regard to the possibilities of its full implementation, especially since during the first year of President Trump’s tenure this process has not advanced significantly.

Bibliography:

Abstrakt

Działania na rzecz uczciwego i wolnego handlu
w programie gospodarczym Prezydenta Trumpa (TEP)

Oceniając Prezydenckie Trumpa, należy oddzielić ziarno od plew. Trzeba zapomnieć o tweetach, oskarżeniach i fałszywych wiadomościach. Należy skoncentrować się na poważnych problemach, z jakimi boryka się ten Prezydent. USA potrzebują poważnych reform strukturalnych, stosowanie tymczasowych rozwiązań nie będzie już
działali. Poprzedni Prezydenci byli bardziej zrelaksowani niż Pan Trump i każdy z nich zostawił następcy w Białym Domu długą listę zadań do zrobienia. W tym artykule oceniamy politykę handlową Trumpa, jako część złożonego programu reform, którego niedawno się podjął. Oceniane są światowe implikacje zmian w polityce handlowej USA. Wykonano całościową analizę kwestii handlowych, jako elementu całego pakietu reform Trumpa. Wskazano na niektóre narzędzia wdrożeniowe i przedstawiono problemy, które mogą mieć wpływ na proces wdrożeniowy. Ze względu na ograniczoną objętość artykułu dokonano wyboru kilku, naszym zdaniem, najważniejszych kwestii. Analiza opiera się na przeglądzie dokumentów rządowych i politycznych oraz prac badawczych opublikowanych głównie w USA. Zostało także wykorzystane praktyczne doświadczenie autorów w pracy z rządem federalnym i gromadzeniu danych pierwotnych.

Słowa kluczowe: handel, Donald Trump, wolny handel, uczciwy handel, polityka handlowa