

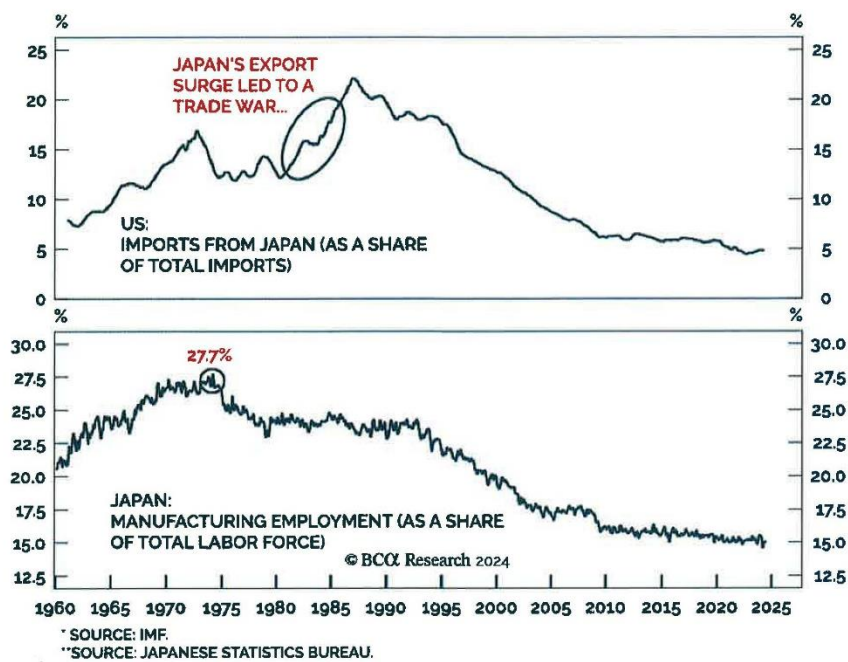
Sujet traité : Trump pourrait-il utiliser les solutions des années 1980 pour un différend commercial des années 2020? / Could Trump Use 1980s Solutions For A 2020s Trade Dispute?

Source : BCA Research Date : 19 août 2024

BCA Research

August 19, 2024

Could Trump Use 1980s Solutions For A 2020s Trade Dispute?



According to BCA Research's [GeoMacro Strategy](#) service, while the idea that Donald Trump would allow China to build factories in the US does not mesh with the contemporary media narrative, it would fit the historical track record. The last time that the US had a trade dispute with an Asian economic power, it was not resolved with tariffs. Instead, Japan agreed to "voluntary restrictions" on disputed products and then surged FDI flows into the US throughout the 1980s. In essence, Japan sacrificed its own manufacturing labor – seeing its share of employment peak at 28% in 1974– for the sake of continued access to the US market.

Intriguingly, China is almost at the same level of secondary-sector labor as a share of total payrolls (approximately 29%) as Japan was at its peak, suggesting that there is some geopolitically logical, if mathematically uncertain, level of manufacturing labor that America's trade partners are not allowed to break through.

Furthermore, Presidents Nixon and Reagan threatened tariffs effectively in order to gain trade and currency concessions from rivals. In August 1971, Nixon instituted a 10% "surcharge" (tariff) on all imports, eventually forcing trade partners to agree to devalue the US dollar with the Smithsonian Agreement some four months later. Reagan never imposed such tariffs, but did threaten them, in order to get to the Plaza Accord in 1985, which similarly sought to depreciate the USD. Both currency deals resolved trade wars and should be a warning to anyone looking to go long USD because of the trade war.

Ultimately, the point is that tariffs have a long history of being used by hawkish-to-populist presidents in order to rebalance US trade deficits. America's counterparties buckle under the pressure and deal, rather than just sit, stew, and make no concessions. China, today, truly has no leg to stand on. It must deal with the US. Washington may not have another similarly ripe opportunity to force Beijing to accept its trade demands, given that Chinese propensity to consume has absolutely collapsed as its private sector focuses on deleveraging.