

## **GLOBAL CHALLENGES AND NATIONAL PRIORITIES IN THE SOCIO-LABOR FIELD: “TRUMP’S REVOLUTION”**

The globalization processes, principal technological changes taking place in the global economy are accompanied by widening of the gap between economic growth and improvement of social indicators, increase of the number of employable individuals outside the workforce, decrease of the population’s social security as a result of reforms of state people’s social support systems, increase of inequality on the global, regional, national levels.<sup>1</sup>

Revision of the home and foreign economic policy goals of the country in line with the *America First* policy by the current President of the United States (from January 20, 2017) D. Trump has become a new challenge not only for the international trade, economic relations of the subjects of the world economy but also for millions of people engaged outside the USA in manufacture of products supplied to the American market; as well as foreign enterprises of American companies. High-quality job creation, job protection from foreign competition, return of jobs from foreign branches of American companies to the territory of the United States were recognized as the key national priorities at the top state level.

Notwithstanding the fairly good key indicators in employment<sup>2</sup> in the United States as a whole, which were emphasized by D. Trump in his annual address to the Congress (*State of the Union Address*, delivered on January 30, 2018), the state of affairs is characterized by sustainable reduction of the employable population’s participation in labor; the already habitual unemployment disproportions as to age, race and ethnic groups, depending on the education level; origination of new features demonstrating inequality growth in incomes, availability of social programs for working people at the place of employment.<sup>3</sup>

There is no doubt that D. Trump’s ideas to return American transnational corporations’ production back to the United States, restoration of “justice” in foreign

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<sup>1</sup> Employment Outlook. OECD. 2017. 220 p.

<sup>2</sup> In January, 2018, the number of the employed increased by 200,000, including by 15,000 in processing and treating industry; the unemployment for the whole country amounted to 4.1%.

<sup>3</sup> The Employment situation. US Bureau of Labor Statistics. Wash., February, 2018.

trade relations for protection of producers operating on the American market and consequently jobs, increased his support by his voters. At the same time, measures introduced in the beginning of 2018 to limit import of steel, aluminum, solar panels, washing machines as well as the threat of new protectionist steps by the USA, increase uncertainty for all world economy actors and create additional risks and tension in their relations.

D. Trump's foreign economic course directly and indirectly affects the position of millions of people in the countries of the world, with which the United States maintain trade and economic relations, in particular, people engaged in companies, annually supplying products to the American market for more than US\$ 2 trillion (according to the 2017 estimates, import amounted to US\$ 2.36 trillion);<sup>4</sup> employed by foreign enterprises of American transnational corporations (about 16 mln people).<sup>5</sup>

Traditional during a long period calls of American leaders to "free trade", "open markets", liberalization of capital flow, did not prevent the United States from using trade barriers on the way of import in the past as well, when that was required for national interests.<sup>6</sup> A possibility to protect the home market from foreign competition to provide national security was legally fixed more than half a century ago. According to the Trade Expansion Act of 1962, article 232 gives the executive authorities the right to order investigations of import effects on the state security, and depending on the results of such investigations, the President has the right to introduce (and he may not introduce) tariffs, quotas, etc.<sup>7</sup>

The Trade Act of 1974 allowed imposing additional customs duties to protect American producers from import (article 201), undertake measures as an answer to "unjust" trading (article 301). This law's coming into force coincided with the era of

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<sup>4</sup> US International Trade. Wash., BEA, March 7, 2018.

<sup>5</sup> Survey of Current Business. December, 2017.

<sup>6</sup> It's enough to remember e.g. the home market protection measures in the middle of the 1970s, including limitations of the amounts; "free-will limitations" of export to the United States by Japanese automobile companies at the time of R. Reagan's Presidency; introduction of "temporary" increased import customs tariffs for ferrous metals in the beginning of this century by the then President George Walker Bush (2002).

<sup>7</sup> US Department of Commerce. <https://www.commerce.gov/what-you-need-know-about-section-232-investigations-and-tariffs>

the US permanent foreign trade deficit, the amounts of which as to commodity trade amounted to US\$ 811 billion in 2017 (according to evaluations).<sup>8</sup>

Fighting against “unfair” competition is not D. Trump’s invention. But after he came to the White House, foreign trade policy became more straight-forward and, one can say, more aggressive in its protection of the interests of American business.

In January, 2018, import customs duties on solar panels amounting to 30% were imposed based on the special Commission’s conclusions that there was “considerable damage done” to American manufacturers. They will be gradually reduced in the following years down to 15% in 2021. However, according to the employment yearbook (National Solar Jobs Census), only 14.7% of all jobs in this sector are directly related to manufacture of solar panels (2016-2017), and 52% of them are jobs in installation, 33.3% are other services in solar panels operation and maintenance; and this biggest part of the jobs is under a threat of job cuts as a result of the adopted measures for limitation of finished products import.

In March, 2018, D. Trump signed the decree on increase of import duties on steel and aluminum<sup>9</sup>, keeping his pre-election promises to protect American manufacturers from “unfair competition”<sup>10</sup>. Retaliation followed immediately, the Chinese authorities announced that they intend to limit import of soy beans from the USA; Japan and South Korea intend to challenge this United States measure to protect domestic manufacturers from foreign competition in the WTO.

D. Trump promised to be flexible in increase of tariffs, but only Canada and Mexico felt that “flexibility” for the time being, new duties do not refer to them while talks on introduction of changes within the NAFTA framework are going on. Had it been not for this exception, exactly Canada and Mexico would have suffered most from imposed duties, with respective consequences for employment as the American market absorbs 87% of Canadian export of steel and 73% of Mexican<sup>11</sup>.

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<sup>8</sup> US International Trade. Wash., BEA, March 7, 2018.

<sup>9</sup> Import duty on steel was imposed in the amount of 25%, import duty on aluminum in the amount of 10%.

<sup>10</sup> In 2017, the first place among countries – steel suppliers to the United States was taken by Canada; the following are among the biggest suppliers: Brazil, South Korea, Mexico, Russia, Turkey, Japan, Taiwan, Germany, India, China. US Steel Imports: US. Global Trade Atlas, 2017.

<sup>11</sup> In metric tons

The other countries mostly dependent on steel export to the American market, creating jobs in this sector, are Turkey (15% of Turkish steel export goes to the USA), South Korea (12.1%), to say nothing of Brazil, where export to the United States amounts to 34% of all steel export. China is the world leader in steel export but only 1.1% of the total Chinese export of this product goes to the United States.<sup>12</sup>

Not only the trade partners of the United States feel uneasy because of the consequences of the new US foreign trade course. Consumers in the United States will have to buy products the prices for which will be higher, and in case D. Trump's aggressive protectionist course continues, the difference for American consumers may be significant.

Reduction of finished products import as a result of imposing customs duties as, for example, in case of solar panels, may lead to considerable reduction of the number of jobs in accompanying services for imported products. It should be also reminded that inclusion in global production chains reached such a high level and led to such inter-dependence of the world economy subjects that launching a trade war may not only turn into job creation but also job cuts in American economy as a considerable part of products imported to the USA from China, Mexico, other countries contains American component parts.

Trump's activities for protection of jobs from import make Americans, connected with export production, worry, as their jobs may be under a threat of cutting as a result of retaliatory measures by the trade partners of the United States. In 2016-2017, about 11 mln Americans were engaged in export production of goods and services.<sup>13</sup>

As to measures in domestic economy, the current Administration first of all counts on employment growth because of acceleration of economic growth as a result of the tax cuts' stimulating effect (according to the 2017 Tax Cuts and Jobs Act). The Office of Management and Budget forecasts 3% economic growth in the next years

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<sup>12</sup> US International Trade Administration. Wash., December, 2017.

<sup>13</sup> Jobs Supported by State Exports, 2016. International Trade Administration. Wash., December, 2017. [https://www.trade.gov/mas/ian/build/groups/public/@tg\\_ian/documents/webcontent/tg\\_ian\\_005558.pdf](https://www.trade.gov/mas/ian/build/groups/public/@tg_ian/documents/webcontent/tg_ian_005558.pdf)

and more (3.2% in 2019 fiscal year), and that should lead to creation of jobs, formation of favorable environment for the 2020 Presidential campaign.

There is no doubt that impressive scales of tax mechanism's use for "Restoring America's Greatness" (reduction of profit tax for legal entities from 35% down to 21%, reduction of tax rates for natural persons – down to 10%, 12, 22, 24, 32, 35, 37% instead of 10%, 15, 25, 28, 33, 35; 39.6%)<sup>14</sup> will be an important factor for entrepreneurship activities, economic growth. Besides cuts in income tax rates for natural persons,<sup>15</sup> there are provisions for increase of standard tax deductions, tax credits for children; cuts in taxation of gifts and inheritance, and that will lead to reduction of the tax load for the most part of the population paying taxes in the next years. But according to the calculations of the Tax Policy Center, Washington, and other analytical centers, Americans with incomes in the upper end of the income scale will profit most from the tax reform, and Americans from the lower end of the income scale will profit least of all.<sup>16</sup>

The tax mechanism was used in D. Trump's "revolutionary" changes in case of Obamacare<sup>17</sup> – B. Obama's achievement during his Presidential term. Attempts to legally annul Obamacare in 2017 were severely opposed by the Democrats. Because of that the current Administration used decrees and budgetary and tax tools. Thus, according to the Tax Cuts and Jobs Act, the fine imposed during B. Obama's Presidential term in case if an insurance policy was not bought, amounting to 2.5% since 2016, was cancelled.

Tax cuts for natural persons and legal entities in the United States go on simultaneously with reduction of financing expenses for social purposes from the

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<sup>14</sup> The lowest rate (10%) for a natural person, filling in the tax declaration individually, is for the annual income less than US\$ 9,525, and the highest rate of 37% is for US\$ 500,000. Tax Cuts and Jobs Act 2017. <http://docs.house.gov/billsthisweek/20171218/>

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<sup>16</sup> Tax Policy Center. Wash., December, 2017.

<sup>17</sup> The health care reform launched during the first B. Obama's Presidential term. B. Obama thought adoption of the 2010 Patient Protection and Affordable Care Act one of the most important achievements of his Presidency.

budget, with considerable growth of defense expenditures as a background. According to evaluations for 2018 fiscal year, defense expenditures should amount to US\$ 643.3 billion, 2019 fiscal year – US\$ 688.7 billion, in comparison with US\$ 598.7 billion in 2017. As for civil purposes expenditures, including social, the budget for 2019 fiscal year presented by D. Trump's Administration in February 2018, fully reflects the current Administration's position – market forces as a foothold, personal responsibility and omnipotence of economic growth – for solution of employment issues.

Financing from the budget of education, professional training, assistance in finding employment decreases from US\$ 142.9 billion (2017 fiscal year) down to US\$ 98.6 billion (2018 fiscal year) and US\$ 100.6 billion (2019 fiscal year),<sup>18</sup> and that may considerably limit the availability of professional knowledge and skills, corresponding to development of science and technology of the country, for Americans from low-income households. According to the *Gallup survey* in February, 2018, only 43% of working respondents were sure that they would be able to secure additional educational and/or professional training, required for the next adequate employment in case they lose their current jobs.<sup>19</sup>

Young people just starting their employment history have special difficulties in looking for a job. The unemployment level in case of the 2016 school graduates, who did not enter college, amounted to 12.5% in case of white people and 41% in case of black people in October, 2016.<sup>20</sup>

On the whole, the unemployment for those who are 16 and older has really reached the record low level of 4.1% in the United States (February, 2018), but at the same time the number of Americans, who are not working and not trying to find a job, is unprecedentedly high. According to the US Bureau of Labor Statistics, there were 96,743 thousand Americans beyond the workforce in January, 2018 (1,337 thousand more than in January, 2017).<sup>21</sup>

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<sup>18</sup> An American Budget. Fiscal Year 2019. Wash., White House, February, 2018.

<sup>19</sup> U.S. Workers Unsure About Securing Training. Gallup, February 12, 2018. <http://news.gallup.com/poll/>

<sup>20</sup> College Enrollment and Work Activity. BLS. W., 2017.

<sup>21</sup> Employment Situation. Wash., BLS, February 2018.

Speaking about the consequences of “Trump’s revolution” in taxation, it should be noted that it will cost a lot for the American budget, and it will considerably increase the national debt of the United States. Notwithstanding considerable reduction of financing for civil purposes, it won’t be able to compensate the growth of defense expenditures in the next years and reduction of budget receipts as a result of the tax reform at the same time. According to the Office of Management and Budget, federal budget expenditures in 2018 fiscal year will amount to US\$ 4,214 billion with receipts of US\$ 3,340 billion, thus providing budget deficit in the amount of US\$ 874 billion (compare with US\$ 666 billion in 2017 fiscal year).<sup>22</sup>

According to the Congressional Budget Justification Department, tax cuts will lead to increase of budget deficit by US\$ 1.45 trillion in the next decade (starting from this year). Taking into account the expected impact of tax cuts on GDP growth, this figure is corrected by experts but no more than down to US\$ 1.07 trillion.<sup>23</sup> As a result, the national debt of the federal government may increase from US\$ 20.2 trillion in 2017 fiscal year up to US\$ 30.0 trillion in 2028 fiscal year, which will naturally reduce expenditures for social purposes.

D. Trump’s winning the US Presidential Election in November, 2016 led to a qualitatively new stage in the United States policy in a wide range of sectors. The United States like other countries will have to adapt to the new financial, economic, political environment in future for co-existence in the world economy; and measures undertaken unilaterally may not always give the forecasted effect, they may bring about new risks, including in employment, population’s polarization on the income scale, support of the population’s social security for the Americans themselves. Any trade, tax wars lead to disruption of the formed relations and finally affect the working people and their families. At the same time, consequences may be far from the expected, including for initiators of such wars.

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<sup>22</sup> An American Budget. Fiscal Year 2019. Wash., White house, February 2018.

<sup>23</sup> Tax Policy Center. <http://www.taxpolicycenter.org/>