The U.S. mid-term election, held on November 6th, resulted in a divided Congress. The Republicans held on to secure the Senate while the Democrats took control of the House of Representatives. While the domestic issues surrounding Obamacare, women's rights and the appointment of a new Supreme Court nominee appear to have played important roles in shaping the election outcomes, other countries were more keen on evaluating the impact of the election on their economies and politics. More particularly, how the Trump administration's trade policy will unfold is of particular concern for many countries. This short article discusses possible turns of events regarding U.S. trade policy following the mid-term election and its implications for Korea.

Korea is a country that depends very heavily on trade and the U.S. is the second-most important trading partner for Korea. The recent surge in U.S. protectionism, especially visible in its conflict with China, is a worrisome prospect for the Korean economy.

On the short-run, experts predict that the mid-term election will not cause a big turn around in U.S. trade policy. After all, the current U.S. trade policy can be characterized by the protection measures being ad-
ministered, meaning that the Trump administration is using measures such as Section 232 and 301 trade actions that can be implemented without Congress approval. Therefore the Congress has but limited influence on the current state of trade policy. Moreover, President Trump’s trade policies comply, to some extent, with Democrats’ stance on trade by emphasizing job creation and the resuscitation of traditional manufacturing sectors. Hence it would be unlikely for Democrats, who now have taken control of the House, to go entirely against his policy.

Regarding China, there is a strong consensus among U.S. opinion leaders and policy makers, including Democrats, that the troubles caused by China – e.g. the huge trade deficit, violation of intellectual property rights and forced technology transfers – need to be dealt with. The main difference, however, lies in the tools to achieve this goal. The Trump administration’s use of tariff measures as a policy tool is facing fierce opposition domestically as it is likely to harm U.S. consumers and producers in the end. The downside of a full-blown tariff war has already been well demonstrated by the infamous Smoot-Hawley Tariff during the Great Depression.

Therefore, while the Trump administration’s hawkish stance towards China is likely to continue, approaches that do not involve tariff measures could be taken. In the recently concluded USMCA, a new chapter on "trade agreements with non-market economies" was included. The chapter explicitly states that if a member country of the USMCA concludes a trade agreement with a non-market economy, other members can expel the country from the USMCA. One of the most significant non-market economies is, of course, China. The U.S. will try to include a chapter similar to this in ongoing bilateral trade talks with Japan, EU and UK. This is a strong measure against China as it will practically prohibit these countries from establishing trade agreements with China.

It is already well known that President Trump harbors deep resentment towards multilateral trading systems, and the WTO in particular. His endeavors to reform this system are likely to escalate. The main area for reform would include strengthening regulations on state-owned enterprises and promoting transparency of government subsidies. These issues, while important in their own rights, are certainly targeting China. The U.S. is likely to seek alliances for the reform while isolating China.

Korea needs to take this whole situation seriously. Further intensifying of the U.S.-China trade conflict would be harmful for Korean economy's growth potential. In addition, if the cur-
rent Section 232 investigation on Korean automobile products yields an unfavorable conclusion, this would deal another blow to the Korean economy.

Fundamentally, to overcome these hardships, Korea must diversify its international markets. Korea needs to be more integrated with other parts of the world like ASEAN and Latin American countries. In that vein, it will be imperative to carry on the New Southern and Northern Policy and fully utilize the market potentials that other nations offer.

Given the U.S. trade authority's attitude towards the WTO, Korea should take an active role in this seemingly imminent WTO reform. It is hard to tell what the exact picture of the reform will look like but it would, to some extent, enhance conditions for fair competition in the international market and be beneficial for Korea.

Historically, protectionist sentiment in the U.S. almost always emerged during times of economic slowdown or recession. The recession that broke out in the early 1980s led to a series of protectionist measures being generated and resulted in the Plaza Accord, not to mention the protectionism during the Great Depression. Many experts argue that the U.S. economy is showing signs of slowdown after a prolonged period of expansion. This is certainly another element to factor in when we consider the second round of the Trump administration's trade policy. There are still many hurdles ahead.