

International Trade: The Latest on the Trade Wars

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Trade Balances, Tariffs, Leverage and Retaliation



White House Trade Policy

Trade Deficits

- We should not have trade deficits with other countries, trade deficits hurt the US
- The best way to fix trade deficits is through tariffs
- Countries will want to negotiate if trade is threatened

Trade Balances, Tariffs, Leverage and Retaliation

- If countries won't negotiate than trade wars are fine
- Trade wars are easy to win
- President Trump campaigned on these trade beliefs which he has held for many years
- Recent tariffs have hit consumers directly, a shift in targets from business inputs

Timeline—2017

- ✓ **January 20**... President Trump takes office
- ✓ **January 23**... Executive order for US to withdraw from TPP
- ✓ **April 20**... DOC initiates steel and aluminum 232 investigations
- ✓ **May 18**... President notifies congress he plans to renegotiate NAFTA
- ✓ **August**... USTR initiates Section 301 investigation against China
- ✓ **October 31**... ITC finds injury to solar panel industry
- ✓ **November 21**... ITC finds injury to washing machine industry

Timeline—2018

- ✓ **January 22**... President approves safeguard tariffs on solar panels and washing machines
- ✓ **February 16**... DOC releases Section 232 steel and aluminum report
- ✓ **March 23**... Section 232 tariffs go into effect
- ✓ **March 23**... DOC initiates Section 232 investigation on autos
- ✓ **March**... USTR issues final report in Section 301 investigation of China
- ✓ **April**... US imposes tariffs on \$50 billion worth of Chinese goods
- ✓ **May 31**... US imposes tariffs using section 232 on Mexico and Canada
- ✓ **June 18**... President orders 2nd list of Chinese goods for Section 301 tariffs
- ✓ **July 10**... USTR publishes 2nd list, schedules hearings
- ✓ **September 24**... 10% tariff on \$200 billion of Chinese goods goes into effect
- ✓ **September 30**... full text of NAFTA (USMCA) agreement made public... deal NOT final until Congress votes

Trade Balances, Tariffs, Leverage and Retaliation



Impacts to Spices, 10% tariff

- Dried garlic, whole, cut, sliced, broken or in powder, but not further prepared
- Dried fennel, marjoram, parsley, savory and tarragon, crude or not manufactured
- Dried parsley nesoi, whole, cut, sliced, broken or in powder, but not further prepared
- Dried fennel, marjoram, savory and tarragon nesoi, whole, cut, sliced, broken or in powder, but not further prepared
- Dried onion powder or flour
- Dried onion whole, cut, sliced or broken, but not further prepared
- Sesame seeds, whether or not broken
- Mustard seeds, whether or not broken
- Poppy seeds, whether or not broken

Trade Balances, Tariffs, Leverage and Retaliation



Retaliatory Tariffs

- Agricultural goods
- Products related to top political leaders
 - Ex. Majority Leader McConnell (KY) = Kentucky Bourbon
- Total tariffs on US goods = \$125 billion
 - i.e. 8% of US exports

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Section 301

- Trade Act of 1974
- Take actions against other country practices that are “unreasonable, unjustifiable, or discriminatory and burden or restrict U.S. commerce.”



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Section 301

- August 2017... investigation
- March 2018... USTR report
- April 2018... tariffs on \$50 billion imports from China...
China retaliates
- June 2018... President orders 2nd list of products
- September 2018... next round of tariffs on \$200 billion of
goods implemented... spices included, China retaliates.
- 2019... phase 3???



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Section 232—National Security

- Trade Expansion Act of 1962
- Investigations by the Department of Commerce to determine the effects on the *national security* of imports of articles whose investigation has been requested by interested parties or specified government officials.

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Section 232—National Security

- April 20, 2017... DOC starts steel and aluminum investigations
- February 16, 2018... DOC releases report stating imports of both are a national security threat
- March 23, 2018... 25% steel, 10% aluminum tariffs take effect... Some delayed until June 1

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Section 232—National Security

- Exemptions
 - Aluminum for Argentina and Australia
 - Steel for Argentina, Australia, Brazil and South Korea
- Retaliatory Tariffs hit US from
 - Canada, China, EU, India, Mexico, Russia and Turkey
- WTO action remains

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NAFTA

- September 30, 2018... US-Mexico-Canada Agreement (USMCA) text released to public
- Dramatic race to get there

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Section 201 Safeguards--Washing Machines and Solar Panels

- Conducted by ITC at request of domestic industry
- President can adopt, ignore or modify ITC relief recommendation, if injury found
- ITC found both industries were injured by imports
- Tariffs now on \$8.5 billion worth of solar panel imports and \$1.8 billion worth of washing machine imports
- Shortly after, US sorghum to China hit with tariff, since resolved

What's Next?



Timeline—Still to Come

- **December 1, 2018**... Presidential signing of USMCA
- **January 1, 2019**... Tariffs on \$200 billion worth of Chinese goods increases to 25%
- **Early 2019**... DOC releases report on Section 232 investigation on auto imports
- **March 2019?**... Congressional vote on USMCA
- **?**... Another round of tariffs on \$267 billion worth of Chinese goods
- **?**... US—Japan trade negotiations
- **?**... Section 232 case on Uranium

Still to Come



NAFTA FACTORS

- Next steps: Trade Promotion Authority process
- US Congress expected to vote in February/March?
- US Politics... Will the House flip? Will Democrat leadership impact passage?
- Canada ratification process
- Mexico ratification process

Still to Come



Section 232—National Security

- Still have tariffs on Mexico and Canada, despite USMCA
- Early 2019... DOC report expected on auto imports
 - President considering 25% tariffs on \$208 billion worth of cars + parts

Still to Come



Section 301

- US threatens to increase tariffs by end of 2018
 - Would now become 25% on \$200 billion goods, including spices already targeted
- 2019... Phase 3?
 - US threatens additional tariffs on \$237 billion worth of imports
 - China out of room to impose tariffs – what else?

