### International Trade: The Latest on the Trade Wars

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### 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



- ➤ 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 2<sup>nd</sup> list of Chinese goods for Section 301tariffs
- ✓ **July 10**... USTR publishes 2<sup>nd</sup> 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





#### **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 powd er, 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



Rising

Prices

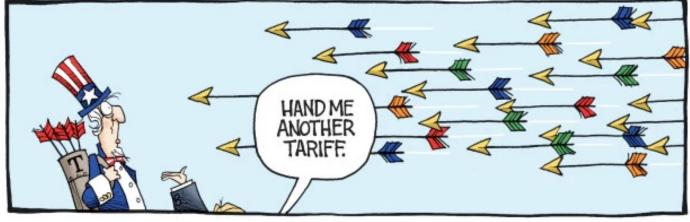
**AHEAD** 

#### **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









#### 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."





#### Section 301

- ➤ August 2017... investigation
- ➤ March 2018... USTR report



- ➤ June 2018... President orders 2<sup>nd</sup> list of products
- ➤ September 2018... next round of tariffs on \$200 billion of goods implemented... spices included, China retaliates.
- > 2019... phase 3???







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





- 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





- > 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





#### **NAFTA**

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



### 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



- 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?





