

# The Trade War Dashboard

Keeping you up to date on the Trade War, one of today's most critical issues  
Status, Updates, Impact, What's Next, and Analysis

4/17/19

## STATUS

**China** The US has applied tariffs to \$250 Billion of Chinese goods. China reciprocated on \$110 Billion of US goods. Negative impact on US farmers fairly significant. Issues include increased purchases of US goods, opening Chinese markets, forced tech transfer, IP protection, other. Negotiations have been on-again, off-again but maybe close to an agreement. US Biz and Political community mostly supportive of US effort; some wary of weak deal.

### NAFTA (USMCA)

US, Canada, and Mexico agreed to the new USMCA trade deal on 11/30/18, subject to legislative approval. Major provisions: increased local content requirements and higher wages for autos; elimination of intl. arbitration mechanism; strengthened IP protection, mild dairy market opening in Canada, other. Seems to borrow heavily from TPP. Seen by many as fairly minor modification of NAFTA. Biz groups mostly satisfied. Passage by US Congress not assured. Might incentivize US to raise tariffs on cars

**Steel** 25% tariff since 6/1/18. Steel industry profits up substantially. Steel industry employment up less than 2%. Steel prices rose for much of 2018 but falling since due to economic cycle. Steel co. stock prices are down 20-40%. Auto, appliance and other sectors report profit impact from tariffs. No signal yet if or when tariffs will be dropped.

**Automobiles** Trump administration threatened auto tariff of 25%. Study by Commerce Dept. as to relationship between autos and national security is complete but not released. Auto has close connection to EU trade talks. EU has threatened retaliation. US auto tariff only 2.5% (vs. 10+% for others). US tariff for pickup trucks is 25%

## WHAT'S NEXT

<b>CHINA</b>	<b>An agreement may be within reach.</b> Negotiations are supposed to conclude by the April, but that is far from certain. Any agreement likely to be debated intensely in US, including Congress.
<b>NAFTA (USMCA)</b>	<b>Congress must approve.</b> To be considered by Congress summer 2019. Passage uncertain. Support and opposition from both sides. Elimination of steel tariffs, labor concerns, and general restrictions could be sticking points.
<b>Japan</b>	<b>Talks begin again.</b> US-Japan talks set to restart week of 4/14/19. Scope is not yet clear, likely to be first on agenda/
<b>EU</b>	<b>No restart date set.</b> Negotiations supposed to restart soon but scope yet to be agreed. EU mandate excludes agriculture. US wants AG in. US application of auto tariffs would be a roadblock.
<b>STEEL</b>	<b>Removal uncertain.</b> Tariffs still in place. Canada, along with some in congress and business community, want steel tariffs eliminated as part of USMCA approval.
<b>AUTO</b>	<b>No decision yet.</b> Trump administration has not said when it will make decision on whether to impose auto tariffs.

## ECONOMIC IMPACT

**Overall: Minimal economic impact, unless you're a soybean farmer**

- **The US trade deficit soared to a record high in 2018**, indicating that a strong economy (US economy grew faster than most of its trading partners) overcame the impact of the tariffs in place (25% on steel and aluminum, 10-25% on \$250 Billion of Chinese goods).
- **Steel company profits are up, but their stock prices are down, as are steel prices**, and steelworker employment has increased by less than 2%, as economic factors carry more weight than tariffs. Factor in the profit declines experienced by those paying duties on steel (like automakers) and the best that can be said about steel tariffs is the results are mixed.
- **Agriculture, particularly soybean farmers, has been hit the hardest** as China's purchases plunged in retaliation to US tariffs. Tariffs could be extended or increased. Trade deals have yet to go into effect. So the economic impact could change dramatically.

**Update: Trade deficit reversed course in January**

- **In January the US trade deficit reversed course, falling for month after rising throughout 2018.** Particularly interesting is the 14% decline in deficit with China, likely a result of buyers having over-purchased in late 2018 in order to avoid expected higher tariffs in 2019 (which didn't materialize).
- **Production leaving China, but not returning to US.** Trade statistics show that, for products like furniture and appliances, while US imports from China have fallen, they have risen (in some cases dramatically) from places like Taiwan, Vietnam, and Mexico.

**TPP** US withdrew (before formally joining). Eleven remaining countries formed the CPTPP, which is largely the same as the original TPP. Because CPTPP lowers some AG tariffs, American farmers claim to be losing business in Japan, SK, other. US could join later. Some think TPP would be a good way to wrestle concessions from China.

**EU** Discussions started in relation to enactment of steel tariffs and threat of auto. Truce announced on 7/25/18. Resumption of talks not yet scheduled. US wants broad agenda including agriculture. EU wants narrow agenda—a pact for 0% tariffs on all industrial products. During Obama administration, TTIP talks collapsed for same reason—inability to agree on scope.

**Japan** Japan failed to get US to reconsider TPP pull out and to get exemption for steel tariffs. US has indicated that autos are a major concern, as is agriculture. If US asks for more concessions than TTP, Japan might not be able to agree. Next round of discussions to occur in 4/19.

**South Korea** A few fairly minor modifications to existing trade agreement. US's 25% tariff on imported trucks extended, SK cap on US car imports increased from 25K to 50K ; SK cutting steel exports to US by 30% in exchange for no steel tariff. SK is still worried that auto tariffs could be applied.

## POLITICS

**Overall: Intense debate over new trade agreements likely, congressional opposition possible**

- **Two bills have been introduced to the Senate**, both with bipartisan support, which seek to curtail the ability of the Executive Branch to act on trade without Congressional approval.
- **Little has been set into law yet relative to new trade deals**, even though much has been negotiated. Ratification remains to be done.
- **Support and opposition exist on both sides of the aisle** for much of the trade war agenda, including the new NAFTA (USMCA) and China.
- **We are closer to the next presidential election than the last one**, which will likely add another layer of politics to the end game.
- **The next phase of the trade war could be more intense** than the last phase, only the acrimony will be at home, not abroad.

**Update: Proposed legislation aimed at China could be alternative to current discussions**

- **Senator Rubio has proposed legislation intended to combat China's plans to give subsidies** and preferences to Chinese companies in key industries. The basic idea behind the legislation is “targeted reciprocity”
- **Sanders on USMCA: Tear it up!**: On the campaign trail Bernie Sanders says the new NAFTA's labor provisions are not strict enough, wants a deal more favorable to US labor.

## NEGOTIATIONS/AGREEMENTS

**Overall: Two deals done (NAFTA and SK), three to go (China, EU, Japan)**

- **NAFTA and the South Korean trade deal have been renegotiated.** Both deals perhaps best characterized as relatively minor modifications to the original deal. NAFTA must be approved by Congress.
- **EU negotiations might begin the next few months.** No timetable for Japan discussions.
- **China is the current priority, the only active discussions.** Also the most complicated, involving broad range of issues including opening markets, domestic subsidies and preferences, IP protection, enforcement, etc.

**Update: US-China talks keep missing target dates, but also keep making progress**

- **US-China agreement appears to be getting closer**, as China has offers concessions on **cloud-computing**, an **enforcement** mechanism appears near agreement, and the US reportedly gives ground on subsidies. Tariff relaxation remain undecided. Then again, not much detail has been revealed, so it is difficult to say whether an actual agreement is close.
- **15-year-old Boeing v. Airbus case threatens to complicate US-EU talks.** The US announces it is preparing tariffs in relation to pending cases so the EU announces it is preparing retaliation. Could complicate overall talks.

# Article Links

## ***ECONOMIC IMPACT***

[U.S. Posts Record Annual Trade Deficit](#)

[China's exports recover in March, but imports crash again as trade war deal nears](#)

[U.S. January Trade Gap Narrows as Imports From China Plummet](#)

[U.S. and China Got Into a Trade War and Mexico Won](#)

[U.S.-China trade war is rerouting U.S. import flows: report](#)

[U.S. Farmers Fear China Trade Deal Will Leave Them Worse Off](#)

[Trans-Pacific Trade Party Is Raging on Without the U.S.](#)

## ***NEGOTIATIONS/AGREEMENTS***

[China Sweetens Its Cloud-Computing Offer in U.S. Trade Talks](#)

[U.S., China Reach Accord on Trade-Deal Enforcement, Mnuchin Says](#)

[Exclusive: U.S. waters down demand China ax subsidies in push for trade deal - sources](#)

[Mnuchin says hopes U.S.-China trade talks nearing 'final round'](#)

[EU approves new trade talks with US](#)

[US, Japan kick off trade talks amid China deal optimism](#)

[European Union Paves Way for U.S. Trade-Pact Talks](#)

[EU-U.S. Trade War Escalates Over Disputed Aviation Subsidies](#)

## ***POLITICS***

[Sanders, in Michigan, Tells Trump to Rework Trade Accord](#)

[USMCA faces angry complaints from Republicans and Democrats who won't commit to backing it](#)

[GOP begins grassroots campaign to sell Trump's trade deal with Mexico and Canada to skeptical voters and lawmakers](#)

[Mexican Lawmakers Approve Pro-Labor Changes](#)