

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

6/25/19

KEY UPDATES

Trump-Xi Meeting: Big Moment in a Long Process

Presidents Trump and Xi to meet at G20 in Osaka June 28-29. Represents first attempt to restart talks since early May when US announced more tariff increases because China had "renege" on promises. Since then both sides have been threatening additional tariffs and retaliation. While the meeting is unlikely to result in an actual agreement, markets and businesses hope for an indication that talks are back on track.

What to look for:

At least...*an announcement to continue discussions*

A good sign...*Postponement of any tariff increases; would suggest the US side thinks a deal is within reach*

A very good sign...*announcing that specific obstacles, like whether China has to put certain commitments into law, have been overcome.*

A bad sign...*no schedule to continue talks, Trump says process to escalate tariffs will continue*

USMCA: Pass, Revise, or Political Football

The fate of the USMCA (NAFTA 2.0) remains hard to predict. Insiders might have an opinion, but still impossible to say whether or when it will pass. Key questions as follows:

Is there enough time this summer? Time is running short to submit to a vote this summer, but some say it can still be done before the August recess.

Will the Democratic House even support passage?

While discussions have been held between Republicans and Democrats, key Democrat issues, like labor enforcement and provisions impacting drug prices in the US, remain unresolved.

Would some Democrats prefer no resolution?

Meanwhile, some of the Democratic presidential candidates, including Sens. Warren and Sanders, are taking protectionist positions that might even be more hardline than Trump, which could provide incentive to permanently delay passage of the USMCA agreement.

Commentary

Not just Trump's Trade War

The Democratic campaign trail confirms what we already knew—Trump is far from alone in his stance on trade

Between his fiery rhetoric (saying China "raped" the US, etc.) and his unprecedentedly aggressive use of tariffs (cars and steel constitute "national security," as a lever to pry better border enforcement, etc.), it's no wonder some think of this as "Trump's Trade War." Certainly Donald Trump has put his indelible imprint on trade. But he has never been alone. In the last election, if Trump was the most protectionist candidate, it wasn't by a wide margin. Bernie Sanders prides himself on a long voting record in opposition to free trade agreements, including NAFTA. Sanders is now opposing the new NAFTA and warning that Trump might be too weak on China. Not to be outdone, Senator Elizabeth Warren has staked out a position so hostile to free trade it has been described as positively "Trump-esque."

Yet Sanders and Warren don't represent the entirety of the Democratic field. VP Biden, currently the frontrunner according to most polls, is striking a more moderate tone on trade. But there is no doubt that, while Trump has his own unique style, and while he has both supporters and opponents to much of his trade agenda in Congress, he is far from alone in terms of taking a protectionist stand.

General Updates

NEGOTIATIONS/AGREEMENTS

Overall: SK deal is done. NAFTA redone but not passed. China stalled but maybe about to regain momentum. EU, Japan waiting.

- **US-China talks waiting to be restarted. USMCA still in midst of political process for congressional passage.** No schedule for next round of Japan and EU talks. Overall situation is murky. Difficult to assess timing of any outcome.

Update: Trump-Xi meeting could restart talks and regain momentum. Fate of USMCA still unclear. No other major issue currently being advanced. (See boxes above for more detail).

ECONOMIC IMPACT

Overall: Minimal and mixed impact in US, Ag hurting the most. China impact is greater, but still not China's biggest problem. That could change with new tariffs.

- **US trade deficit hits record in 2018, growing in recent months as well.** Overall US growth has remained relatively strong, but sectors are feeling the impact of tariffs. Agriculture, particularly soybean farmers, has been hit the hardest. If new China tariffs enacted, impact likely to increase. Companies are moving manufacturing out of China, growth is slowing. Still unclear as to ultimate impact.

Update: Potential escalation with China weighing on business, markets, even the Fed

- **Much attention is being given to possibility that the potential increase in tariffs on China, plus China's possible retaliatory measures, will have a serious impact on the economy.** Companies testifying to the US Trade Rep office in opposition to the tariffs have said as much, with companies from apparel and luxuries to electronics and fireworks, sounding the alarm. Even the Fed seems to think that further escalation has the potential to change the trade war impact from minimal to noticeable, if not greater. The Fed is contemplating a change in interest rate policy to help mitigate the impact.

POLITICS

Overall: USMCA still in process of congressional approval. Support for China position remains strong.

- **Support and opposition exist on both sides of the aisle** for much of the trade war agenda, including the new NAFTA (USMCA) and China. Two Senate bills have been introduced seeking to curtail unilateral trade action by the Executive Branch. Plus presidential election politics could play a role. Yet most still supportive of hardline stand against China.

Update: Trade looks to be a major issue in the 2020 Presidential campaign as some Democrats appear to be as protectionist (or more) than Trump. (See Commentary for more details.)

Commentary (cont.)

Trade is almost certain to be a critical issue in the campaign

Sanders and Warren are already using trade to criticize Biden and differentiate themselves from him. So it seems almost certain that trade will be a lead issue in the Democratic primary campaign. If Biden wins the nomination, Trump will no doubt continue the line of argument from Sanders and Warren, painting Biden as weak on trade. If Sanders or Warren or another protectionist leaning candidate wins, they will likely focus on criticizing Trump's tactics on trade, while trying to appear just as strong on trade, which won't be easy. Of course, whether or not any agreements are reached (China, EU, Japan, autos, etc.) or implemented (USMCA) will have an impact as well. However, given all the variables, we can expect to hear much about trade on the campaign trail over the next 18 months.

A longer term change in US trade policy

With so much protectionist sentiment in the campaign, is it possible the US approach on trade is genuinely changing for the long term? That's the question America's trade partners, including the EU, Japan, and particularly China, should be asking themselves. It is tempting to think that, once Donald Trump is gone, the US will revert to its previous posture which would make it natural for countries to hope Trump's departure comes sooner rather than later. No doubt, whenever Trump leaves office, US trade policy and actions will lose that particular "Trump" flair. But perhaps the core position—skeptical of free trade agreements, less willing to accept any perceived imbalance, etc.—won't change much regardless of who next occupies the White House. Any of America's trade partners who are considering waiting out Trump might want to follow the campaign closely.

Article Links

ECONOMIC IMPACT

[What changed for the Fed in seven weeks? Trade risks top the list](#)

[Federal Reserve's quick pivot to easier policy started with a Trump tweet on trade](#)

[US manufacturers blame trade wars for slip in record-level optimism](#)

[As the trade war with China heats up this summer, who is feeling the chill?](#)

[China's job market faces new pressure as trade war with US drags on](#)

[Trade War Has Intel Reviewing Global Supply Chain, CEO Says](#)

NEGOTIATIONS/AGREEMENTS

[Trump and Xi to Meet at G-20 After Stalled Trade Talks](#)

[Hopes in China rise for a Trump-Xi trade deal](#)

[Senior US-China trade negotiators to confer before Trump-Xi G20 meeting](#)

[Mexico becomes first country to ratify USMCA trade deal via Senate vote](#)

TARIFFS/RETALIATION

[China is lowering tariffs on other countries amid trade war with the US](#)

[US blacklists 5 Chinese groups involved in supercomputing](#)

POLITICS

[Over 600 US companies urge Trump to resolve trade dispute with China: Letter](#)

['There's China and there's everything else:' Trump's trade wars scramble domestic political fights](#)

[Trade War Goes Bipartisan, and the Fed Will Make It Worse](#)