

RIETI BBL Seminar Handout

“Trump's Trade Wars: Where do we stand?”

July 30, 2019

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Trump's Trade Wars: Where Do We Stand?

Alan V. Deardorff

Outline: Trump's Trade Wars: Where Do We Stand?

- Trump's trade actions timeline
- Effects of the trade wars
 - Research studies
 - News headline
- China-US trade talks

Trump's Trade Strategy

- Trump objects to
 - US trade deficits (bilateral and multilateral)
 - Loss of US manufacturing due to trade
 - Other country's trade barriers
 - Other country's (esp. China's) unfair practices
- His strategy seems to be
 - Threaten and then use tariffs to hurt others
 - Get them to negotiate changed behavior
- The following records his actions so far

Trump's Trade Actions

These slides will list only actions actually completed. Most had plans and threats announced in the days and weeks beforehand.

See Bown and Kolb (Peterson Institute) for much of this

Trump's Trade Actions

- Jan 23, 2017: Trump pulls out of the TPP
 - TPP = Trans-Pacific Partnership = Free Trade Agreement among 12 countries
 - Including Japan, Canada, Mexico
 - NOT including China
 - (Other 11 countries later went ahead without US)
 - Australia just (Oct 31) became 6th to ratify it
 - It entered into force Dec 30

Trump's Trade Actions

- Jan 23, 2017: Trump pulls out of the TPP
- Mar 31, 2017: Two Executive Orders
 - “Enhanced AD/CVD Collection & Enforcement Executive Order”
 - “Omnibus Report On Significant Trade Deficits”

Trump's Trade Actions

- Jan 23, 2017: Trump pulls out of the TPP
- Mar 31, 2017: Two Executive Orders
- Apr 24, 2017: Tariffs on Canada Softwood Lumber
 - WTO-legal response to Canadian subsidies
 - Case had been initiated under Obama

Trump's Trade Actions

- Jan 23, 2017: Trump pulls out of the TPP
- Mar 31, 2017: Two Executive Orders
- Apr 24, 2017: Tariffs on Canada Softwood Lumber
- May 18, 2017: NAFTA Renegotiation Begins
 - NAFTA = North American Free Trade Agreement among US, Canada, and Mexico
 - More on this below

Trump's Trade Actions

- Mar 31, 2017: Two Executive Orders
- Apr 24, 2017: Tariffs on Canada Softwood Lumber
- May 18, 2017: NAFTA Renegotiation Begins
- Oct 5, 2017: Talks to amend KORUS begin
 - KORUS = FTA of US and South Korea
 - In force since 2012

Trump's Trade Actions

- Apr 24, 2017: Tariffs on Canada Softwood Lumber
- May 18, 2017: NAFTA Renegotiation Begins
- Oct 5, 2017: Talks to amend KORUS begin
- Jan 22, 2018: Safeguard tariffs
 - 30% on solar panels
 - 50% on washing machines

Trump's Trade Actions

- May 18, 2017: NAFTA Renegotiation Begins
- Oct 5, 2017: Talks to amend KORUS begin
- Jan 22, 2018: Safeguard tariffs
- **Mar 1, 2018: Announces tariffs on steel and aluminum**
 - 25% on steel, 10% on aluminum based on national security
 - Announced for all countries, some later postponed or exempted

Trump's Trade Actions

- Oct 5, 2017: Talks to amend KORUS begin
- Jan 22, 2018: Safeguard tariffs
- Mar 1, 2018: Announces tariffs on steel and aluminum
- **Apr 16, 2018: FCC blocks exports from Huawei & ZTE**
 - Ban applies to federally subsidized communications carriers
 - Companies viewed as risk to national security

Trump's Trade Actions

- Jan 22, 2018: Safeguard tariffs
- Mar 1, 2018: Announces tariffs on steel and aluminum
- Apr 16, 2018: FCC blocks exports from Huawei & ZTE
- Jul 6, 2018: First tariffs on China , \$34 billion
- Aug 23, 2018: Second tariffs on China, \$16 billion
- Sep 24, 2018: Third tariffs on China, \$200 billion

Trump's Trade Actions

- Jul 6, 2018: First tariffs on China , \$34 billion
- Aug 23, 2018: Second tariffs on China, \$16 billion
- Sep 24, 2018: Third tariffs on China, \$200 billion
- Sep 24, 2018: Amended KORUS signed
 - Raises Korea quota for US-certified cars
 - Extends years of US 25% tariff on light trucks

Trump's Trade Actions

- Aug 23, 2018: Second tariffs on China, \$16 billion
- Sep 24, 2018: Third tariffs on China, \$200 billion
- Sep 24, 2018: Amended KORUS signed
- Sep 30, 2018: USMCA agreed
 - NAFTA renegotiation had completed earlier with Mexico
 - Now Canada signed on, and name changed to USMCA
 - USMCA: U.S.-Mexico-Canada Trade Agreement

Trump's Trade Actions

- Sep 24, 2018: Third tariffs on China, \$200 billion
- Sep 24, 2018: Amended KORUS signed
- Sep 30, 2018: USMCA agreed
- **December 1, 2018: Truce with China**
 - After G20 Trump-Xi meeting
 - Talks initiated
 - US promised not to raise tariffs during talks
 - Nobody removed and tariffs

Trump's Trade Actions

- Sep 24, 2018: Amended KORUS signed
- Sep 30, 2018: USMCA agreed
- December 1, 2018: Truce with China
- May 10, 2019: Trump raises China tariffs from 10% to 25%
 - Months of talks ended with claimed backtracking
 - China announced similar tariff increase for June 1
 - Trump renews threat of tariff on most remaining China exports

Trump's Trade Actions

- Sep 30, 2018: USMCA agreed
- December 1, 2018: Truce with China
- May 10, 2019: Trump raises China tariffs from 10% to 25%
- May 15, 2019: US bans Huawei and others
 - Trump bans US telecoms firms from importing equipment posing threat to national security
 - Commerce puts Huawei and other on list banned from importing from US

Trump's Trade Actions

- December 1, 2018: Truce with China
- May 10, 2019: Trump raises 10% China tariffs to 25%
- May 15, 2019: US bans Huawei and others
- May 17, 2019: Trump delays decision on auto tariffs
 - USTR has until Nov 13 to negotiate deals with EU, Japan, and others

Trump's Trade Actions

- May 10, 2019: Trump raises 10% China tariffs to 25%
- May 15, 2019: US bans Huawei and others
- May 17, 2019: Trump delays decision on auto tariffs
- May 30, 2019: Trump announces tariffs on Mexico
 - Tariffs of 5%, starting June 10, would apply to all exports
 - Percent to rise each month if Mexico does not reduce migration

Trump's Trade Actions

- May 15, 2019: US bans Huawei and others
- May 17, 2019: Trump delays decision on auto tariffs
- May 30, 2019: Trump announces tariffs on Mexico
- June 5, 2019: Trump removes India from US GSP
 - GSP = Generalized System of Preferences
 - Gives developing countries lower tariffs on some exports
 - Claimed that US had not give “equitable and reasonable access to its markets”

Trump's Trade Actions

- May 17, 2019: Trump delays decision on auto tariffs
- May 30, 2019: Trump announces tariffs on Mexico
- June 5, 2019: Trump removes India from US GSP
- June 7, 2019: Trump calls off the Mexico tariffs
 - Says there is signed agreement with Mexico

Trump's Trade Actions

- May 30, 2019: Trump announces tariffs on Mexico
- June 5, 2019: Trump removes India from US GSP
- June 7, 2019: Trump calls off the Mexico tariffs
- June 16, 2019: India raises tariffs on US
 - In retaliation for loss of US GSP
 - Tariffs on more than 20 products, including almonds, apples and walnuts

Trump's Trade Actions

- June 5, 2019: Trump removes India from US GSP
- June 7, 2019: Trump calls off the Mexico tariffs
- June 16, 2019: India raises tariffs on US
- **June 29, 2019: Second truce with China**
 - Trump and Xi met at G20 in Osaka
 - They will re-start the talks
 - Trump will
 - Hold off on 25% tariffs on most of other China exports
 - List some restrictions on Chinese company Huawei
 - Xi will buy more food and agricultural product (soybeans)

Where We Stand 7/23/19

- Solar Panels & Washing Machines
 - Tariffs still, but scheduled to decline & end
- Steel and Aluminum
 - Tariffs still on EU and many others (not Canada, Mexico)
- China Trade War
 - Tariffs still, but in 2nd truce and talks to come
 - Huawei ban now part of it
- USMCA
 - Still have NAFTA; awaiting ratification
- Autos
 - Nothing yet, but still a threat
- India
 - New small trade war

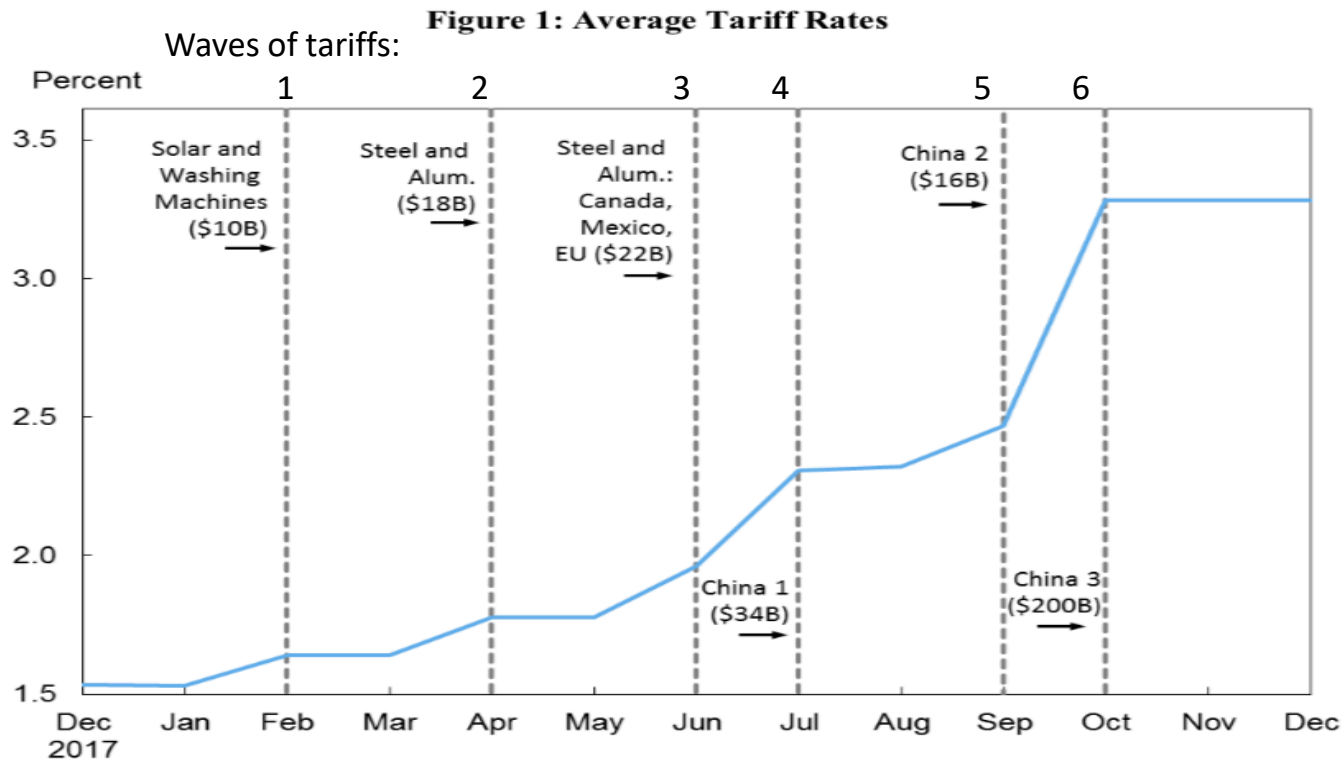
Outline: Trump's Trade Wars: Where Do We Stand?

- Trump's trade actions timeline
- Effects of the trade wars
 - Research studies
 - News headline
- China-US trade talks

Effects of the Trade War

What do we learn from research studies?

- Two recent studies examine the tariffs of 2018:
 - Amiti, Redding, and Weinstein, “The Impact of the 2018 Trade War on U.S. Prices and Welfare,” CEPR Discussion Paper DP13564, March 1, 2019.
 - Fajgelbaum, Goldberg, Kennedy, and Khandelwal, “The Return to Protectionism,” NBER Working Paper #25638, March 3, 2019.
- Summarized in
 - Foy, “U.S. Consumers Have Borne the Brunt of the Current Trade War” (NBER May 2019)

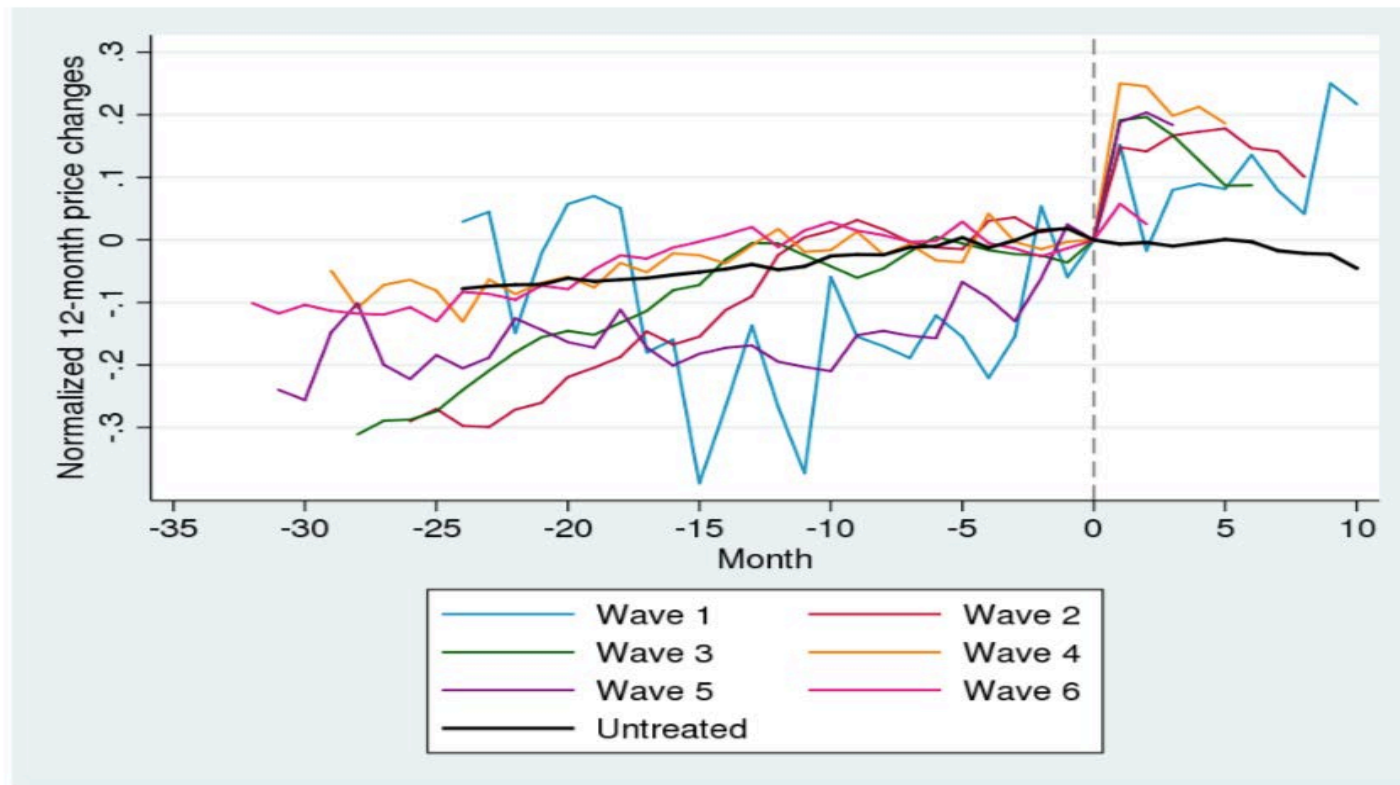


Source: US Census Bureau; USTR; USITC; authors' calculations.

Source: Amiti, et al. 2019.

Import prices rose

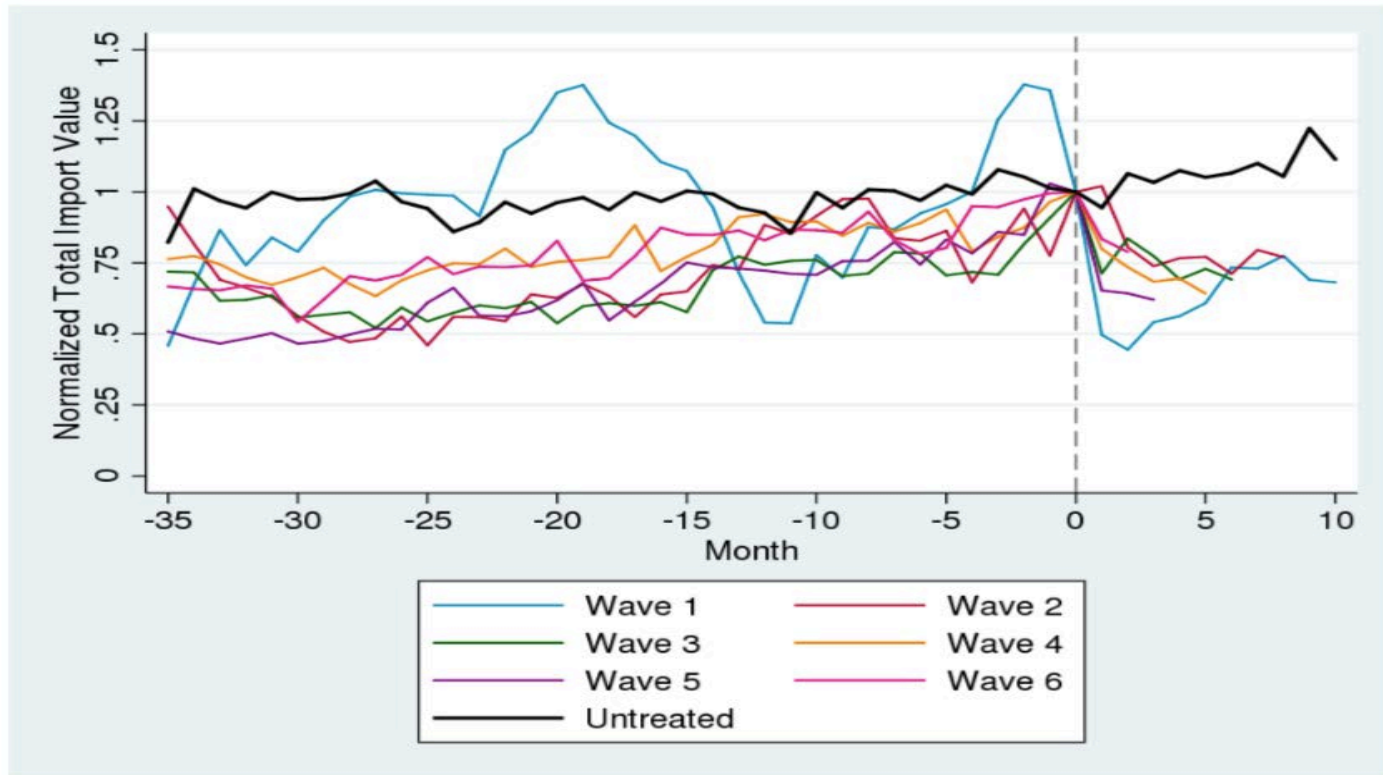
Figure 3: 12-month Proportional Change in Import Prices by Tariff Wave



Source: Amiti, et al. 2019.

Import quantities fell

Figure 4: Total Import Values by Tariff Wave



Source: Amiti, et al. 2019.

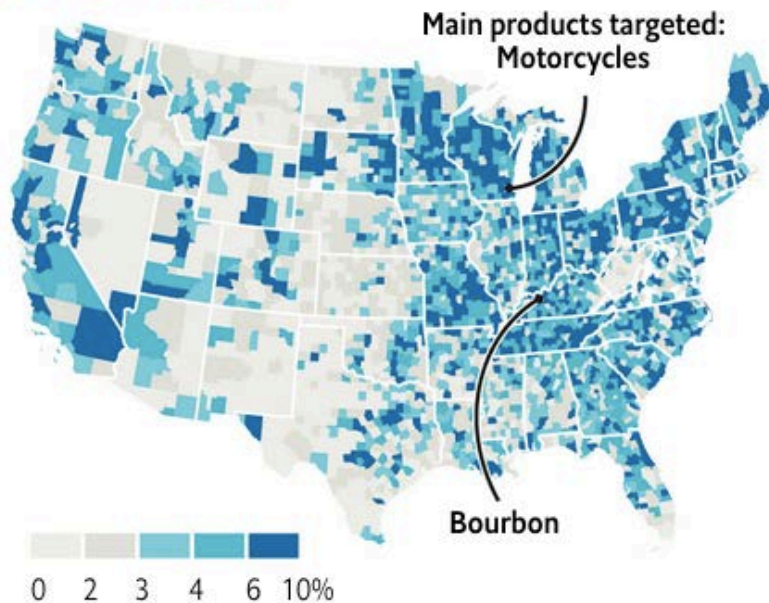


Tariff Increases on US Exports: EU vs China

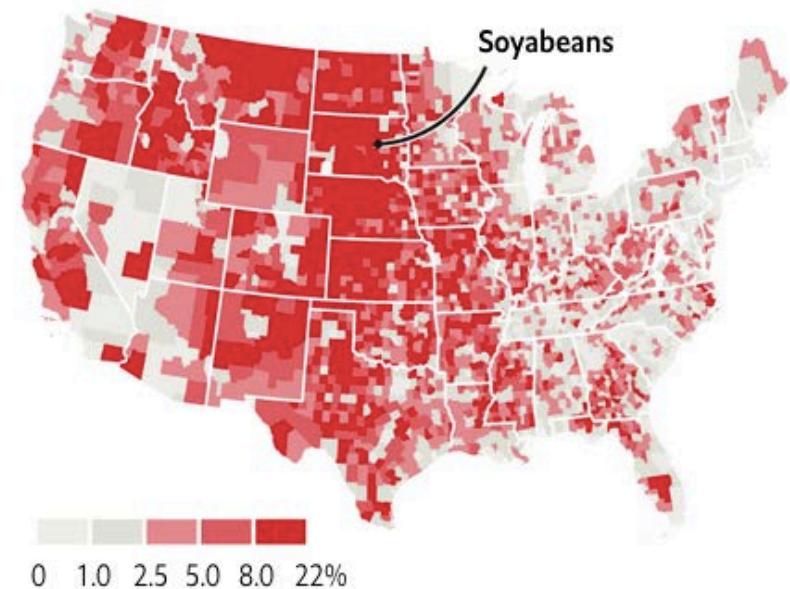
**America's trading rivals have aimed tariffs at Trump voters:
Europe in the Rust Belt, China in the Great Plains**

Share of counties' exports affected by retaliatory tariffs, %

The EU's tariffs



China's tariffs



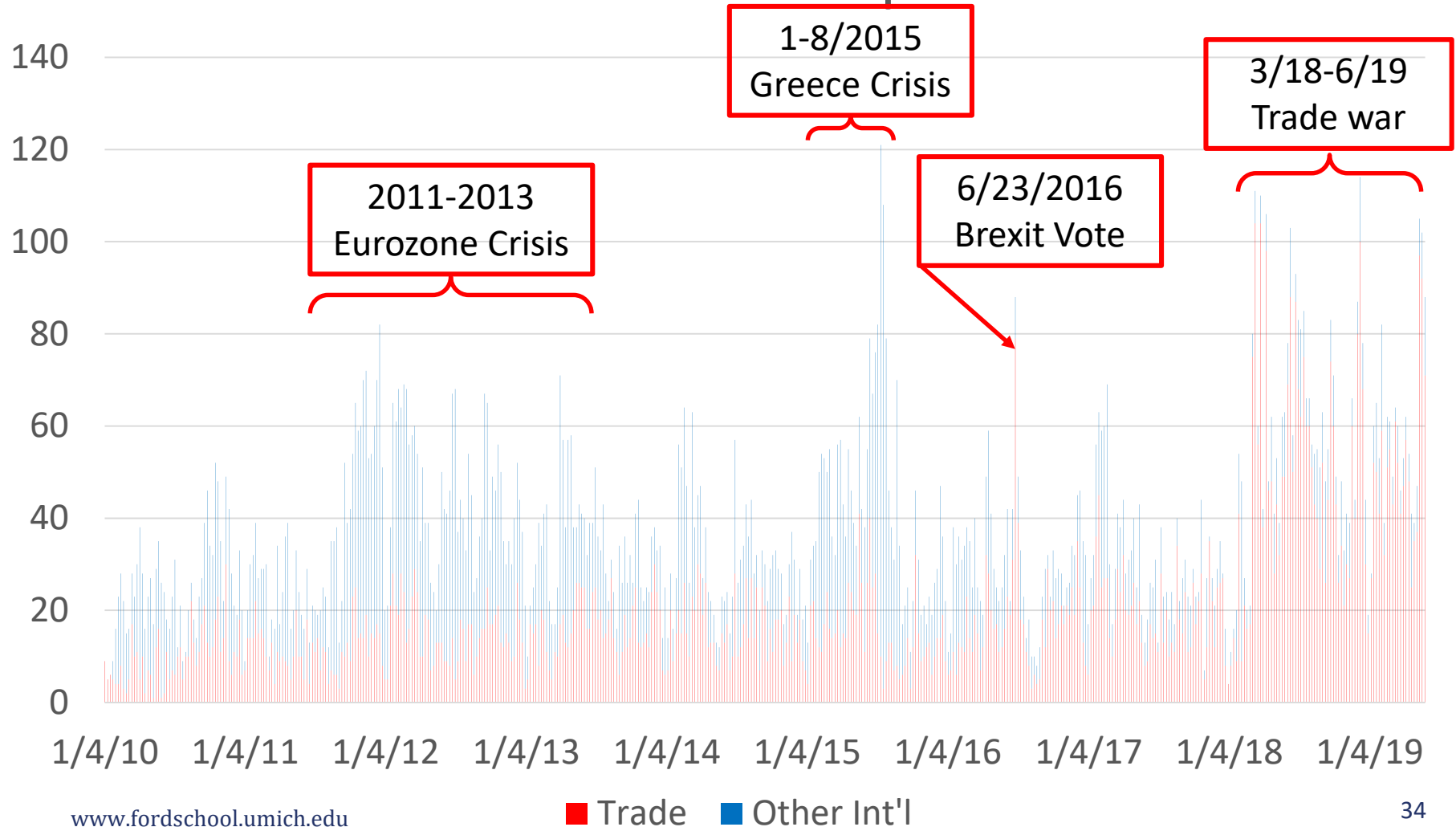
Source: *Economist* 4/27/19

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Trade and other international economic articles in the news per week



Effects of the Trade War

What do we learn from news?

- Following slides show headlines from news reports June 2018 – July 2019
 - ❖ In red: losers
 - In green: winners
 - In blue: mixed
- Categories
 - Products
 - Companies
 - Industries
 - Places
 - Consumers
 - Countries
 - World
 - Other
- Within each category, headlines are chronological, with usually only the first mention included

Rare earths,
produced in China,
crucial for high-
tech products.

Effects of the Trade War What do we learn from

Kentucky: Senator
Mitch McConnell's
home state

- Products
 - ❖ China (NYT 6/25/18: Trump's Trade War Could Shut Out U.S. Makers Out of Foreign Markets)
 - ❖ Computer chips: (WSJ 6/26/18: Chip-Equipment Makers in Crosshairs of Trade War)
 - ❖ Tech devices: (FT 7/3/18: Millennials' favourite gadgets dragged into trade war)
 - ❖ Ketchup: (FT 7/6/18: American ketchup next on EU's list of trade targets)
 - ❖ Bourbon: (FT 7/6/18: No bourbon party in Kentucky as tariffs drown exports)
 - ❖ Rare earths: (NYT 7/12/18: How Rare Earths (What?) Could Be Crucial in a U.S.-China Trade War)
 - ❖ Airplanes: (WSJ 7/16/18: Global Trade Spat Unnerves Plane Makers)

Effects of the Trade War

What do we learn from news?

- Products
 - ❖ Meat: (WSJ 7/23/18: 2.5 Billion Pounds of Meat Piles Up in U.S. as Production Grows, Exports Slow)
 - ❖ Coca Cola: (WSJ 7/26/18: Coke Raising U.S. Soda Prices, Citing Tariffs)
 - ❖ Almonds: (WSJ 7/30/18: U.S. Almond Farmers Are Reeling From Chinese Tariffs)
 - ❖ Pig feet: (WP 8/1/18: Chinese merchants fear Trump's trade war is hurting a popular snack: Pig feet)
 - ❖ Copper: (WSJ 8/2/18: Copper Drops on New Tariff Threats)
 - ❖ Kidney beans: (WSJ 8/3/18: Kidney Beans Piled to the Rafters: Tariffs Are Biting in Farm Country)
 - ❖ Cranberries: (WSJ 8/6/18: U.S. Cranberry Industry Feels the Bite of Retaliatory Tariffs)

Why? Fakes already
avoid customs, so
won't pay tariffs.
Real bags do.

Lessons of the Trade War

What do we learn from news?

- Product
 - ❖ Natural gas: (WSJ 8/18/18: Trade Fears Throw Future of U.S. Natural Gas Into Question)
 - ❖ Christmas: (WP 9/17/18: Trump could play Scrooge this holiday season)
 - Designer bags: (WP 9/19/18: Trump's trade war brings unexpected boom for knockoff designer bags from China)
 - ❖ Auto parts: (WSJ 9/20/18: Latest U.S. Tariffs Could Make Auto Parts Pricier)
 - ❖ RVs: (FT 9/23/18: Trump tariffs risk tarnishing American dream of mobility)
 - ❖ CB radios: (WP 9/23/18: Over and out: CB radio-maker struggles to adjust to Trump tariffs)
 - ❖ Oil: (WSJ 10/16/18: Another Victim of the Trade Spat: U.S. Oil to China)

China put tariffs on junked car parts and cans. Costs for US firms that use scrap to make aluminum are down.

High-end pets eat US food. In addition to tariffs China is delaying shipments at customs.

of the Trade War we learn from

- Products

- ❖ Pork: (WSJ 10/19/18: America Struggles to Take Its Pigs to World's Biggest Market)
- ❖ Pet food: (NYT 10/23/18: The Trade War's Latest Casualties: China's Coddled Cats and Dogs)
- ❖ Kitchens: (WSJ 12/27/18: How Tariffs Could Trickle Down to Your Kitchen Remodel)
- ❖ Whiskey: (WVP 1/2/19: Whiskey sour: U.S. craft distillers say Trump trade war with Europe is killing export plans)
- ❖ Steel: (FT 1/8/19: US steel prices fall to pre-tariff levels amid China slowdown worries)
- Aluminum scrap: (WSJ 1/17/19: Aluminum Scrap Abounds Thanks to Tariffs)

Effects of the Trade War

What do we learn from

China blocked final episode of “Game of Thrones.” HBO blames trade war.

- Products

- ❖ Lighting: (NYT 3/5/19: Illuminating the Effects of Trump’s China Trade War)
- ❖ Rubber: (WSJ 3/13/19: Rubber Drops in a Deeper Slump on Trade-Deal Hopes)
- ❖ LNG: (FT 3/29/19: US-China trade war casts chill over liquefied natural gas market)
- ❖ Milk farmers: (NYT 4/24/19: Stung by Trump’s Trade Wars, Wisconsin’s Milk Farmers Face Extinction)
- ❖ Bicycles: (WSJ 5/18/19: Tariffs Put a Dent in the Bicycle Business)
- ❖ Game of Thrones: (WSJ 5/21/19: ‘Game of Thrones’ Finale Frozen Out in China by Trade Fight)

Gold price rose, as
"safe haven" in
uncertain world of
trade war.

Effects of the Trade War

What do we learn from news?

- Products
 - ❖ Junk loans: (WSJ 5/21/19: Trade Battle Poses Risks for Junk-Loan Machinery)
 - ❖ Farm equipment: (WSJ 5/28/19): Trade Tension Deals Tractor Makers a Fresh Blow
 - ❖ China-linked funds: (FT 5/30/19): Trade war sparks fall in China-linked fund launches
 - Gold: (FT 6/3/19): Gold hits two-month high as stock markets fall
 - ❖ Cloths: (NYT 6/7/19): How China Tariffs Could Make Your Sweaters and Pants Cost More
 - ❖ Beanbag chairs: (WSJ 6/12/19): Investors Shouldn't Take This Beanbag Maker's Warning Sitting Down

Effects of the Trade War What do we learn from

Most bibles are printed in China and will be subject to Trump's threatened tariffs.

- **Products**

- ❖ **Bibles:** (WP 6/21/19): A 'Bible tax': Christian publishers warn that China tariffs could lead to costly Bibles
- ❖ **Supercomputing:** (WSJ 6/22/19): U.S. Targets China's Supercomputing Push With New Export Restrictions
- ❖ **5G:** (WSJ 6/24/19): U.S. Considers Requiring 5G Equipment for Domestic Use Be Made Outside China
- ❖ **Life saving equipment:** (FT 6/25/19): US business leaders issue health and safety alert over trade war
- ❖ **Medical supplies :** (WSJ 6/27/19: Medical-Supplies Companies Object to Proposed New Tariffs

Honda is hurt in many ways, but sales of motorcycles are mostly to poor countries and are doing well.

of the Trade War

How we learn from news?

- Companies

- ❖ Harley-Davidson (FT 6/25/18: US trade war with Europe revs up as Harley-Davidson shifts production)
- ❖ Apple (FT 7/29/18: Apple accessories at risk from Trump tariff threat)
- Honda: (WSJ 8/1/18: Motorcycles Are Helping Honda Get a Handle on Tariffs)
- ❖ BMW: (WSJ 8/3/18: BMW Weighs Measures to Counter Tariff Impact)
- ❖ Samsung: (WSJ 8/6/18: Samsung Tries to Navigate Through U.S.-China Trade Crossfire)
- ❖ Foxconn: (FT 10/26/18: Foxconn slumps as worries build over trade war, iPhone margins)
- ❖ Columbia Sportswear: (NYT 11/24/18: A Winter-Coat Heavyweight Gives Trump's Trade War the Cold Shoulder)

Effects of the Trade War

What do we learn from the news?

Note example of
moving manufacturing
out of China

- Companies

- ❖ GoPro: (FT 12/10/18: GoPro shifts production out of China to avoid tariff threat)
- ❖ Deere: (FT 2/15/19: Trade concerns weigh on earnings at tractor maker Deere)
- ❖ Volvo: (FT 3/6/19: Volvo's Polestar electric car brand warns of US tariff impact)
- ❖ Macy's: (FT 5/15/19: Macy's warns more Trump tariffs are threat to earnings)
- ❖ Cisco: (FT 5/16/19: Cisco cuts back China manufacturing to ease tariffs hit)
- ❖ Android: (WSJ 5/22/19: U.S.-China Trade War Could Block Android's Two-Way Street)

Effects of the Trade War

What do we learn from news?

No, not the company.
The rainforest! Due to
deforestation to
produce soybeans.

- Companies

- ❖ Lenovo: (WSJ 5/24/19: Trade Spat Is a New Worry For Lenovo)
- ❖ Amazon: (Nature 5/27/19): Why the US-China trade war spells disaster for the Amazon
- ❖ Costco: (WSJ 5/31/19: Costco Sales Rise as Tariff Uncertainty Looms
- ❖ Jack Daniel's: (WSJ 6/6/19): Tariff Fights Are a Drag for Maker of Jack Daniel's
- ❖ Ford: (NYT 6/6/19): Ford Is Fined in China as Trade Fight With U.S. Rages
- ❖ Foxconn: (FT 6/11/19): Foxconn ready to move production out of China if necessary
- ❖ FedEx: (FT 6/25/19): FedEx warns trade battle will hit 2020 results
- ❖ Advanced Micro Devices: (WSJ 6/28/19): How a Big U.S. Chip Maker Gave China the 'Keys to the Kingdom'

Effects of What do we learn from news?

- Companies

- ❖ Samsung: (NYT 7/6/19): Samsung, Stung by Tariffs, Plunge in Profits

- ❖ BASF: (FT 7/8/19): Chemical group BASF faces fallout

- Beneficiary companies: (NYT 7/11/19): These Companies How Are They Faring Now?

Steel and aluminum:
Prices rose and that
helped; capacity
expanded; then price
fell

Solar panels: Prices
rose; foreign companies
moved to US;
companies that sought
tariffs have failed or
been acquired

Washing machines:
Whirlpool asked for the
tariffs; LG and Samsung
set up factories in US;
Whirlpool now earning
'modest profits'.

Effects of the Trade War

What do we learn from news?

- Industries

- ❖ Cloud computing: (FT 8/7/18: US-China trade tariffs cast shadow over cloud computing boom)
- ❖ Tech startups: (FT 9/11/18: Tech start-ups bear the brunt of US tariffs on China)
- ❖ AI: (FT 11/19/18: US considers export controls on AI and other new tech)
- ❖ Retailers: (WSJ 5/22/19: Big Retailers' Sales Lag as They Gird for Tariffs)
- ❖ Wall Street: (NYT 5/29/19): The Trade War's Next Battle Could Be China's Access to Wall Street
- ❖ Dollar stores: (WSJ 5/31/19): Dollar-Store Chains Post Stronger Sales, But Tariffs Cloud Outlook

Banks act as intermediaries in abnormal times. Usual trade flows are switching to unfamiliar partners and banks help.

The Trade War Learn from news?

- Industry
 - ❖ Manufacturers: (NYT 5/31/19): Trade War Starts Changing Manufacturers in Hard-to-Reverse Ways
 - ❖ Airlines: (FT 6/2/19): US-China trade war cuts forecasts for airlines
 - Banks: (WSJ 6/10/19): Bad News on Trade Is Good News for Banks, at Least for Now
 - ❖ Tourism: (NYT 6/12/19): As Trade War With U.S. Grinds On, Chinese Tourists Stay Away
 - ❖ Hollywood: (WP 6/14/19): The trade war's unlikely victim: Hollywood
 - ❖ Cars: (FT 6/18/19): How does the US-China trade war hurt carmakers?
 - ❖ Ports: (WP 6/26/19): These giant cranes show why the next fight in the U.S.-China trade war could be so damaging

Effects of the Trade War

What do we learn from news?

Windsor thrives on trade, especially Canada-US and cars.

- Places
 - ❖ Farm belt: (WSJ 7/2/18: Trade Fight Threatens Farm Belt Businesses)
 - ❖ Michigan: (NYT 7/25/18: Trump's Trade War With China Pierces the Heart of Michigan)
 - ❖ Windsor, ON: (FT 9/28/18: The Canadian border city on front line of Trump's tariff threats)

Effects of the Trade War

What do we learn from news?

- Consumers
 - ❖ Consumer variety: (WSJ 11/29/18: Consumer Beware: With Less Trade Comes Less Choice)
 - ❖ Consumer sentiment: (FT 6/14/19): Tariffs and weak jobs growth knock US consumer sentiment in June
 - Consumers : (NYT 6/18/19: The Trade War With China Has an Upside for Consumers, Too)
 - Oil and gas have fallen in price
 - US dollar has risen in value

Effects of the Trade War

What do we learn from news?

- Countries
 - Brazil soybeans (FT 6/24/18: US tariffs tip soyabean balance in Brazil's favour)
 - ❖ Taiwan: (FT 10/31/18: Taiwan factory gauge slumps as trade war worries rise)
 - China's neighbors: (WSJ 11/7/18: China's Neighbors Could Win From U.S. Tariff Tussle)
 - Australia farmers: (NYT 12/2/18: As U.S.-China Trade War Rages, Some Australian Farmers See an Opportunity)
 - India: (FT 1/1/19: India vies to fill Chinese commodities gap created by trade war)
 - EU: (FT 2/4/19: US-China tariff war will divert trade to EU, says UN)

Effects of the Trade War

What do we learn from

EU and Japan are trying to get US to work with them against China's trade practices

- Countries

- ❖ Germany, Japan: (WSJ 2/15/19: Trade Friction Stymies Growth in Germany and Japan)
- Russia soybeans: (WSJ 2/22/19: A Surprise Winner From the U.S.-China Trade Spat: Russian Soybean Farmers)
- Mexico: (FT 5/28/19: Mexico reaps gains from US-China trade war)
- EU & Japan: (FT 5/29/19): The EU and Japan struggle to harness Trump's China trade ire
- China's neighbors: (WSJ 5/31/19): The Real Winners From Trump's Tariffs Are China's Neighbors
- ❖ Eurozone : (FT 6/8/19: Fears mount over eurozone spillover from trade war)

Effects of the Trade War

What do we learn from news?

- Countries
 - Vietnam: (FT 6/22/19): US tariffs on China prove a boon for Vietnam
 - Japan: (WSJ 6/22/19): Japanese Security Companies Benefit From U.S.'s China Concerns
 - ❖ Korea: (FT 7/13/19): Korea caught in the crossfire of trade and tech wars
 - ❖ Taiwan: (WSJ 7/13/19): China to Sanction U.S. Companies for Arms Sales to Taiwan
 - ❖ Singapore: (FT 7/15/19): IMF cuts Singapore growth forecast amid trade tensions
 - ❖ China economy: (NYT 7/15/19): China's Economic Growth Hits 27-Year Low as Trade War Stings

Effects of the Trade War

What do we learn from news?

- World
 - ❖ Asian growth: (FT 11/4/18: US-China trade war starts to drag on Asian growth)
 - ❖ World: (FT 5/21/19: The US-China conflict challenges the world)
 - ❖ Global recession: (CNBC 6/2/19): Morgan Stanley sees global recession 'in three quarters' if Trump escalates trade war

“Charities struggle to absorb \$2.1bn of farm produce bought by government to aid growers.”

Soybean farmers get aid. Those who transport soybeans to not.

of the Trade we learn from news?

- Other

- ❖ Small business: (WSJ 8/8/18: ‘We Are at the Limit’: Trump’s Tariffs Turn Small Businesses Upside Down)
- ❖ Foreign banks in China: (FT 8/19/18: Trade war imperils foreign banks’ China plans)
- ❖ Supply chains: (FT 9/3/18: Sino-US trade war prompts rethink on supply chains)
- ❖ US companies in China: (FT 9/12/18: Three in five US companies in China hurt by trade war tariffs)
- US food banks: (FT 9/30/18: Trump's trade wars fill US food banks to overflowing)
- ❖ Transport workers: (WP 10/24/18: Hurt by Trump’s trade war, ineligible for a bailout)

Effects of the Trade War

What do we learn from news?

- Other
 - ❖ Republican governors: (WP 5/24/19: Republican governors walk tightrope between building Chinese trade relationship and offending Trump)
 - Social Media: (FT 5/27/19): Trade war inspires black humour on Chinese social media
 - ❖ China blacklist: (FT 5/31/19): China threatens to blacklist 'non-reliable' foreign companies
 - ❖ US monetary policy: (WSJ 5/31/19): Fed's Patience Tested as Trade Spat Clouds Growth Outlook

Effects of the Trade War

What do we learn from news?

- Other
 - ❖ China-US travel: (FT 6/4/19): China warns citizens over US travel
 - ❖ China stocks: (FT 6/4/19): Trade war sparks record foreign outflow from China equities
 - ❖ Technology: (FT 6/12/19): US-China trade war risks global technology split
 - ❖ American actors in China: (FT 7/4/19): Chinese studios impose informal ban on American actors

Outline: Trump's Trade Wars: Where Do We Stand?

- Trump's trade actions timeline
- Effects of the trade wars
 - Research studies
 - News headline
- China-US trade talks

Trade Talks

- **China-US Trade Talks, I**
 - Talks began in May 2018, in response to Trump's threat of tariffs
 - China promised to import more from US and allow more foreign investment
 - Said to have “averted trade war”
 - But then talks broke off in early June
 - Trade war with China followed
 - Jul, Aug, Sep 2018

Trade Talks

- **China-US Trade Talks II**

- Nov 1, 2018: Trump-Xi phone call
- Dec 2, 2018: G20 truce: No more tariffs while talks continue
- Jan-May, 2018: Talks alternated between DC and Beijing
- May 15: Talks collapsed

- May 10: Trump
 - Raised tariffs on \$200 bn from 10% to 25%
 - Began process to impose tariffs on \$300 bn more
- May 13: China announced higher tariffs on \$60 bn of US exports
- May 16: Trump banned exports to Huawei
- May 31: China created “entities list”

Trade Talks

- **China-US Trade Talks III**

- June 29: Trump & Xi met at G20 in Osaka, agreed to restart talks
- Jul 18 WSJ: U.S.-China Talks Stuck in Rut Over Huawei
- July 30: Meeting scheduled in Shanghai



Trade Talks

- **What Might a China-US Trade Deal Include?**
 - US wants (per FT, 3/25/19):
 - Huge Chinese purchases of US exports, to reduce US trade deficit
 - Liberalization of market access for US goods and services
 - Reform of Chinese industrial policy, especially “forced transfers” of IP
 - US permitted to use punitive tariffs if these are violated, without China retaliating or complaining to WTO
 - China wants:
 - Removal of US tariffs
 - Removal on restrictions on Huawei



Trade Talks

- **Current hang-up: Huawei**

- Huawei is
 - o World's largest telecom equipment provider, among other products
 - o Sells more phones than Apple
 - o World leader in 5G technology
- It's products have long been avoided in US due to security concerns, but it is very popular in much of the world
- US blocked a US acquisition by Huawei in 2011
- Nov 2018: US asked allies to drop Huawei (some did, others didn't)
- Dec 2018: Canada arrested a top Huawei executive, at US request for violating Iran sanctions
 - o China responded by arresting Canadians
- US now claims Huawei might spy for China's government
- May 16: Trump
 - o Put Huawei on export blacklist
 - o Moved to ban foreign telecom gear
- May 14: Trump included Huawei in China-US trade talks

That's it.

Questions?