

Trump Trade Timeline

For presentation to
Economic Outlook Conference
November 15, 2018

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
(Bibliography at end)

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 will enter 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

Safeguards

- WTO permits tariffs on imports that cause serious injury
- Trump used the following:
 - 30% on solar panels
 - 50% on washing machines
(both declining over 3 or 4 years)
- Both were on exports of all countries
 - Reason: previous China-only tariffs had been evaded by moving production elsewhere

Safeguards

- The recommendation came through normal channels from US ITC
 - Law has been on the books for years, but was last used in 2002 by GW Bush
 - See Schlesinger & Ailworth (*WSJ*)
- President could have chosen not to use the recommended tariffs
- Many thought the solar panel tariffs would cost more jobs than it saved

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

National Security

- Trump used Section 232 of US trade law to levy tariffs on imports of these metals, based on national security
 - “Economic security is national security” (Trump Dec 18, 2017)
 - 25% on steel, 10% on aluminum
 - Mar 23: Tariffs start with some exemptions
 - EU, Canada, Mexico, S Korea exempted
 - Mar 28: Korea exemption made permanent in return for a quota cutting its exports to ~80% of 2017
 - Jun 1: Tariffs extended to EU, Canada, Mexico

National Security

- Responses to metals tariffs
 - Retaliation
 - Apr 2: China imposes retaliatory tariffs on \$2.4 billion of US exports
 - Jun 22: EU imposes retaliatory tariffs on \$3.2 billion of US exports
 - Jul 1: Canada imposes retaliatory tariffs on \$12.8 billion of US exports
 - WTO disputes
 - May-Aug: Complaints filed against US by Canada, China, EU, India, Mexico, Norway, Russia, Switzerland, Turkey
 - Jul: Complaints filed by US against Canada, China, EU, Mexico, Russia, Turkey for their retaliation

National Security

- Cars
 - In May 2018, the Commerce Department initiated another national security investigation: on imported cars
 - Trump said he's considering a 25% tariff on cars

National Security

- Truce
 - Jul 25: Trump met with EU's Juncker, President of the European Commission (See Ward)
 - Agreed a “truce”: US-EU talks to lower tariffs
 - No more tariffs while talks are underway
 - EU will buy more soybeans and gas from US
 - Aug 30: EU offered to cut auto tariffs to zero if US would do the same.
 - Trump's response:
 - “It's not good enough.”
 - “Their consumer habits are to buy their cars, not to buy our cars.”

National Security

- Turkey
 - On Aug 10, Trump doubled the tariffs on Turkey's exports of steel and aluminum
 - Reason:
 - Turkey's currency had dropped by about 50%
 - This undermined the effect of the US tariffs

China

- Concerns about China's IP practices pre-existed Trump
 - Theft of technology secrets
 - Forcing foreign investors in China into joint ventures and sharing technology
- Prior to Trump, complaints had been voiced by US and EU, but nothing had been done
- US initiated investigation under Section 301 of US trade law (unfair trade practices)
 - Aug 18, 2017: Investigation initiated
 - Mar 22, 2018: Report finds unfair trade and recommends tariffs
- Since then, Trump has announced and then implemented multiple rounds of tariffs

Trump's Trade Actions

- Jan 22, 2018: Safeguard tariffs
- Mar 1, 2018: Announces tariffs on steel and aluminum
- 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

China

- This is a “Trade War”: Tariffs and retaliation
 - US tariffs on \$34 billion Jul 6 were matched that day by China tariffs on \$34 billion of US exports
 - US tariffs on \$16 billion Aug 23 were matched that day by China tariffs on \$16 billion of US exports
 - US tariffs on \$200 billion Sep 24 were less-than-matched by China on \$60 billion of US exports
 - Trump has said he’ll use tariffs on still more (\$267 billion), approaching all of China’s exports to US

China

- What's the point?
 - To get China to stop its IP practices?
 - If so, then there need to be talks
 - These would be more effective if done by US along with others, such as EU and Japan
 - If China were to promise change (they have), would we (Trump?) believe them?
 - Xi and Trump will meet at G20 that starts Nov 30 in Buenos Aires

China

- What's the point?
 - To reduce the US bilateral trade deficit with China?
 - This could work, if US shifts its imports from China to other countries
 - It would not reduce the overall US trade deficit
 - And it would be very costly for US consumer and producer welfare

China

- What's the point?
 - To stop China's rise as an economy and as a world power?
 - That's what some in China believe
 - There are some signs now that China's economy is suffering
 - Mitchell (*Financial Times*) says China's currency and stock markets are suffering
 - More recent news mentions need for monetary and fiscal expansion to offset the harm

Trade War – Who Wins?

- Who will “win” the trade war?
 - Nobody! Everybody loses from tariffs
 - Trump sees it as “easy to win” because he measures success from trade deficit:
 - If that falls, we win.
 - It won't

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

NAFTA

- What is it?
 - North American Free Trade Agreement
 - Does many things but most important:
 - Zero tariffs on most trade between US, Canada, and Mexico
 - Rules of Origin (ROOs) to qualify for zero tariffs
 - History
 - Negotiated under George H. W. Bush 1992
 - Enacted under Bill Clinton, took effect 1994

NAFTA

- NAFTA's Effects
 - Huge expansion of trade in North America
 - Resulting gains from trade
 - Growth of supply chains in manufacturing
 - Some US loss of jobs to Mexico
 - Bad reputation among
 - US labor unions
 - Some politicians

NAFTA

- NAFTA and Donald Trump
 - Trump opposed it even in 1993
 - “The Mexicans want it, and that doesn't sound good to me.”
 - As candidate, called it “The single worst trade deal ever approved in this country”
 - After he became President
 - Threatened to pull out of NAFTA
 - Initiated “Renegotiation”

World Trade Organization

- According to Barfield (AEI), Trump has said
 - “The WTO is designed by the rest of the world to screw the United States”
 - “We are going to renegotiate (the WTO agreement) or we are going to pull out”

World Trade Organization

- Oct 25, 2017, on Fox interview with Lou Dobbs:
 - “We lose the lawsuits, almost all of the lawsuits ... within the WTO”
- In fact, like other countries, US
 - Wins most of the cases it brings
 - Loses most the cases brought against it
- Since 1995, in all cases complainant has won 90%
 - As complainant, US has won 91%
 - As respondent, US has lost 89%
- But...US has been respondent much more than complainant

World Trade Organization

- Trump's actions threaten the WTO
 - The legality in the WTO of his tariffs on metals and on China are questionable
 - He has provoked others to retaliate, also in violation of WTO commitments
 - In addition, he is blocking appointments to the WTO's "Appellate Body." This will soon render it powerless in disputes.

World Trade Organization

- Can Trump pull out of the WTO?
 - Probably not. Congress would have to change legislation
- But Trump can undermine the WTO
 - By refusing to allow the appointment of new judges on Appellate Body
 - By claiming decisions are invalid
 - By not engaging in WTO negotiations
 - By ignoring its rules

Bibliography

- Barfield, Claude, "The weekly trade merry-go-round: Trump wants to withdraw from the WTO," *AEIdeas*, American Enterprise Institute, July 2, 2018.
- Bown, Chad P. and Melina Kolb, "Trump's Trade War Timeline: An Up-to-Date Guide," *Trade and Investment Policy Watch*, Peterson Institute of International Economics, August 23, 2018 (but watch for updates).
- Mitchell, Tom, "Trump's tariffs prove tougher obstacle than China expected," *Financial Times*, August 12, 2018.
- Schlesinger, Jacob M. and Erin Ailworth, "U.S. Imposes New Tariffs, Ramping Up 'America First' Trade Policy," *Wall Street Journal*, January 22, 2018.
- Ward, Alex, "'A semi-truce': Trump makes an EU deal to avoid a trade war," *Vox*, July 25, 2018.