

# Agriculture Transportation Coalition

"The principal voice of agriculture in U.S. transportation policy"

## China and US Trade Policies: Agriculture Exports in Jeopardy

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# At AgTC 2017, I Said Regarding Infrastructure, U.S. Trade, Trade Barriers and Retaliation:

- New policies (trade barriers, infrastructure investments) could affect trade, but at different rates. Barriers can act fast, not so infrastructure.
- Beyond direct effects of trade policies, economic conditions are affected by policy expectations, also affecting U.S. goods exports.
- **Trade partners retaliate** against trade barriers (e.g. Canada on softwood lumber, Mexico in the past on trucking access) so **trade wars can result**.
- Baseline forecast was widespread **trade wars would be avoided**, due to lack of Congressional policy support.

# U.S. now on the Brink of a Trade War with China

- A series of U.S. trade actions, trade policies and negotiations aimed at China (and other U.S. trade partners around the world.)
- President Trump sees the U.S. goods trade deficit as a scorecard showing the U.S. is losing at trade.
- President tweets “trade wars are good and easy to win.”
- Trade partner countries are retaliating, as they almost always do.
- Retaliation is mostly calibrated to match the value of U.S. actions, though with different commodities.
- U.S. to announce final set of China export commodities subject to new tariffs tomorrow. Total about \$50 Billion.

# U.S. – China Trade 2018 Timeline – Jan-Feb

Jan. 17 New U.S. countervailing duties on imports of Chinese and Indian stainless steel flanges.

Jan. 22 U.S. imposes safeguard tariffs on washing machine and solar-cell imports. (Not just on China's exports however the U.S. Trade Rep. made clear that Chinese dominance of the global supply chain in these products was a concern.)

Feb. 4 China starts a one-year anti-subsidy investigation into U.S. grain **sorghum** imports.

Feb. 14 U.S. imposes anti-dumping duties on cast-iron pipe fittings from China.

Feb. 27 U.S. imposes anti-dumping and countervailing duties on aluminum foil from China finding that Chinese producers receive unfair subsidies and are dumping the aluminum foil the U.S.

# U.S. – China Trade 2018 Timeline - March

March 8 - U.S. imposes countervailing duties on forged steel fittings from China.

March 8 - President Trump signs off on 25% tariffs on imported steel and 15% on imported aluminum.

March 20 - U.S. imposes anti-dumping duties on stainless steel flanges from China and India.

March 22 - U.S. imposes anti-dumping duties on carton-closing staples from China.

March 22 - U.S. Trade Representative proposes 25% duties on Chinese products under section 301 to compensate for the harm caused to the U.S. economy from China's trade and economic policies.

March 23 - U.S. complains to the WTO about protection of intellectual property in China.

March 23 - China announces tariffs on \$3 billion of U.S. imports retaliating to the steel and aluminum duties.

# U.S. – China Trade 2018 Timeline - April

April 2 — China retaliates against U.S. steel and aluminum tariffs with \$3 billion of tariffs on US imports, with a 15% duty on 120 U.S. products including **fruits, nuts, wine** and steel pipes. Plus a 25% tax on 8 other US products including **pork** and recycled aluminum.

April 3-4 — USTR proposes a 25% tax on close to 1,300 Chinese export goods worth \$50 Billion from the aerospace, machinery and medical industries.

- China retaliates with additional 25% tariffs on \$50 Billion worth of 106 US products, including **soybeans, corn, wheat, meat, orange juice, cotton**, autos, aircraft and chemicals.

April 5 — President Trump calls for targeting another \$100 billion in Chinese export goods. China says it has "already formulated very detailed countermeasures" against further U.S. export products

April 16-17— U.S. bans Chinese tech company ZTE from buying U.S. components for 7 years due to violations of sanctions on Iran and N. Korea.

- China retaliated with a new fee of 179% on importers of US **sorghum**, claiming unfair subsidies and damage to Chinese producers. U.S. export sales of sorghum affected were about \$1 Billion in 2017.

April 22 — The U.S. and China say they are interested in holding talks to discuss trade issues.

# China's April Retaliation at the \$50 Billion Level is 1/3 Agriculture Goods

**U.S. Agriculture and Beverage Export Categories out of 106 total China Listed in April**

- 1.Yellow soybean
- 2.Black soybean
- 3.Corn
- 4.Cornflour
- 5.Uncombed cotton
- 6.Cotton linters
- 7.Sorghum
- 8.Brewing or distilling dregs and waste
- 9.Other durum wheat
- 10.Other wheat and mixed wheat
- 11.Whole and half head fresh and cold beef
- 12.Fresh and cold beef with bones
- 13.Fresh and cold boneless beef
- 14.Frozen beef with bones
- 15.Frozen boneless beef
- 16.Frozen boneless meat
- 17.Other frozen beef chops
- 18.Dried cranberries
- 19.Frozen orange juice
- 20.Non-frozen orange juice
- 21.Whiskies
- 22.Unstemmed flue-cured tobacco
- 23.Other unstemmed tobacco
- 24.Flue-cured tobacco partially or totally removed
- 25.Partially or totally deterred tobacco stems
- 26.Tobacco waste
- 27.Tobacco cigars
- 28.Tobacco cigarettes
- 29.Cigars and cigarettes, tobacco substitutes
- 30.Hookah tobacco
- 31.Other tobacco for smoking
- 32.Reconstituted tobacco
- 33.Other tobacco and tobacco substitute products

# U.S. – China Trade 2018 Timeline – May

Early May — US – China trade negotiations begin during which time President Trump says he's working to give ZTE a way to get back in business. U.S. Commerce Sec. Ross says the U.S. is exploring "additional remedies" to the ban on ZTE.

Mid-May 2018 — US officials say China proposed increasing U.S. imports by about \$200 billion to reduce the trade deficit but China denies it. However China says it will remove the import tax on U.S. **sorghum**.

May 19, 2018 — China and the U.S. announce a trade ceasefire, where China will increase imports of U.S. goods and services, but with no value stated. Both sides agree not to impose new tariffs on each other while trade talks continue. US Treasury Sec. Mnuchin said "We're putting the trade war on hold."

A few days later, China's Finance Ministry says it plans to cut import duties on passenger vehicles from 25% to 15%.

May 29, 2018 — The U.S. says it will move ahead with 25% tariffs on \$50 billion worth of Chinese export goods plus place new limits on Chinese investment in high-tech industries.

China says it is ready to retaliate further.

U.S. scheduled to release final set of China exports subject to tariffs June 15<sup>th</sup>.

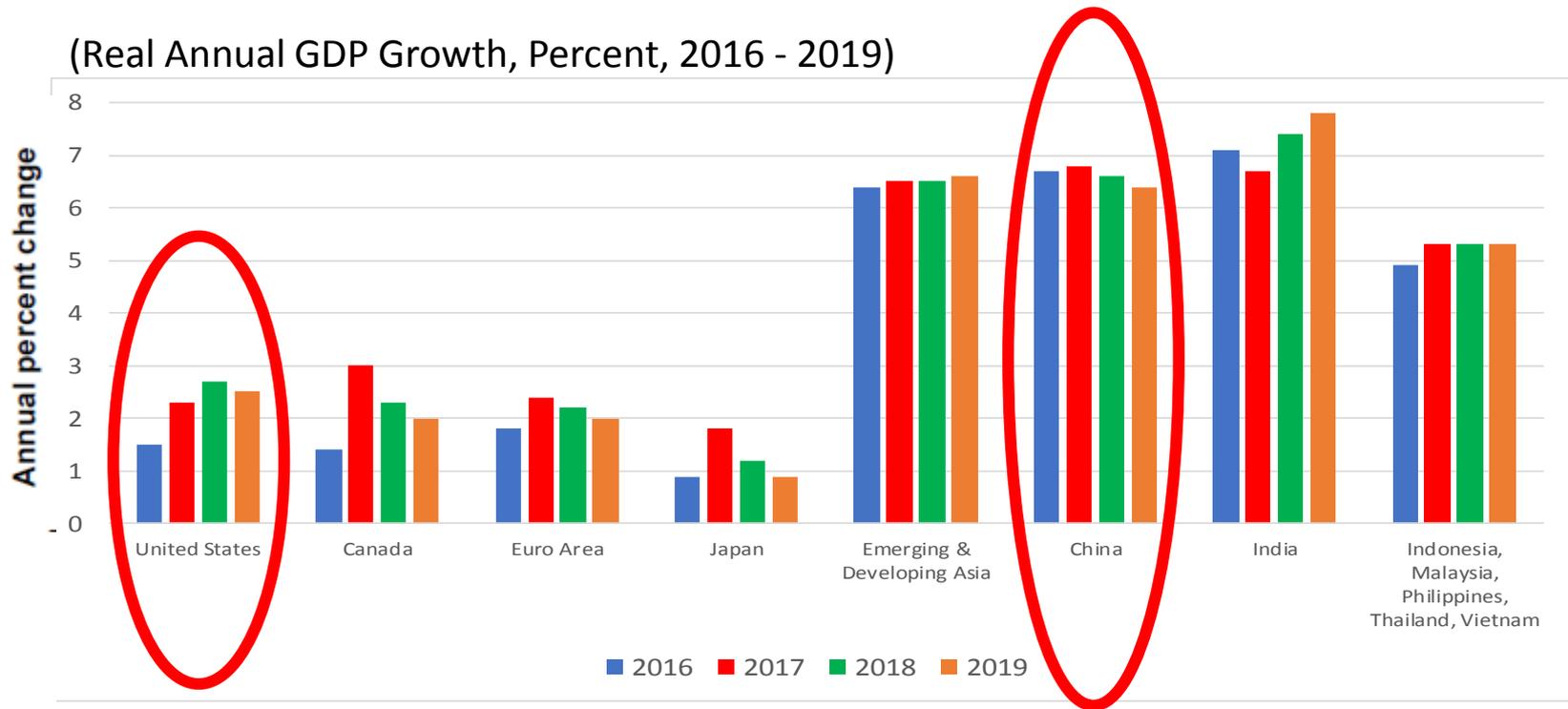
# Surge in U.S. Anti-Dumping/ Countervailing Duty Investigations

- In 2017, the U.S. Dept. of Commerce self-initiated anti-dumping (AD) and countervailing duty (CVD) investigations of imports of aluminum sheet from **China**.
- It marked the 1st time in about 25 years that the U.S. government had proactively initiated an AD/CVD investigation.
- The total of 79 investigations initiated in 2017 were up 65% from 2016.
- Increased investigations and enforcement, are part of the Trump Administration's attempts to protect the U.S. from unfair trade.
- Importers can expect more scrutiny of all shipments entering the U.S. as to whether shipments could be subject to AD/CVD.
- Trade partner countries hit with duties can file with the WTO, where retaliation is permitted if the U.S. loses and doesn't take adequate remedial action.

# U.S. Anti-Dumping/ Countervailing Duties Prompt Retaliation

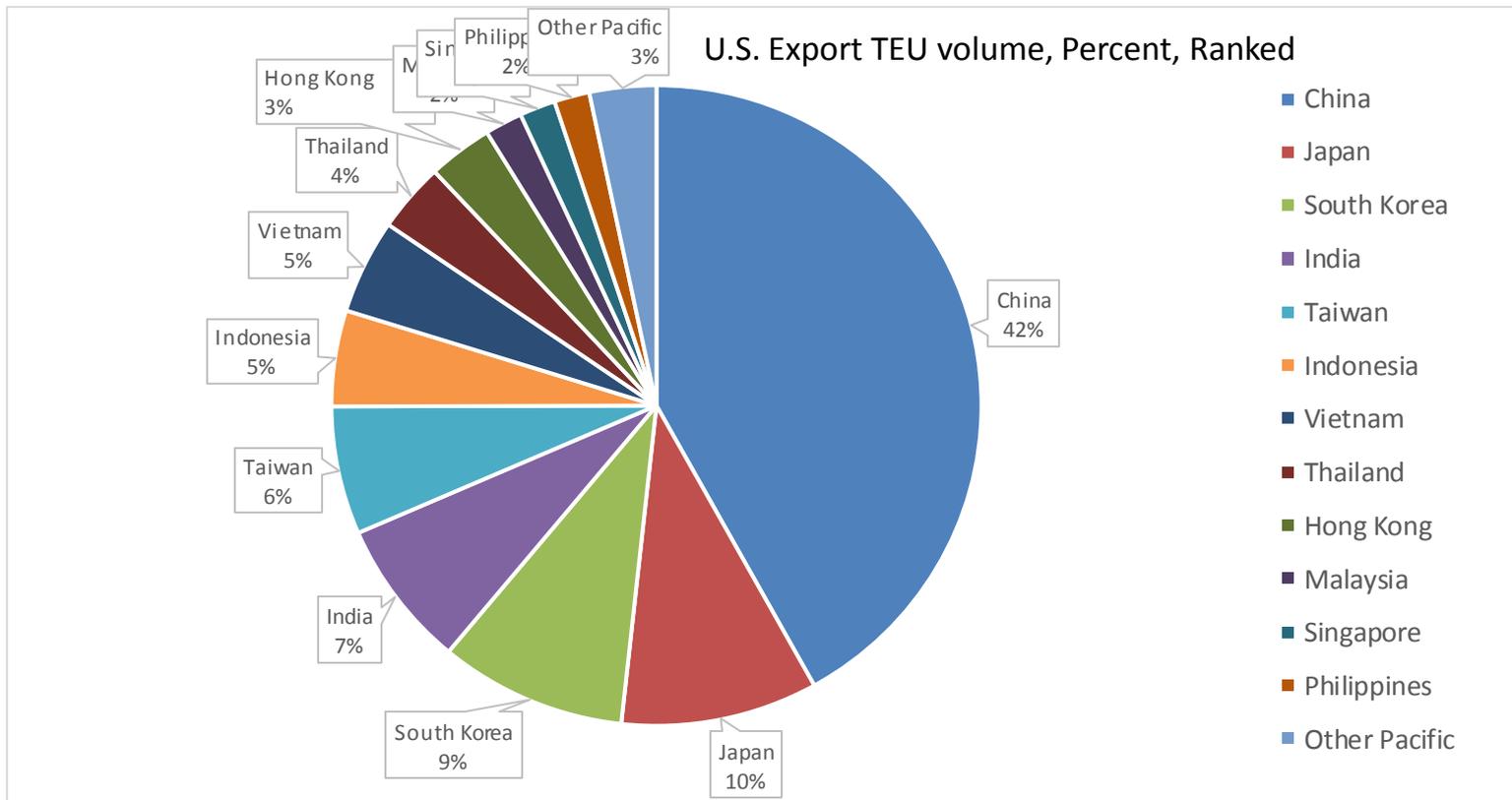
- U.S. CBP describes dumping as when a foreign manufacturer sells goods in the U.S. at a below-fair value price, causing injury to U.S. industry.
- Anti-dumping duties are assessed “ . . . to bridge the gap back to a fair market value.” Anti-dumping cases are company specific.
- Countervailing duties are used to offset individual foreign government assistance and/or subsidies to manufacturers that export goods to the U.S., if they are sold in the U.S. cheaper than domestically-produced goods.
- U.S. CBP says AD/CVD cases accounted for 4% of 2017 U.S. imports. Yet duties as high as 400 % — can greatly impact trade.
- The more active the U.S. is with AD/CVD, the more U.S. exports face retaliation from those foreign countries hit with the duties, including China.

# World GDP Growth Rate Differences Underlying Potential Tariff Impacts, Varying by Country/Region



Source: IMF 2018

# China Trade Dominates U.S. Exports to Asia: U.S. – Asian Export Partner Country Shares in 2018

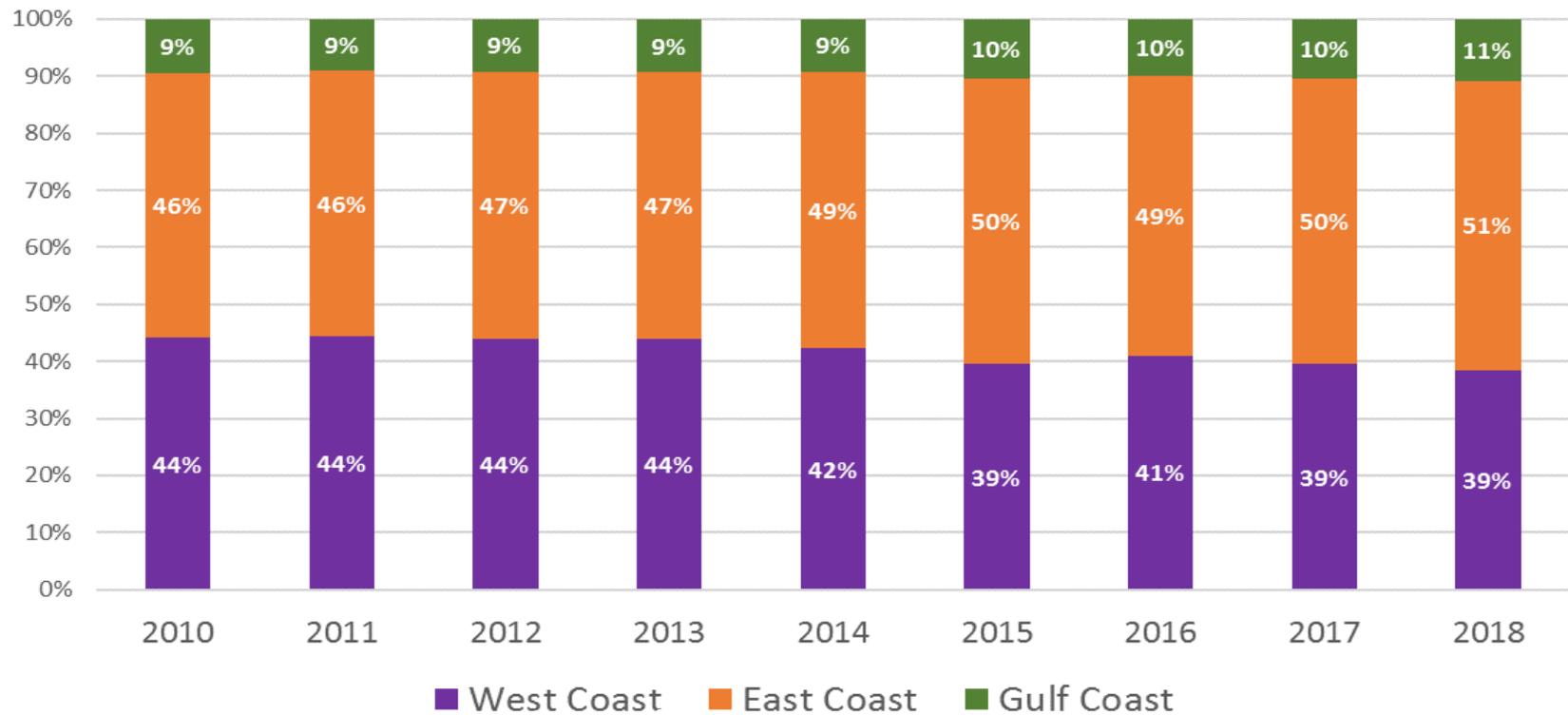


Source: IHS Markit World Trade Service

# Baseline 2018 U.S. Containerized Export Forecast, Coastal Shares

East and Gulf Coasts Slightly Gain on West Coast

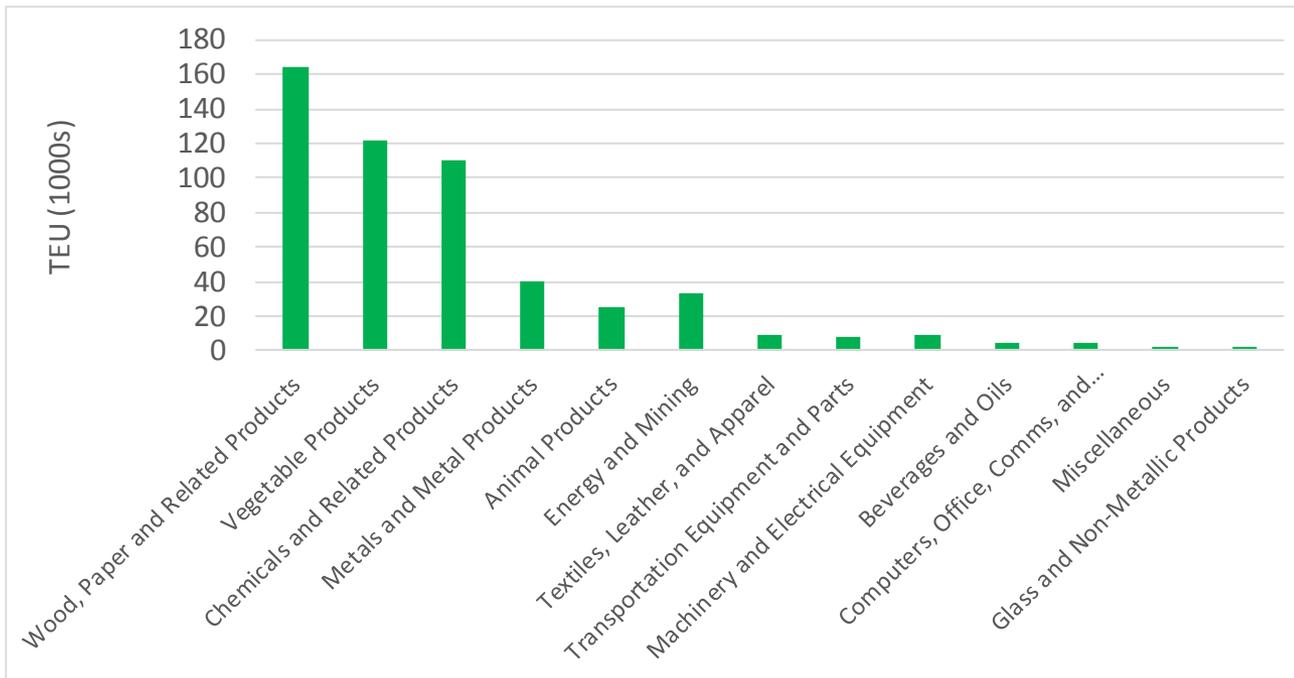
US Exports



# Baseline 2018 U.S. – Asia Commodity Export Forecast: Wood, Paper and Vegetable Products Top the Volumes

China's tariffs affect some top-volume U.S. export categories

(TEU Volume Change (1000s) in U.S. Transpacific Exports, 2018 vs. 2017)



The 3 largest volume:

Wood, Paper Products  
(Lumber, Paper /  
Paperboard, etc.)

Vegetable Products  
(Cotton, Food and  
Other Farm Products)

Chemicals and  
Related Products

Source: IHS Markit World Trade Service

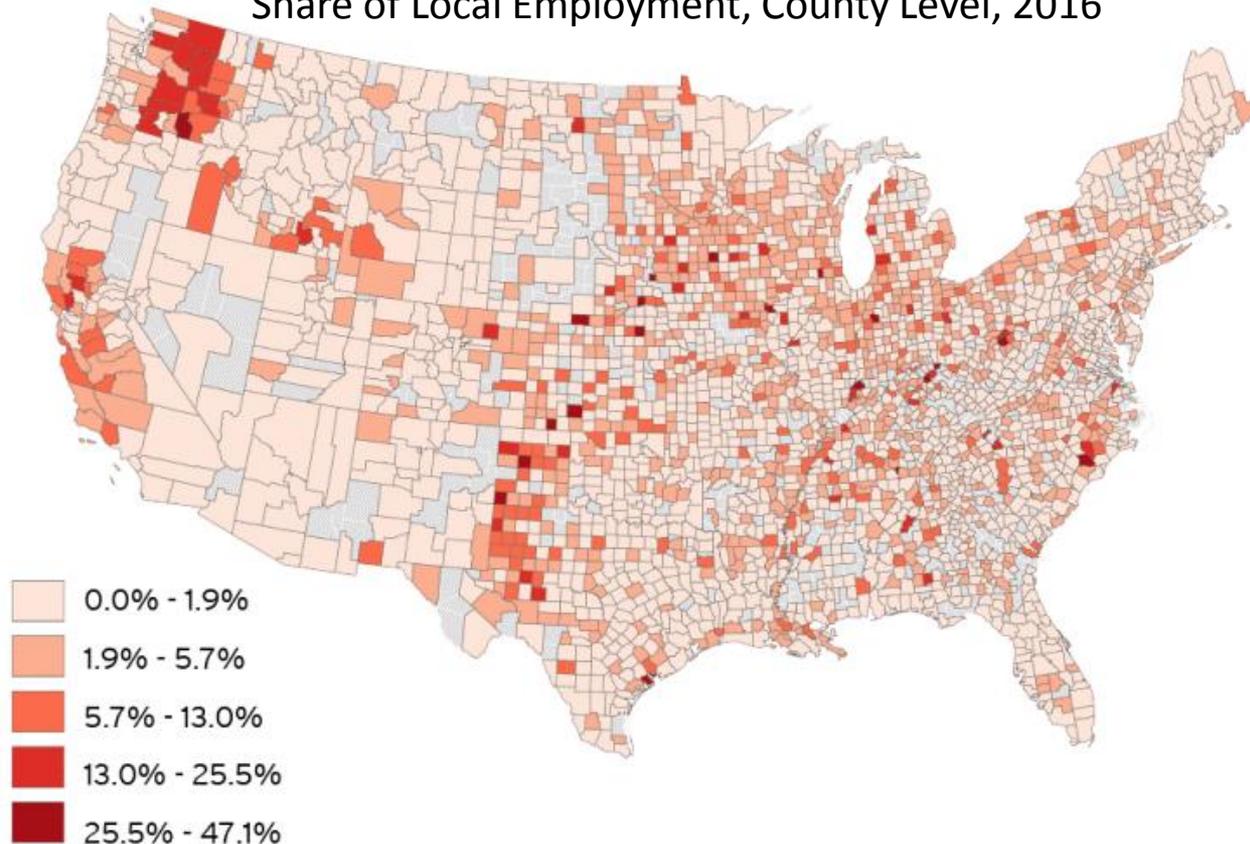
# Tariff Retaliation Outlook

- Retaliation almost certain if U.S. proceeds with tariffs
- China's retaliation to follow pattern of other countries, targeting high profile U.S. export commodities significant in U.S. politics, especially agriculture products
- If China's retaliation duties on announced commodities are imposed, impacts on U.S. agriculture export volumes would be significant in 2018
- Total U.S. economy less affected (< 0.1% drop in GDP growth)
- Additional retaliation risk if U.S. further expands import tariffs to other commodities
- Geographic distribution of U.S. workers affected by China's tariffs is broad, evidence of political impacts used in selection.

# Who is affected? County Employment Share of Industries Affected by China Tariffs on U.S. Exports

Over 2 million jobs are in U.S. industries affected by China's tariffs.  
However much less than half of those jobs are at risk, overall

Share of Local Employment, County Level, 2016



# Questions ?

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