

# Trump Policy of Foreign Trade

China Study Circle

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# Trump Policy of Foreign Trade

“trade wars are good, and easy to win”  
and offered a radical idea to cut America’s trade deficit:

“When we are down \$100 billion with a certain country and they get cute, don’t trade anymore – we win big. It’s easy!”

# Imposed Tariffs

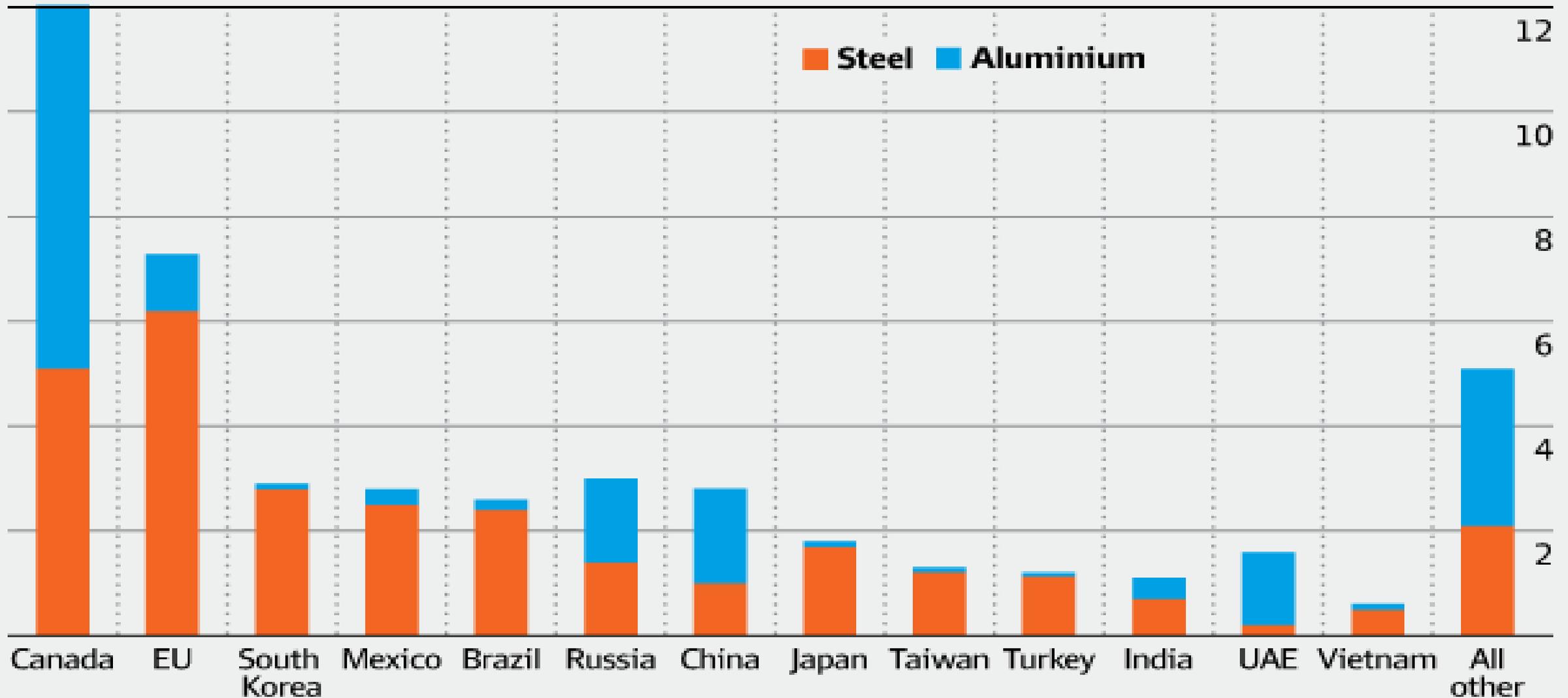
Trump has imposed 25 percent tariff on steel imports and 10 percent on aluminum .

Earlier Trump **imposed tariffs** on solar panels and washing machines

The recommendations came after the department found that the underperforming U.S. steel and aluminum sector posed a threat to national security.

Administration has advised against the measures, which will make manufactured products more expensive for all Americans and which could lead to big job losses.

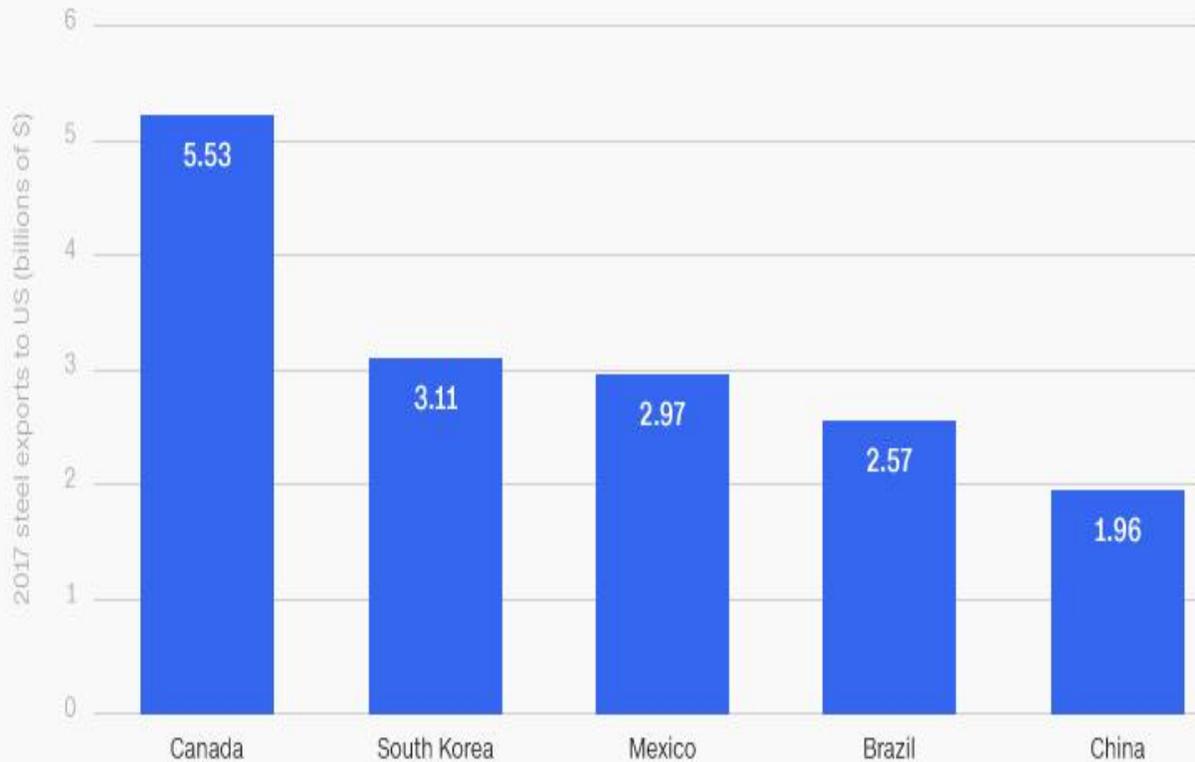
## US imports of steel and aluminium in 2017, by selected trading partner (\$USb)



SOURCE: PETERSON INSTITUTE FOR INTERNATIONAL ECONOMICS

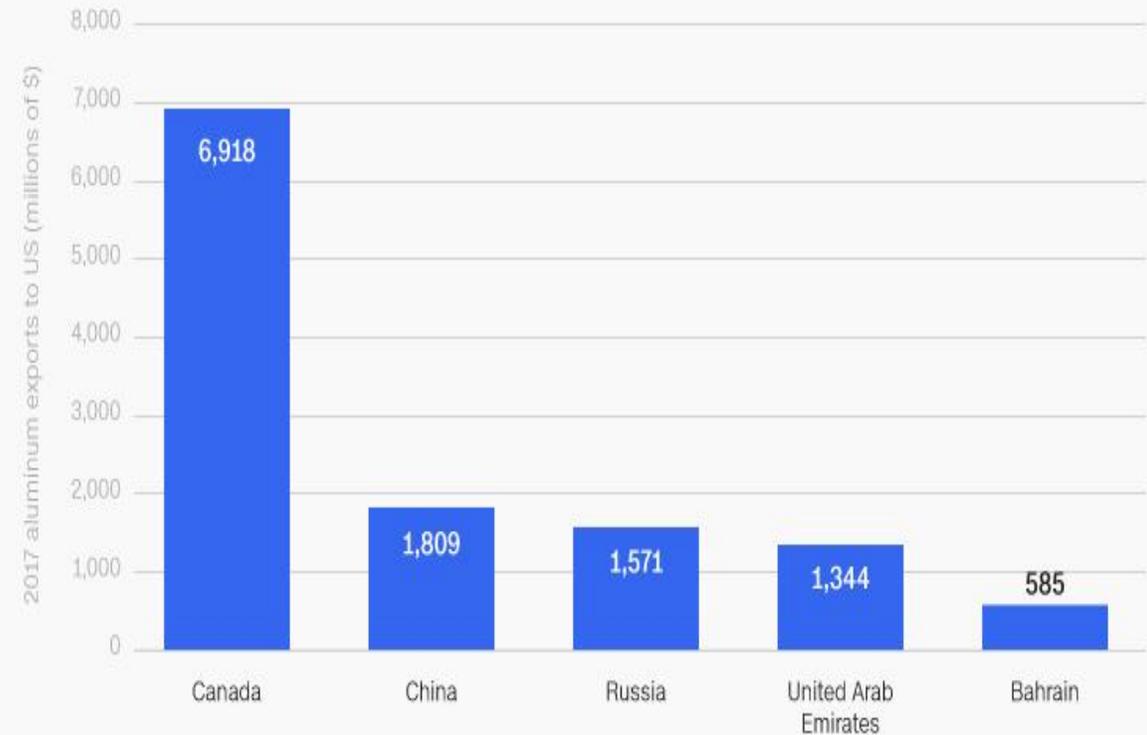
# Steel and Aluminum exporters to US

These are the biggest steel exporters to the US



SOURCE: WOOD MACKENZIE

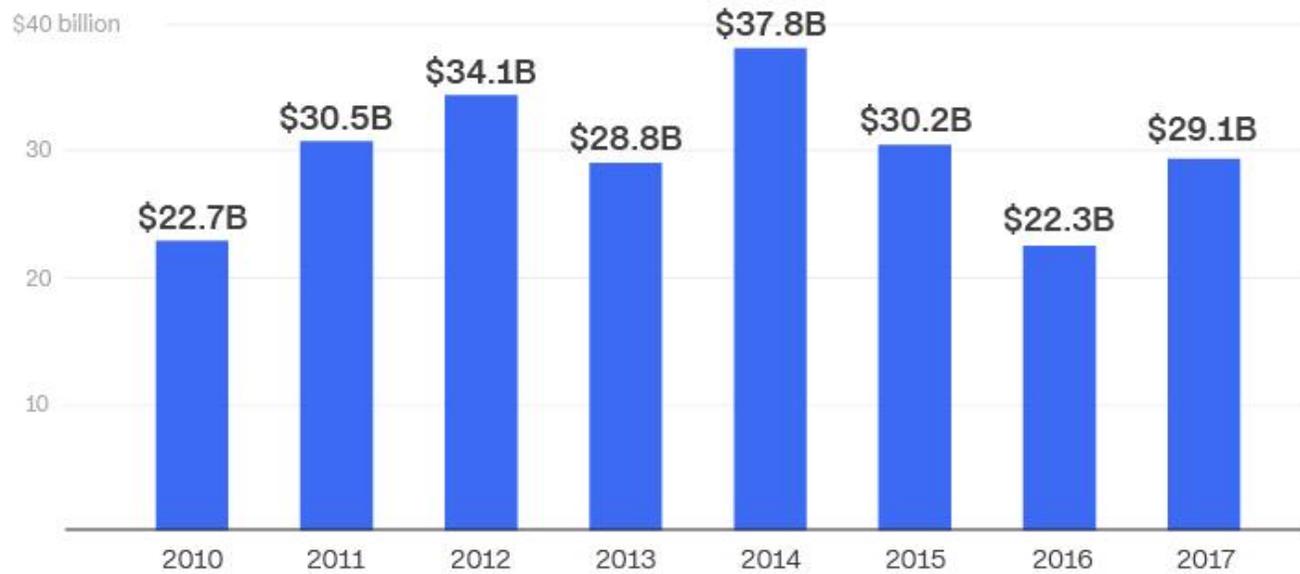
These are the biggest aluminum exporters to the US



SOURCE: PANJIVA

# US trade in Steel in billions

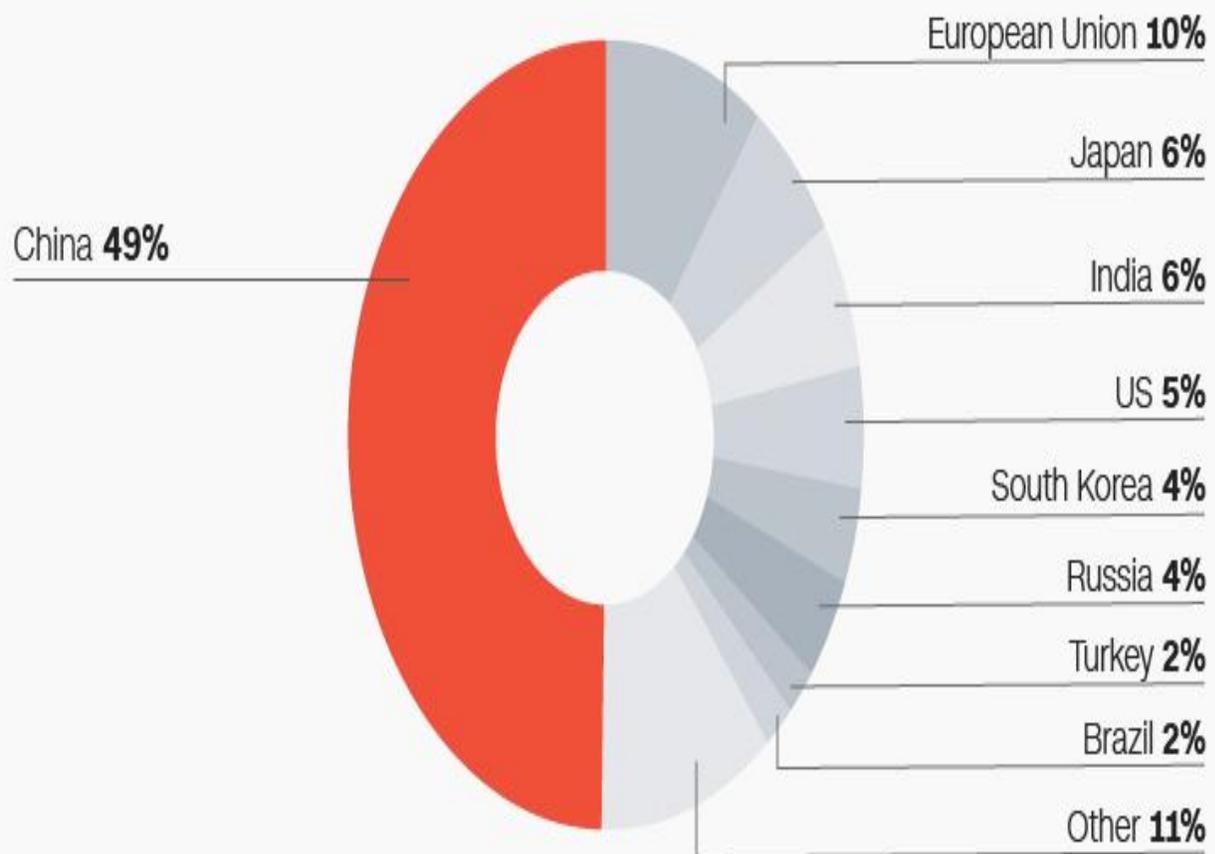
## US steel imports



SOURCE: US CENSUS BUREAU

# Top Steel and Aluminum producers

## Top steel producers

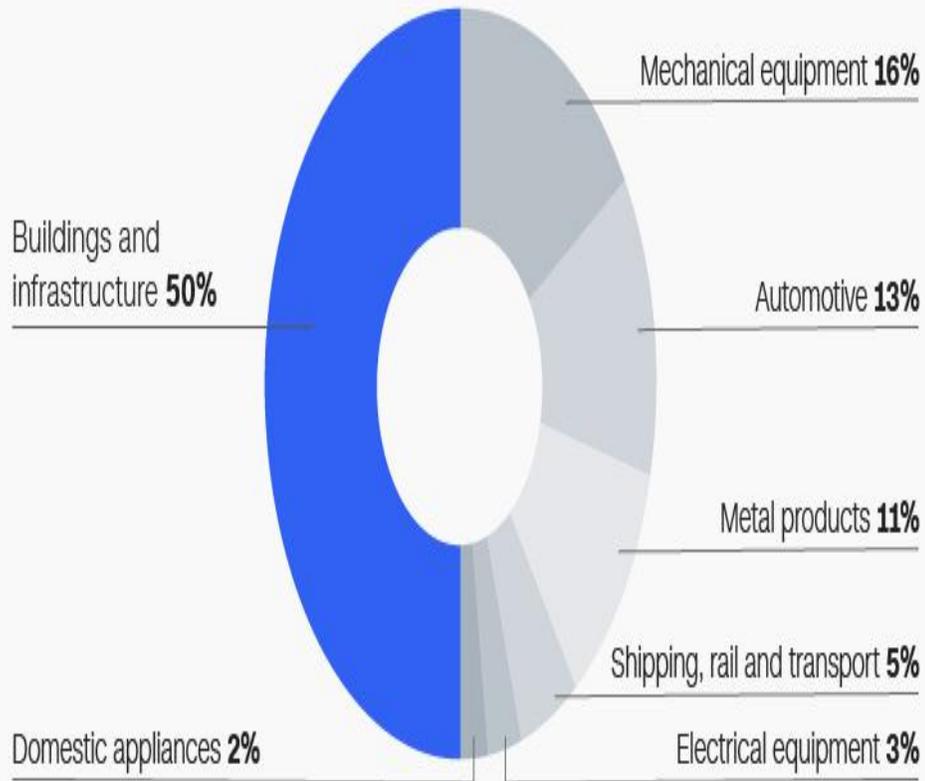


Source: Worldsteel, 2017  
Notes: Percentages rounded to nearest whole number.

1	People's Republic of China	23,300
2	Russia	3,500
3	Canada	2,940
4	United Arab Emirates	2,400
5	India	2,100
6	United States	1,720
7	Australia	1,680
8	Norway	1,200
9	Brazil	960
10	Bahrain	930

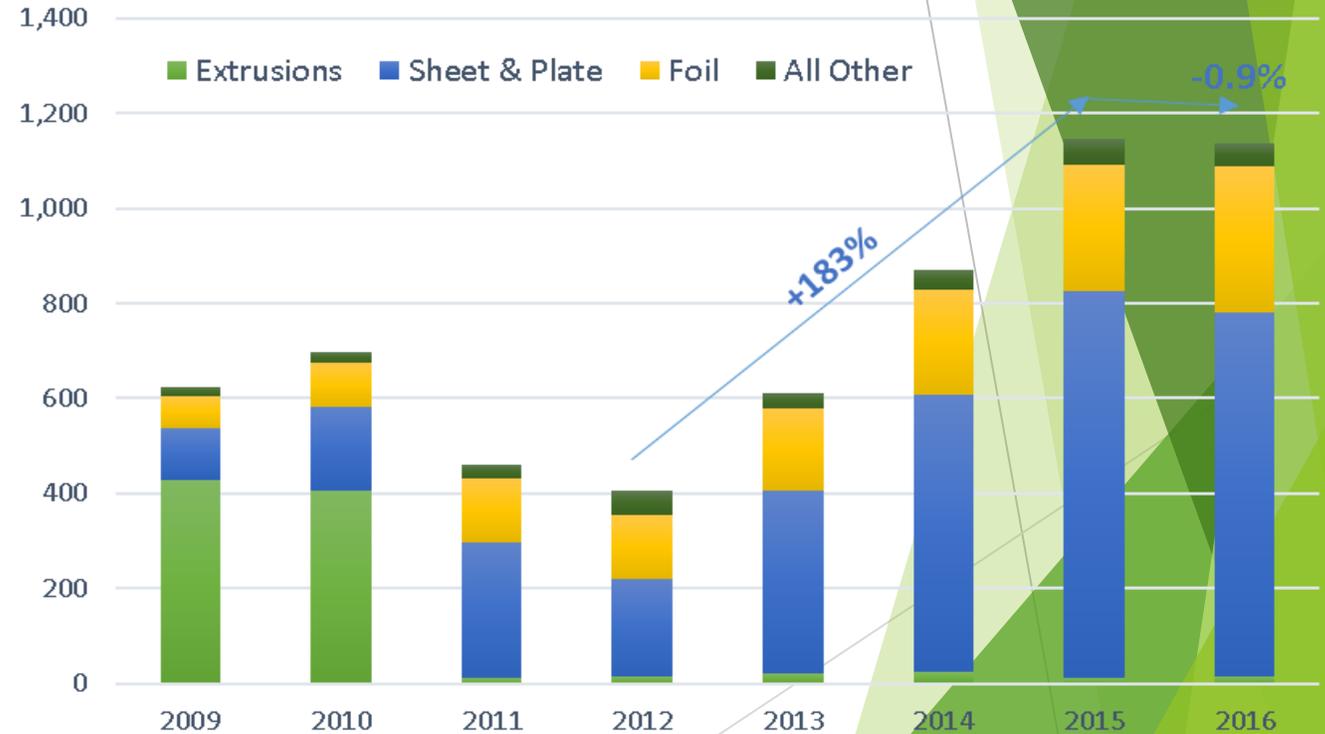


## Industries that use the most steel

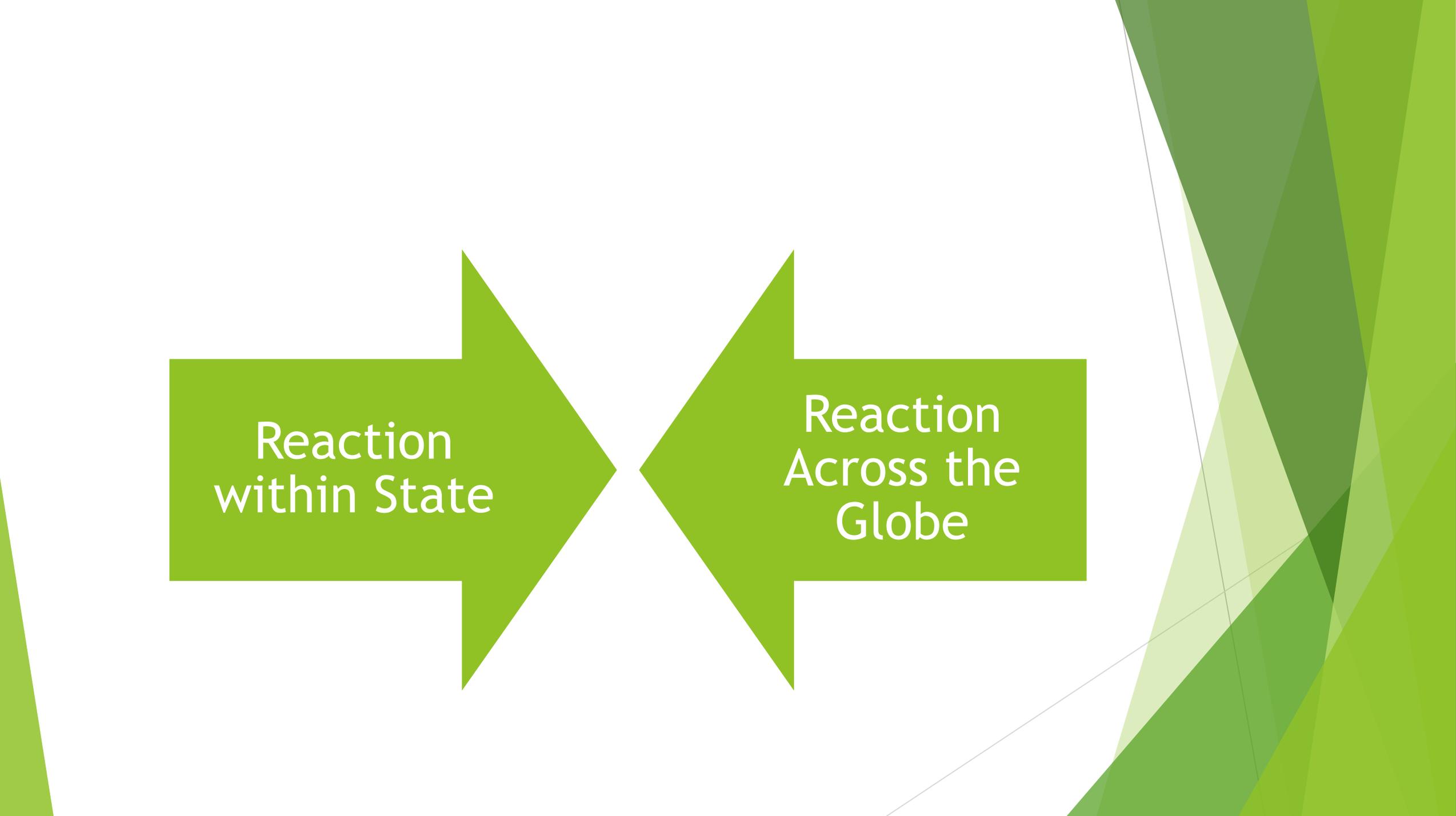


SOURCE: WORLDSTEEL

## U.S. Imports of Chinese Semifabricated Products (Millions Lbs)



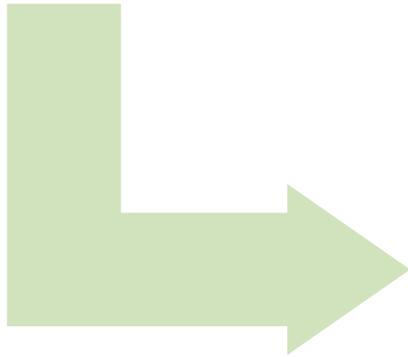
U.S. Census Bureau



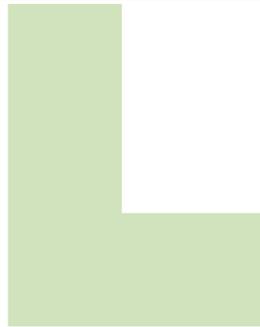
Reaction  
within State

Reaction  
Across the  
Globe

The president of the Federal Reserve of New York William Dudley, has said that “Although protectionism can have a siren-like appeal because of its potential to provide short-term benefits to particular segments of the economy, in the longer term it would almost certainly be destructive,”



The president's top economic adviser Gary Cohn, a supporter of free trade, resigned on 6 March .



More than 100 Republicans have signed a letter addressed to the president, expressing their "deep concern" about the tariffs.

# Response by Monterey Institutions

## IMF

International Monetary Fund head Christine Lagarde has warned "nobody wins" in a trade war, saying it would harm global economic growth.

## World bank

Kristalina Georgieva the chief executive of world bank said Trump should "assess the implications" before going ahead with a plan that has sparked fears of a trade war with China and Europe and spooked world markets

### China

China's foreign ministry criticized the "unreasonable and excessive" use of trade remedies "it will take necessary measures to safeguard its legitimate rights and interests." Earlier he slapped tariffs on solar panels and washing machines

### Europe

European Commission President Jean-Claude Juncker said that 'This is basically a stupid process, the fact that we have to do this. But we have to do it. ... We can also do stupid.'

EU official in charge of trade policy – Cecilia Malmström said: "We have made it clear that a move that hurts the EU and puts thousands of European jobs in jeopardy will be met with a firm and proportionate response."

## Trading partners Reaction

### Canada,

One of the biggest sources of steel for the United States and one of the biggest buyers of American steel, also reacted angrily. Foreign Minister Chrystia Freeland said tariffs on Canadian steel and aluminium would be "absolutely unacceptable."

### Mexico

Mexico expressly asked Washington to exclude it from any steel tariffs and will have "no option" but to retaliate with tariffs of its own if the US does not

# Tariffs vs tariffs

## ▶ China

- ▶ China's Customs Tariff Commission is increasing the tariff rate on pork products and aluminum scrap by 25 percent.
- ▶ It's also imposing a new 15 percent tariff on 128 other imported U.S. commodities, from almonds to apples and berries.
- ▶ China has said the affected U.S. goods had an import value of \$3 billion in 2017 and included wine, fresh fruit, dried fruit and nuts, steel pipes, modified ethanol and ginseng.
- ▶ The American pork industry sent \$1.1 billion in products, making China the No. 3 market for U.S. pork.
- ▶ The decision to target \$3 billion in U.S. imports is significant, but it's widely seen as a drop in the ocean given the size of the bilateral trading relationship. U.S. goods exported to China in 2016 totaled \$115.6 billion, according to official data.

## ▶ EU

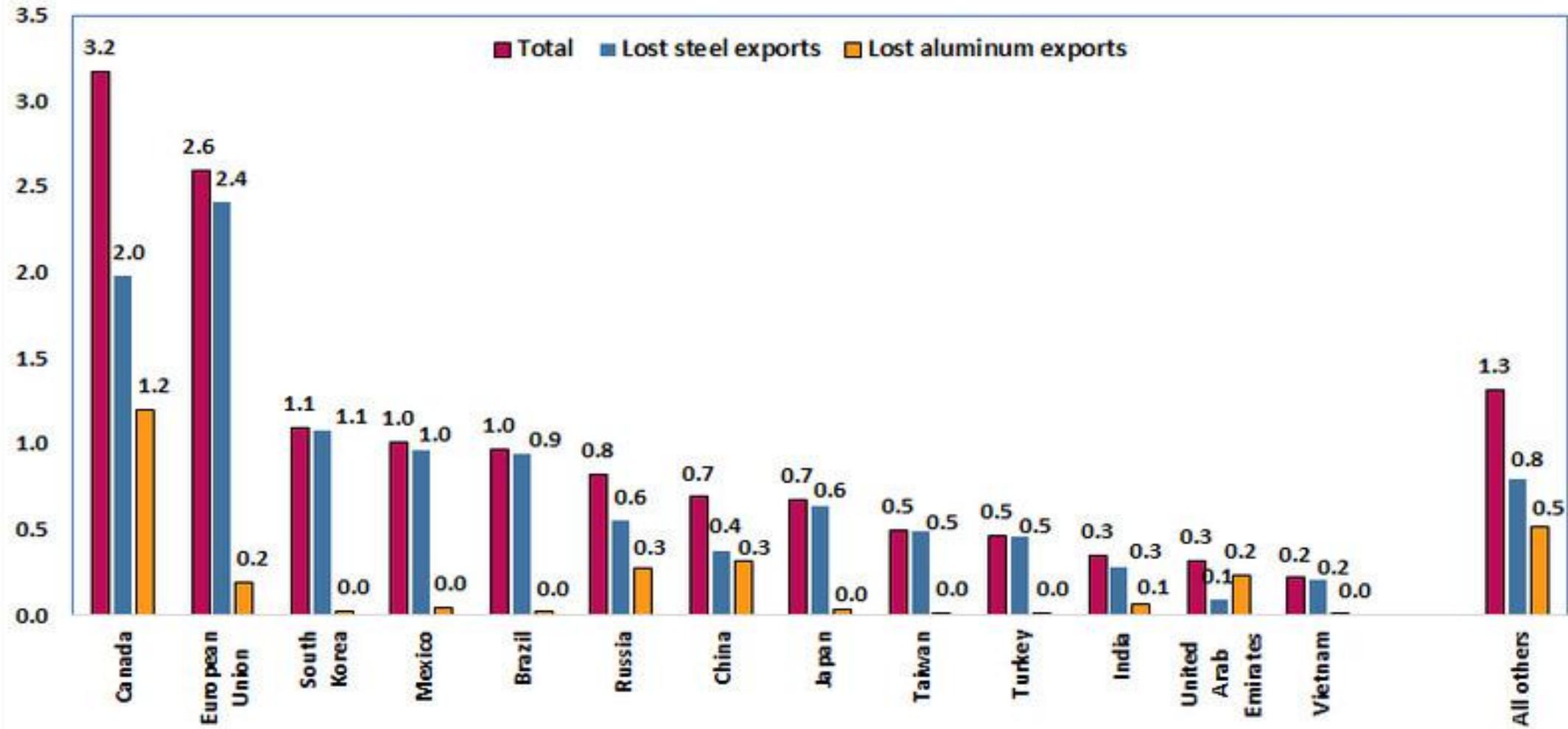
- ▶ The EU could impose levies totaling \$3.5 billion on U.S. agriculture, steel and industrial products, as well as iconic American products such as Harley-Davidson HOG 1.94% motorcycles.

## ▶ Canada

- ▶ Foreign Minister Chrystia Freeland said that “if restrictions be imposed on Canadian steel and aluminum products, Canada will take responsive measures to defend its trade interests and workers.”

**Figure 2 Estimated lost exports and retaliation limits if Trump imposes tariffs**

billions of dollars



# Analysis

Nobel Prize-winning economist Robert Shiller said, following China's first threat of tariffs on 128 products, that uncertainty about tit-for-tat trade measures could result in an "economic crisis".

Economic historians agree that the infamous Smoot-Hawley Act of 1930, which sharply raised tariffs on more than twenty thousand goods produced overseas and exported to the United States, didn't cause the Great Depression, but it did accentuate it as other countries retaliated with import duties of their own that lessen the trade.

At the start of 1930, world trade had been about \$2.7 billion. By the beginning of 1932, it was less than \$1.3 billion. Among the countries that imposed new duties on American exports were Australia, Canada, Cuba, France, Mexico, Spain, and New Zealand

Protectionism and globalization.

Dumping and China's already diversification,

# LITERATURE

- ▶ <https://www.csis.org/analysis/experts-react-steel-tariffs>
- ▶ <https://www.csis.org/trump-administrations-trade-policy-and-sino-american-economic-relations>
- ▶ <https://www.brookings.edu/blog/the-avenue/2018/03/06/how-trumps-steel-and-aluminum-tariffs-could-affect-state-economies/>
- ▶ <http://foreignpolicy.com/2018/03/01/here-comes-trumps-trade-war-steel-aluminum-tariffs-232/>
- ▶ <https://www.cfr.org/blog/why-does-everyone-hate-made-china-2025>
- ▶ <http://money.cnn.com/2018/03/02/news/economy/steel-industry-statistics-us-china-canada/index.html>